



NISPAcee

THE NETWORK OF INSTITUTES AND
SCHOOLS OF PUBLIC ADMINISTRATION
IN CENTRAL AND EASTERN EUROPE

Public Administration and Social Policies in Central and Eastern Europe

EDITED BY JAK JABES

THE SIXTH ANNUAL CONFERENCE HELD IN
PRAGUE, CZECH REPUBLIC, MARCH 18-20, 1998

NISPAcee

The Network of Institutes and Schools of Public Administration
in Central and Eastern Europe

Charles University

**PUBLIC ADMINISTRATION
AND SOCIAL POLICIES
IN CENTRAL AND EASTERN EUROPE**

Proceedings from the Sixth Annual Conference held in Prague,
Czech Republic

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Jak Jabes

SIGMA

University of Ottawa

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IN CENTRAL AND EASTERN EUROPE**

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Central and Eastern Europe)

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PUBLIC ADMINISTRATION AND SOCIAL POLICIES IN CENTRAL AND EASTERN EUROPE

*Jak Jabes**

A number of years after the beginning of the transition period of former communist countries, we can see the importance that a well functioning public administration has in advancing countries on their respective roads to reform. In the first years, NISPAcee put its efforts into understanding administrative reform in the central and eastern European region. However, together with public administration issues, serious public policy problems have surfaced due to the social transformations which countries are undergoing. Governments are faced with citizens who are demanding the social services to which they were accustomed. Paying for universal coverage has proved to be difficult. Governments face urgent tasks and challenges to reform the social policy field.

This recognition led the emphasis of the sixth NISPAcee annual conference to be placed on the social sector and its relationship to public administration. The Conference was structured around three working sessions that dealt with the main theme and three working groups which met to continue discussing and working on topics which had generated considerable interest in past conferences, together with those topics which were suggested more recently by NISPAcee members.

Social Reform in the Context of Economic and Political Transformation

The legitimacy of the new regimes which are governing countries in transition depends on the preservation of social peace. The economic restructuring, necessitated by shifting a communist economy to a market economy, has resulted in income inequality, unemployment and crisis and

* Senior Counsellor, SIGMA (Support for Improvement in Governance and management in Central and Eastern European Countries), France. Sigma is a joint initiative of the Organisation for Economic Co-operation and Development and the European Union, principally financed by the European Union's PHARE Programme. Sigma's goal is to support the development of effective public institutions which can sustain market economies, provide a base for pluralist systems of governance and implement public policies. The author is on leave from the Faculty of Administration, University of Ottawa, Canada. The ideas expressed in this article do not necessarily represent the official view of the OECD, the EC, or Central and Eastern European countries participating in the SIGMA programme.

even the collapse of some social services. This working session examined the capacity of central and local governments to govern and pursue the necessary social reforms. Different countries of Central and Eastern Europe differ, not only economically, but also in their cultural understanding of the role the state must play. Discussions showed that in the course of transformation, the diminishing role of the state cannot be understood as in liberal economies. The state must create the framework and environment in which social policies are reformed. This role is all the more important because the transition process has exhausted social resources.

Systems of Social Security: Unemployment, Youth and the Elderly

There is ongoing debate on how to transform former social security systems in order to make them more responsible to the needs of citizens, to make professionals more accountable and the public more aware of the causes and effects of reforms. In order to look at these issues, attention was given to unemployment, youth and the elderly, especially by studying human capital and the way it is formed and utilized in the region. Available policies, sensitive issues related to potential deterioration, state employment policies, pension systems and the role that European Integration plays in relation to these systems, were discussed. The debate showed that countries were using income tax as a social policy tool. Legislation gaps exist in all countries in relation to unemployment and labor market policies. Demographic pressures in the process of transition, together with cuts in the government budget, are leading to preferences for an efficiently workable system and are being influenced by the World Bank recommendations. In order to respond to the transformation of pension schemes, countries are contracting out to additional private schemes.

Health Care Reform and Health Care Management

One of the hardest hit targets of social transformation in central and eastern European countries has been the provision of health services. Ongoing studies attempt to find the means for financing health services with the division of responsibility between central and local government. Countries must manage the ongoing reform of the health sector and communicate this to their citizens. This working session concluded that there was no single model of health care reform in the central and eastern European region because of contextual preconditions which include the quality of civil society, education levels, quality of reformers and the problems associated with standards of living, etc.

Using Public Opinion Surveys in Public Administration

There is a strong sociological tradition of measuring attitudes in Central and Eastern Europe. This interest has been revived since transition. The introduction of the widespread use of public opinion surveys to measure citizens' reactions to transition and acceptance of performance of central and local government institutions has led to many interesting impact studies. Surveys help to democratize public administration as well as providing information for more efficient functioning of policies. During communist times, the public administration was not interested in surveys because it was self-centered. Feedback did not seem relevant. In our days, surveys can act as an instrument of communication between citizens and administration. The discussion during this working group attested to a richness of data and variety of types of surveys, as can also be seen from the contributions to this book.¹

Public Administration Reform

The newly emerging democratic regimes in Central and Eastern Europe are creating their institutional structures in politics as well as in public administration. The effectiveness and efficiency of serving the needs of people depends, to a large extent, on how successful the institutional arrangements in terms of coordinating conflicting interests, providing mechanisms to constrain behavior, and balancing between stability and change, are. The relationship between politics and public administration is a reciprocal one, but one that is not without complications. These can be the result of various influences and reasons and are embedded in the functions and operations of political and governmental institutions and in the functions and operations of public administration institutions. The affinity between politicians and civil servants is an important part of this relationship.

The papers submitted for this working group and the interests of participants quickly led to two sub-groups being formed. One group was interested mainly in the relations between the political and the administrative levels. The second group focused more on training strategies necessary to foster a reform atmosphere. The first group devised an agenda for future research which would revolve around an inventory of political-administrative relations. The group agreed to work around a protocol for individual

¹ For a more in-depth approach to the uses of surveys see Sigma Paper No. 26, "Public Opinion Surveys as Input to Administrative Reform", Paris: OECD, 1998

country studies. The second group focused its interest on best practices in training.

Executive Development in Local Government

The importance of grassroots democracy was quickly understood in central and eastern European countries. The difficulties faced by untrained and unprepared local politicians was often media news, but also captured in opinion polls. Those interested in the local administration have strongly advocated the need for training local politicians but also local civil servants. This working group was interested in studying workable and effective approaches to the training and development of chief executives in local government in transitional economies. The management needs, together with environmental prerogatives are a challenge to those who will lead at the local level. Executives must become trained in executive skills, organizational development skills, and technology and work process skills.

Conclusions

The debate during the sixth NISPAcee annual conference showed a predilection for practice rather than theory. Participants were observant of social transformations occurring in their respective countries and the papers presented are rich in data, detail and observations of the situation. These papers show that policy makers and researchers, analysts and stakeholders do not necessarily agree on the policy problems of the region, leading to misunderstandings at the definition and explanation level. This is mostly cultural in that different countries have had different experiences, but also applies to different policy professions making different assumptions on human nature and on ways to solve policy problems through social actions. However, the role the state should play remains at the heart of the social policy debate. The variety of contributions suggests that this topic will continue to receive attention at future NISPAcee conferences.

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The Steering Committee of NISPAcee would like to thank: the Federal Chancellery of the Austrian Government, particularly the Austrian Federal Academy of Public Administration; SIGMA (Paris) and Charles University, especially the Department of Demography and Geodemography of the Faculty of Science, for their support in planning and organizing the sixth NISPAcee annual conference. Ludmila Gajdasova, the Executive Director, Viera Vallnerova, Program manager and Juraj Sklenar, Assistant of NISPAcee worked hard to ensure the smooth running of the meeting. The Czech substantive contribution to the program was organized by Martin Potucek. This was the best attended and most successful annual conference since NISPAcee began these events. This success was to a large extent due to the excellent organizational skills of Tomas Kucera assisted by a small group that included Olga Kucerova, Miroslava Maskova, and Jan Kuranda. Anita Weiss-Gänger hosted the Steering Committee meetings in Vienna facilitating the planning of the event. Jane Delarue from SIGMA worked closely with the NISPAcee secretariat to facilitate travel to Prague. As in previous years, she took on the responsibility of preparing the manuscript for publication. It is thanks to Jane that the proceedings of the sixth NISPAcee annual conference have seen the light of day.

INTRODUCTORY PAPERS

SOCIAL POLICY IN THE CZECH REPUBLIC

*Jaroslav Dostal **

In this paper I would like to give you some brief information about the reconstruction and transformation of the social benefit system which has been ongoing in the Czech Republic since 1989.

Amongst the basic principles of the entire social and economic reconstruction at the end of 1989 was the demand for the reform of the social system. Targets were set for this system to reduce state paternalism and increase the participation of citizens in the tackling of their own social situations. The aim was set to reduce the dependence of families on social incomes and reduce the share of social expenditure in the gross domestic product. The requirement was stated that the social policy should be targeted and leave its former egalitarian blanket coverage whereby various benefits, especially for families, were distributed equally to everyone, regardless of their true needs.

The social policy or, to be more precise, social redistribution was no longer to deform the primary social layering of society which was created on the labour market, but rather to correct its socially inadequate consequences and harshness. On the other hand, it was demanded that real social protection should be assured for those who demonstrably required it, to the extent they required it and independent of their own efforts to overcome a difficult social situation.

The social policy played two basic roles in the transformation period. The first was the instrumental role. Social policy became the instrument which made it possible to compensate for the unfavourable social consequences of the individual stages of the economic reform, to protect socially threatened groups of citizens and to ensure the political passing of the economic reform.

The second role was conceptual. Its task was to create such systems of social protection for citizens as would correspond to the new requirements of a democratic state with a market economy.

Ensuring both these roles simultaneously was extremely difficult because actual social protection had to be realized without the aid of suitable

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benefit systems which should have included the possibility of taking the incomes of individuals and families into consideration, in other words, differentiation of assistance. It was a risk to raise certain benefits because it was uncertain whether they would be retained or abolished in the newly conceived system in the future. For this reason, individual measures, for instance in the sphere of family support, were very conservative and cautious. It was necessary to select a whole series of specific procedures and practices which made it possible to fulfill the role of social protection.

In the case of family support benefits, for instance, it was not technically possible to introduce the testing of family incomes as a criteria for the level of assistance given. We therefore proceeded in such a way that on principle there was no increase in those allowances due to all children, such as child benefit, but steps were taken to raise those allowances which depended on some serious social situation in the family. Thus the contribution on the birth of a child was increased repeatedly as was the parental benefit provided to a parent caring for a child under the age of 4 and other benefits. The income test was provisionally replaced by a test of the urgency of the social situation. In spite of the fact that in this way the actual value of state support for families was considerably reduced, this process was accepted by the public.

At the very beginning of 1991, the Government adopted a protective social network programme as a certain guarantee of minimum protection, especially ensuring basic living requirements, the protection of labour forces in the process of structural reconstruction and the guarantee of a minimum wage. This guarantee was maintained and contributed to the stability of development. The protective social network system includes two types of measures - the active, i.e. the active employment policy, and the passive, i.e. social protection by means of monetary benefits.

We consider it very important that in 1991 the living minimum was codified as the official poverty line and the valorization mechanism for this minimum was also determined according to any increase in the cost of living. The decision on a living minimum made it possible to determine the basic logical relations of minimum income quantities such as the minimum pension, minimum wage and minimum social care benefits. The living minimum became a much-used instrument, not only for defining the territory of poverty, but also, with the aid of multiples of the living minimum of the family, an instrument was acquired for measuring the distance of a specific family from the poverty line. It can be said, therefore,

that approximately twice the living minimum now represents the average income per head and that only 10% of families have an income more than three times the living minimum. This gives us a relatively transparent view of the social-economic situation of families, the conception of individual measures and analyses of their costs.

Further principles were also implemented in the conception of social-economic measures. Thus, for instance, with each economic step taken, the social consequences were analyzed in detail to see whether they would not lead to exceeding the bounds of social tolerability for some social groups and essential compensatory measures were taken to avoid social conflicts. This procedure is still ongoing today. We have defined the bounds of social tolerability as “the limit of the infringement of social conciliation up to which the population is willing to support the practical steps of economic reform and bear their eventual negative consequences in a disciplined manner”.

An important part was also played here by the fact that, as opposed to the previous regime, the new leadership of the state made all measures public, even those which had negative social consequences. They systematically announced them in public and in advance, stated what the consequences would be and what protective social measures would be taken. There was also the fact that some prices of key services and goods are not completely liberalized and are controlled by the Government. These include, for instance, the prices of housing and energy, and increases in these are still accompanied by compensatory measures in favour of those with low incomes. Doubts are already arising, however, as to whether this protection is not now excessive and whether it is not placing groups of citizens with medium incomes at a disadvantage resulting in a number of social and political consequences.

Simultaneously, work was also carried out on the new system of social protection and here the conceptual role of the social policy was realized. It began with a general inventory of all social benefits and the formulating of the criteria for their classification. We asked ourselves questions such as, whether the allowance replaces income or whether it brings the income up to a certain level; how its level is determined; what its aim is; how is the distribution of the benefit organized; by which subjects and from where its valorization mechanism is derived, etc. We were forced to come to the conclusion that the inclusion of the benefits in individual systems was illogical, chaotic and had happened haphazardly depending on the social-

political requirements of the moment. On the basis of this analysis, we terminated certain benefits and the remainder - roughly one third - was divided into three benefit systems. This delimitation gave us an exceptional chance. It meant that we were able, to a considerable extent, to build up the entire system of benefits de facto “right from the very foundations” and define as precisely as possible both the basic difference in principle of the individual systems and also their mutual connections, borders and areas of friction.

The entire social system is based on three fundamental pillars:

- social insurance
- state social support
- social assistance

In the system of social insurance, citizens reserve part of their consumption in order to cover any future social circumstances. In the system of state social support, the state strengthens in particular, incomes of families with children with the aim of preventing the decline of large groups of families to poverty level and enabling the settlement of agreed social situations at a socially acceptable level. In the third system, social assistance, the state guarantees a minimum level of assistance for the basic living requirements of those who are incapable of ensuring their own requirements. The social services are also a part of this system.

The first system - social insurance - is financed from the contributions of employees and employers. The allowances paid out from this system are the replacement of wages and their level depends on the level of earnings during the period of economic activity and on the length of insurance.

The system of social insurance includes pension insurance and sickness insurance. Here it is also necessary to mention a system which we might call a certain quasi-insurance - this is the state system of the employment policy which is also conceived as a contributory system directly connected to the state budget.

Whereas with sickness insurance no conceptual changes were made within the framework of the social reform, the reform of pension insurance took place in connection with the reform of the social system as a whole. Throughout the transformation process during the period 1990-1996, a pension system was created based on two tiers:

- the basic obligatory system of pension insurance,
- voluntary additional pension insurance with a state contribution.

The concept of the system of basic pension insurance is based in the Czech Republic on the following principles:

- the system is obligatory for all economically active persons;
- the system is uniform (there are no differences between branch or profession, not even for state officials or minors);
- it is based on social solidarity with a relatively high redistribution of income;
- it is based on current financing;
- it is based on the principle of defined allowances replacing income in the case of old age (old-age pension), disablement (full or partial disablement pension) and death (widow's, widower's and orphan's pensions);
- the construction of the allowances is a combination of two components: the basic measure (around 25% of the pension) and the percentage measure (around 75% of the pension);
- the state guarantees the system economically and legally:
 - the relationship of the average old-age pension to the average net wage has been relatively stable during the past few years and amounts to around 57%;
 - the system is administered by a state institution and the expenditure of the system is part of the state budget.

In 1994 the Law No. 42/1994 Sb., on additional pension insurance with a state contribution, came into effect. Additional pension insurance was introduced by this law as a superstructure over and above the basic system of pension insurance which expands the possibilities within the framework of which citizens can participate, according to their individual situation, in safeguarding their future by means of long-term savings which are further enhanced by the contributions made by the state.

Additional pension insurance with a state contribution can supplement the basic system basically in three ways:

1. It raises the level of pensions from the basic system of pension insurance and thus contributes to lessening the negative consequences of the drop in income on retirement.
2. According to the law, it is possible to receive old-age pension in additional pension insurance from the age of 50 years. The additional insurance therefore also enables early retirement.

3. Within the framework of additional pension insurance, it is also possible to introduce allowances in the case of vocational disablement, the settlement of which was excluded from the new basic system.

The development of pension funds with companies ensuring the functioning of additional pension insurance should also make a significant contribution to the development of the economy by vitalizing the capital market. The capital which may be accumulated within the framework of pension funds is extremely advantageous in that it is available on a long-term basis and is relatively easy to estimate when and at what level it will be needed for the paying of allowances.

The more important effect of additional pension insurance with a state contribution on the level of pension insurance of citizens cannot be expected before the year 2005, by which time the level of pensions from this system will have reached a higher level.

Additional pension insurance is based on the following principles:

- Participation in the system is voluntary.
- Additional pension insurance relies consistently on the relationship between the pension fund and the citizen and not on the relationship of pension fund - employer - employee.
- The social nature of these systems is laid down by the fact that the major part of the profit from the economic activity of the pension fund must be used solely to the benefit of participants in the form of additional pension insurance. The social nature of these systems is evident by the fact that a contribution is made to each participant in the system by the state budget and thus from the incomes of all taxpayers.
- Pension funds and their financial management is based on the principle of long-term savings.
- The level of pensions is determined basically according to contribution-defined pension plans on the principle of equivalence.
- The method of financing is exclusively capital financing.

The second system - the system of state social support - re-allocates means through the state budget mainly to families with children. This system consists of 9 benefits and favours families with low incomes and those who have several further social handicaps such as a disabled child or parent, studying away from home, etc. This system incorporated 25 different laws with 85 valid readings and created its own system of centres of payment. The majority of the allowances in this system were previously paid out by the employer.

In the course of the conception of the three systems mentioned above, there were also new definitions of some benefits. Formerly, for instance, the child allowance came from the sickness insurance and the opinion was adopted that it be a benefit of state intervention in favour of families. This had significant consequences. Whereas formerly, only the children of working insured persons were entitled to child allowance, the allowance has now become a right. This also applies to the funeral allowance.

Originally it was proposed that all allowances from state social support be income-tested, i.e. entitlement to receive them and at what level depending on the family's income. The result of the political consensus was, however, that 4 out of the nine allowances be means-tested. One peculiarity of this system is the use of multiples of the living minimum both for determining the level of the benefit and for determining the income limit for payment. Due to the fact that the living minimum is linked to the development of the cost of living, this benefit system automatically follows the cost of living and maintains the real value of the benefits. The system came into effect in January 1995 and we must say that it has proved to be very successful.

The third system is social assistance. This is intended to settle the difficult social situations of those who are incapable of dealing with them by themselves. On the one hand there is the problem of poverty, i.e. insufficient income and on the other, the entire sphere of social services for the elderly and physically handicapped, social-legal protection and social prevention, etc. In spite of the fact that work has been ongoing on this system (it will be codified by the Law on Social Assistance) for 5 years now, it is undergoing complicated development and at the moment, the material intention of this law is ready for discussion in the Government. This is a sensitive area and it seems that the completion of this law has only now become possible because society is dividing up into social layers somewhat more transparently, the level of the individual income layers is being defined and the public understands more precisely the problems of poverty and the instruments which are essential for controlling it.

The individual systems are of different importance. The citizens' share in them also differs. Almost all citizens are socially insured and expenditure on benefits of social insurance represents 10% of GDP. In the system of state social support, approximately 60% of inhabitants of the state participate as recipients who are either parents or children of dependent children. Expenditure on this system represents approximately 2.2% of GDP. The

least expensive, but socially important system of social assistance concerns around 4% of the population and expenditure amounts to approximately 0.5% of GDP. The share of expenditure on the system of social insurance in the gross domestic product is stagnating, but the share of expenditure on the systems of state social support and social assistance, on the contrary, is decreasing.

THE CZECH SOCIAL POLICY REFORM

Martin Potůček *

Introduction

Social policy can be analyzed from many angles. In this paper, I would like to focus on the formation of the social policy in the Czech Republic since 1989 as primarily a political process, in which political priorities, doctrines, and ideas of the participating actors have played a significant role.

The transformation of social policy and its institutions in post communist countries of Central and Eastern Europe is an important field of research for several reasons. The first is the nascent character of these countries, in which the state tried to ensure all key functions of social policy with varying success, sometimes even to the detriment of economic effectiveness and the political freedom of its citizens. The second reason is the difficulty of establishing the relative importance of social policy reform, taking place concurrently and interacting with, political and economic reforms. The third reason is the steady process of introducing these countries to the value system and institutional framework of the European Union. This process prompts questions of the compatibility of emerging socio-political institutions, as well as the need to clarify, at least generally, the desired model of social policy in preparation for the time when the term “member states of the EU” is also applied to the countries of the CEE region. The fourth reason is the assumption that this study will contribute to an improved understanding of what in many texts is subjectively and simplistically termed the “crisis of the Welfare State”, a process I would prefer to call a difficult, although relatively successful adaptation to the transforming conditions of contemporary societies in the Euro-Atlantic cultural sphere.

1. State of the Country at the Beginning of its Transformation

Although this study primarily focuses on analyzing the factors of the transformation of social policy, it is necessary first to introduce the significant economic, social political, and cultural conditions in which social policy functions. These include:

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- the accumulative economic resources of the country and the inherited method of dividing these resources amongst the population. It can be said that at the beginning of the 1990's, the Czech republic possessed a relatively large per capita gross domestic product, a small external debt, and an egalitarian method of distributing economic resources. This created a stable starting point for societal reform because there was not an enormous rift between the wealthy and the poor.
- the economic infrastructure and the reform process of property laws. Here, the Czech Republic, as a traditionally industrialized nation, was also at a relative advantage despite its out-of-date industrial infrastructure and its burdensome orientation towards eastern markets. The transformation of ownership rights (privatization) was, for the most part, successfully carried out, although the underestimation of the need for a solid legal framework for such changes and a regulative role for the state, resulted in significant state budget losses.
- the capacity and effectiveness of the state apparatus. Despite the justified critique of the many negative features which the state bureaucracy inherited from the previous regime, certain Czech ministries retained their highly professional culture of the former Austro-Hungarian administration. In contrast to the more advanced state of liberalization in both Hungary and Poland, the Czech state apparatus maintained a significant level of authority and competence up until the very last days of communism. It has been shown that in the first years after the revolution, this apparatus was able to prepare and implement significant reforms, specifically those that were tied to economic transformation. With the passing of time, weaknesses in the functioning of the state apparatus have become more evident, primarily due to the continued delay of reforms.
- the speed and versatility of political democratization, together with the political culture of the population, governmental stability in the first years after November 1989, and the level of political decentralization. Here, the picture is also rather inconsistent. It can be said that today the Czech Republic is a country with developed institutions of a representative democracy. On the other hand, a form of regional administration and self government, which would make possible the rationalization of many public social services, has not so far been established. In addition, the government elected in 1992 did not support the development of an independent civil sector able to mediate between the individual and the central authorities. Civil sector institutions (non-profit organizations)

exist, but they operate in and are influenced by an environment of significant legislative inexactitude and a political atmosphere which keeps them in an inferior position.

2. The Development of the Political Framework of the Welfare State

Although in the analysis of concrete social policies, periodization can be varied, and seven years after the political transformation can be too early for formulating concrete positions, the development of Czech social policy after November 1989 can be divided into four phases. These phases always coincide with the governing periods of the different Czech post-November governments.

1st Phase: December 1989 – June 1990

During this phase the conceptual foundations of pending reforms were discussed and clarified and some of the social privileges belonging to the communist establishment were taken away. In addition to the mass media and developing professional associations, various volunteer initiative groups also prepared intensive reform plans for various spheres of the social policy.¹ The organ linking these groups was the Programme Committee of the Civic Forum which created a conceptual background for the newly established Czechoslovak federal and Czech national governments and of course, for the Civic Forum, in preparation for the first free elections of July 1990.

2nd Phase: July 1990 – June 1992

This phase saw the establishment of a new federal and two new national governments with significantly pro-reform agendas, after the victories of the Civic Forum in the Czech Republic and the Public Against Force in the Slovak Republic. Social policy was developed and embodied in legislation at both federal (The Federal Ministry of Labor and Social Affairs) and national levels (The Ministry of Labor and Social Affairs of the Czech Republic). Although cooperation between the two ministries was not always perfect, from a political standpoint their position and those of the respective governments were always similar. The work of these ministries can be characterized as an effort to

¹ Many of these plans stemmed from a large amount of analytical and conceptual work that took place in the “gray zone” of science and research before the fall of the communist regime.

systematically replace state paternalism by establishing more resilient and decentralized mechanisms which would be compatible with non-partisan economic reform. These mechanisms were to be beholden to the regulative and executive powers of the state only where necessary. From the standpoint of the government's prevailing political philosophy, this approach was a combination of socio-liberal and socio-democratic philosophies.

The "Script for Social Reform" became the fundamental conceptual document of the social sector. A plan to create a universal and unified system of social welfare was adopted, which would offer:

- universal health, hospitalization, retirement insurance, and voluntary supplementary insurance for individuals or groups;
- need-based state social assistance on condition that all alternate possibilities of welfare and assistance had been exhausted or in the event of a citizens' s inability to provide for him or herself.

The foundation of social reform was defined as:

- active politics of employment;
- liberalization and pluralization of the social welfare system;
- the development of a social safety net.

3rd phase: July 1992 – June 1996

In the Czech Republic, the elections of June 1992 brought to power a coalition of the liberal and conservative parties. In Slovakia, on the other hand, parties to the left of the political spectrum, as well as populist and nationalist parties, met with greater success.

This contributed to the division of Czechoslovakia and the creation of two independent states at the end of 1992 – the Czech Republic and the Slovak Republic. Due to political changes at the time, neo-liberal politics, characterized by placing most emphasis on economic reform, a declared, even legislated effort to limit the role and spending powers of the government in the sphere of social security, and a mistrust of the intermediary role of civil society institutions in forming and implementing social policy, gained favor in Bohemia and Moravia. This political agenda, embodied by the Civic Democratic Party (ODS), was somewhat modified within the coalition framework by those parties which prioritized a solution leaving more room for state intervention (the Christian Democratic Union – Czech People' s Party (KDU-CSL)) and to the activities of civil society institutions (the Civic Democratic Alliance

(ODA)). Therefore, the prevailing governmental political philosophy was a mixture of neo-liberalism and conservatism. Due to the delay caused by institutional “path-dependency” and the length of the legislative cycle, the second half of 1992 and beyond witnessed the partial implementation of solutions which adhered more to political philosophy prevalent during the previous period.

4th phase – from July 1996

The parliamentary elections which took place at the end of May and beginning of June 1996, resulted in the formation of a minority coalition government comprising the Civic Democratic party, the Civic Democratic Alliance, and the Christian Democratic Union-Czech People Party. However, this government is dependent on the silent support of the Czech Social Democratic Party (CSSD) which gained significant strength in the elections becoming the second most powerful Czech political party after the Civic Democratic Party. Although the government declared its determination to continue implementing its social policy agenda limited to providing welfare assistance to the “truly needy” and oriented towards minimizing government intervention, its practical implementation will face tough resistance from the powerful opposition.

3. Employment Policy and Employment

3.1 The Employment Policy After 1989

The foundations of the new employment policy which came as a response to the introduction of a market economy, were laid down at the former Czechoslovak Federal Ministry of Labour and Social Affairs in 1990. The ‘Principles of Employment Strategy’ were passed and the concept of the active role of the state in forming employment was incorporated into the Employment Act which came into force at the beginning of 1991. The state employment policy’s goal, in accordance with this Act, is to achieve a balance between supply and demand for labour, towards the productive utilization of workforce resources, and towards securing the rights of citizens to employment. This is interpreted as the right of those who want and are able to work and are actually engaged in the process of applying for work. These people have the right to the mediation of work in a suitable position, to any requalifications necessary for their work, and to material security before starting employment and in the event of losing their employment.

The basic legislative standard regulating employment is the Labour Code, No. 65/1965 CoL. (this Act has been amended a total nineteen times since 1965, with a total of nine amendments during the period from 1989 to 1995), which regulates an employment contract's terms and conditions, disciplinary aspects, the number of working hours (43 hours a week in 1998), remuneration, safety and health protection at work, working conditions in general, and special provisions for minors, women and pregnant women, the responsibility of employers and employees for damages, and terms of collective bargaining. In principle, these provisions are comparable with west European standards. Since the beginning of the 1990s a minimum wage has been in force in the Czech Republic; in June 1996 this was CZK 2,500, i.e. about 90 US\$.

The body responsible for the state employment policy is the Ministry of Labour and Social Affairs of the Czech Republic, within the framework of which operates the Administration of Employment Services. An important partner for the government and employers in forming this policy is the trade unions. In 1990, in expectation of an increased rate of unemployment, a network of 77 regional Labour Offices was created to administrate the state employment policy within the regions. Apart from locations in individual regional capitals, there are also branch offices in the larger towns of a region. This means that their services are relatively easily accessible to job-seekers throughout the Republic.

The work of these offices consists of:

- paying unemployment benefits
- supplying information on job vacancies
- consulting services
- creating jobs beneficial to the general public
- supporting small-scale business, including encouraging job-seekers to set up their own businesses
- organizing professional training and requalification programmes
- creating programmes for work opportunities
- evaluating the labour market
- conducting checks on the labour market actors
- cooperating in the creation and realization of regional programmes dealing with employment issues
- management of finances designated for employment policy.

Private recruitment agencies are also allowed to operate on the labour market. Because of the vast network of state Labour Offices spread throughout

the country, the space for their operations is de facto restricted to providing requalification and mediating employment for highly-skilled workers of large companies, particularly international companies.

A major instrument of what is termed the passive employment policy is the assessment and payment of unemployment benefit. Up until 31 December 1991, unemployment benefit was paid for 12 months at a rate of 90% of earnings for the first six months and 60% of earnings for the following six months. Since 1992, the conditions of unemployment benefit payments have become more stringent - 60% of earnings are paid for the first three months and 50% of earnings for the next three months. The sum must not exceed a defined ceiling. This is currently set at a multiple of 1.5 of the official living minimum. An unemployed person who has joined a requalification programme can claim up to 70% of his or her former earnings over the whole period of requalification, at a maximum of 1.8 times the living minimum. In the fourth quarter of 1996 the average monthly unemployment benefit was CZK 2,306 (approximately 85 US dollars). After six months the claim to unemployment benefit ceases and, if the job-seeker is still not able to find work, he or she is referred to state social support, paid at the rate of the minimum subsistence level.

Unemployment benefit can be claimed by citizens who have been working for at least 12 months in the course of the past three years with the exception of students, fully handicapped persons, partially handicapped persons preparing for employment in protected workshops, soldiers, state employees, persons caring for children for up to three years or for handicapped relatives or for partially handicapped relatives over eighty years of age.

From the active employment policy point of view, 1992 was a successful year whereby, with the aid of the Labour Offices, more than 82,000 new jobs were created with more than a thousand places for the handicapped, 25,000 places for community work, and 14,600 job-seekers who had completed requalification. The active employment policy in 1992 affected 92% of the total number of unemployed.

After the June 1992 elections, the new government's emphasis was on an active employment policy, weakened. In 1993, the active employment policy helped only approximately 44,000 people, which is a little over 24% of the unemployed. The proportion between the active and passive employment policy has, in fact, developed to the disadvantage of the former - most money has been spent on the payment of unemployment

benefits (46% in 1992, 65% in 1993, 79% in 1996). The finances allocated to the active employment policy have been directed towards setting up new jobs, towards supporting community work, specialist practical experience for school-leavers, requalification, and towards establishing protected workshops for the handicapped. A more significant initiative has been the shift in emphasis to aid regions with the highest rates of unemployment, to where state finances were directed in 1994 for special development investments - mainly to subsidize the transport and telecommunications infrastructure. In 1996 almost 10,000 jobs were created for community work, over 12,000 job-seekers completed requalification, and 3,600 places to serve socially useful purposes were set up.

Finances for the employment policy continue to be allocated from the state budget, even though since 1993 they have technically been drawn from a special entry of the social insurance fund, which is financed by the contributions of employers, employees and the state (on behalf of the economically inactive).

3.2 Factors Influencing Unemployment

The employment policy is only one of the factors influencing the labour market and the rate of unemployment. As in other countries, in the Czech Republic it is necessary to take into account other factors, particularly those connected with economic development, government policy concerning the labour market, and the reaction of the labour force to these circumstances:

- a) The efficiency of the economy and the absorption capability of the labour market

In the first years of transformation there was a steep fall in gross domestic product by approximately one-fifth. Total employment of the population fell by one tenth, due to retirement, invalidity retirement, and the departure of a portion of economically active women who left to care for children (the share of women in the total number of active persons dropped from 45.2% in 1990 to 43.6% in 1992 and 1993) and the number of hours worked yearly per worker also fell. Hourly labour productivity dropped by up to 2-3%. In 1994, after years of decline and stagnation, there was a slight growth in gross domestic product for the first time since 1989 by 2.6%, followed by a rise of 4.8% in 1995 and 4.4% in 1996. The political and macro-economic stability of the country played a role in this. At the beginning of 1997 economic growth came to a

standstill and prospects for future economic development remain unclear.

b) Structural changes in the national economy

The institutional structure of the economy inherited from communism was shaken by the unprecedented and unpredictably fast pace of change in the forms of ownership and ownership rights connected with restitution (the return of property to original owners), privatization (the transfer of property from state and communal ownership to the private sector) and the introduction of other market economy institutions. A considerable fall in employment in the primary and secondary sector was recorded, with the majority of those made redundant finding their way into the tertiary sector (See Table 1).

Table 1
Changes in Employment by Sector -
a Comparison of 1990 and 1995 (in %)

Sector	Number of Employees (%)	
	1990	1995
Industry	37.8	32.5
Building Industry	7.5	8.9
Agriculture and Forestry	11.8	6.2
Transport and Telecommunications	6.9	7.1
Trade and Services	9.8	17.8
Health and Social Care	5.2	5.2
Education	5.9	6.5
Banking and Insurance	0.5	1.7
Public Administration and Defence	1.8	3.2
Other Services	12.7	10.9
Total	100.0	100.0

Source: Czech Statistical Office, Employment Statistics, 1996.

With the gradual dissolution or streamlining of the former large state enterprises, there was a considerable increase in the number of self-employed persons and small businesses with up to 25 employees. Of approximately 5.2 million active persons, at the end of 1993 there were 790,000 registered as entrepreneurs, i.e. 15% of the total number. However, only a portion (473,000) carried out their trade as their main source of subsistence. Employment in the private sector in 1989 was 1.3%, in 1990 6%, and in 1995 as high as 64%.

c) Wages development

Throughout the initial period of transformation the Czech government kept wages at a very low level, by means of both a centrally enforced wage regulation and by the undervalued exchange rate of the Czech crown in relation to western currencies. In this way, it made Czech goods more competitive on the western markets and at the same time stimulated employment. Even though the institution of a minimum wage was introduced (Act No. 1/1992 CoL), it was set at a very low level. For example, in 1996 it was CZK 2,500 (approximately 90 US dollars) a month, which applied to less than 1% of the active population. The comparative advantage of low wages was quickly lost because of the abrogation of wage regulations in 1995, resulting in fast growth in wages in the private sector that was not accompanied by a corresponding increase in labour productivity, and the reinforcement of the purchasing power of the Czech crown with regard to its higher domestic inflation and fixed exchange rate in relation to the main western currencies. Wage increases have been faster in the private sector and this has provoked growing dissatisfaction amongst workers in the public sector (see further).

d) The flexibility of the domestic labour force in reacting to changes in the labour market

The transformation of the economy caused an increased labour force mobility. During the period from 1989 to 1995, 36% of the economically active experienced at least one change in employment, and 50% at least one change of employer. 16% of Czechs at one time or another became self-employed. Together with the changes in employment status, such mobility shifts affected the professional careers of more than 70% of economically active people. The element which was to restrict the mobility of the labour force was the undeveloped housing market.

e) Fluctuation on the international labour market

After 1989, there was a gradual administrative restriction in the number of foreigners employed in the framework of international agreements concluded under the communist regime. At the same time the 'export' of manpower to other countries increased, especially to neighboring Germany and Austria. Neighboring countries reacted to this by increasing the stringency of employment terms and

conditions for Czech citizens, including those for daily working abroad. By the end of 1996 over 70,000 work permits were issued in the Czech Republic for the employment of foreigners. In addition to this, over 70,000 Slovak nationals work legally in this country. The illegal employment of nationals from other states remains a problem, particularly with regard to citizens from the Ukraine and the former Yugoslavia. Their numbers are estimated today to be between 100,000 and 200,000.

The transformation of the Czech economy has taken place not by leaps, but by free adaptations to changing external conditions. Some economists have concluded that the hitherto low rate of unemployment is in part a function of the slowly changing Czech economy. The more fundamental structural transformation which is necessary is still to come. This would probably mean the end of the 'Czech miracle' in the sphere of employment in comparison with other post-communist countries.

3.3 Unemployment Development

The development of unemployment during the seven years of the transformation of the Czech economy is shown in Tables 2 and 3. The figures given are based on the number of unemployed seeking work at the Labour Offices - the so-called registered unemployed. In the past few years figures have also become available from the Czech Statistical Office on the basis of representative sample surveys of the population. These numbers show a systematic difference with an upward trend, indicating that the real rate of unemployment is actually about 0.5% higher than official figures.

Table 2
The Official Rate of Unemployment in the Czech Republic (in %), 1990-1996 (as at 31.12)

	1990	1991	1992	1993	1994	1995	1996
Rate of unemployment	0.7	4.1	2.6	3.5	3.2	2.9	3.2

Source: Ministry of Labour and Social Affairs, Time-Series of the Labour Market Indicators, 1996.

Note: The figure for 1996 is as of 30 September.

The highest rate of registered unemployment was recorded in the winter of 1991-1992. It then decreased to around 3%. During the first

months of 1997, a slow but consistent increase began. In the period between 1989 and 1995, 21% of those economically active suffered the loss of their jobs, and 5% of them more than once.

The overall structure of unemployment by type of work has not significantly changed. The figures from the end of 1993 depict the situation: of total unemployment, manual workers account for 67%, the non-manual professions 20%, and school-leavers seeking their first jobs 13%. In terms of the representation of certain groups, the data suggest that greater problems in finding employment are had by young people up to 30 years old (around 40% of all unemployed; the qualified estimate of the share of unemployed in the age category of 15-19 at the end of 1995 was 15%), women (still around 60%), the unqualified, ethnic Romanies, and invalids (persons with impaired ability to work).

Table 3
Proportion of Persons with Impaired Ability to Work in the Total Number of Unemployed (in %)

	1991	1992	1993	1994	1995	1996
Persons with impaired ability to work	7.7	11.5	10.8	13.2	14.8	16.5

Sources: Lexová-Havlíčková 1993, Horálek 1994, Time-Series 1996, own calculations.

Note: The figure for 1996 is as at 30 September. The proportion of persons with impaired ability to work in the total number of the economically active population is estimated at 4%.

A major problem in many countries is long-term unemployment, i.e. the proportion of those who have been unemployed for over 12 months. This is lower the Czech Republic (see Table 4) compared to countries of the European Union (where the proportion of long-term unemployed is between 40% and 60%).

Table 4
Long-Term Unemployment

	1991	1992	1993	1994	1995	1996
Proportion of long-term unemployed in the total number of unemployed (%)	3.9	17.1	14.8	20.8	23.7	20.2

Source: Ministry of Labour and Social Affairs.

The risk of the occurrence of long-term unemployment is higher for those who are more afflicted by unemployment such as the unqualified, single mothers with children, Romanies, and the handicapped. Detailed studies indicate that the long-term unemployed in the Czech Republic do not yet show a strong tendency of becoming an 'underclass', especially in the rural areas. There is a considerable risk, however, that in the future this underclass will emerge amongst the long-term unemployed Romanies, the homeless and unqualified young people who have never worked.

As in other countries, in the Czech Republic there are regional differences in unemployment. The lowest unemployment is in Prague and in larger, mainly industrial agglomerations (Plzeň, Brno). In 1996, the Most region had more than 8% unemployment and other industrial regions such as Karviná, Louny, Teplice and Chomutov had an unemployment rate of around 7%. In some areas unemployment exceeded 15%.

3.4 The Lagging Behind of Public Sector Pay

Since 1989 there has been a general freeing up of wage restraints but only in the private sector. Pay in the public sector (with some exceptions, for example judges and officials in public administration) has fallen behind somewhat (see Table 5). This has even affected professions requiring high qualifications which also suffered considerable wage disadvantages under the Communist regime in comparison with the situation of such jobs in western democracies. The differences in pay between university-educated workers in the private and public sector have widened in both absolute and relative terms. The inevitable consequence has been a brain-drain of the public sector in such areas as science and research, education, health care, and social services. This seriously hinders the ability of the Czech society to effectively utilize the potential of its human resources, both in terms of future reproduction and the present.

4. Social Protection Policy and Poverty

4.1 Social Security Policy after 1989

After the election victory of the democratic political groupings in 1990 in the Czech Republic and Slovakia, the new republic governments and the federal Czechoslovak government were established with considerably pro-reform programmes. Social policy was developed and incorporated into legislative acts at the federal level (the Federal Ministry of Labour and Social Affairs) and at the republic level (the Ministry of Labour and Social

Table 5
Employee Pay by Sector
(in % of average pay in the national economy)

Sector	Number of Employees (%)	
	1989	1995
Industry	104.4	100.4
Building Industry	111.2	108.9
Agriculture and Forestry	108.2	84.7
Transport and Telecommunications	105.4	100.8
Trade and Services	83.8	88.4
Health and Social Care	90.1	92.4
Education	89.8	90.4
Banking and Insurance	98.3	171.5
Public Administration and Defence	98.3	171.5

Source: Czech Statistical Office, Employment Statistics, 1996.

Affairs of the Czech Republic). Even though cooperation between both ministries was not always ideal, from a political point of view their standpoint and that of the relevant governments was similar. The goal was to gradually replace state paternalism by introducing more flexible and more decentralized mechanisms compatible with the economic reform which had been launched, whilst at the same time maintaining the regulatory and executive competence of the state where necessary. From the point of view of the dominant political philosophy of the government this was a very fragile compromise between liberal and social democratic approaches.

In the social sphere the basic conceptual document was the Social Reform Scenario which was published and passed in 1990. A universal and uniform system of social security was to become the core of the state's social policy and was to provide:

- compulsory health, sickness and pension insurance, voluntary additional insurance at individual and group levels,
- state social aid conditioned by need once all other areas of assistance and aid had been exhausted and in the event of citizens not being able to look after themselves.

The basic cornerstones of the social reform were defined as:

- an active employment policy,
- the liberalization and pluralization of the social security system,
- the establishment of a protective social network.

Following the victory of the neo-liberal and conservative political parties in the elections of 1992, and after the Czech Republic gained independence

at the beginning of 1993, liberal and residual tendencies began to be asserted more forcefully in social policy. The conception of social reform began to impose limitations on the social security policy and in this framework crystallized the conception of its so-called “three-tiers”:

The social security policy is based on three-tiers:

1. compulsory social insurance, reacting to foreseeable situations in a citizen's life,
2. state social support, reacting to unforeseeable social events,
3. social assistance built on the principle of aid to citizens who find themselves in an emergency situation.

Social Insurance

In 1992 laws were passed enabling the transformation to a new structure of social insurance. These were Act No. 589/92 and Act No. 590/92 CoL, on ‘Premiums for Social Security’ and ‘Contributions to State Employment Policy’ respectively, which became valid as of 1993 (since then they have been amended several times).

The principles of the newly conceived structure of social insurance were as follows:

- social insurance was to be compulsory,
- contributors to the Social Insurance Fund were to be made by employees (they pay 25% of the premium for old-age and sickness pensions, currently 1.1% and 6.5% of gross income), and employers (they pay 75% of the premium for old-age and sickness pensions, currently 3.3% and 19.5% of the gross income of employees), and the self-employed. The state pays the insurance contribution for children, pensioners, parents on maternity or paternity leave, the unemployed, invalids, soldiers and prisoners. A component of contributions to social insurance is the previously mentioned contribution to the state employment policy (0.4% is deducted from the employee's income, 3.2% from the employer's gross income).

Social insurance contributions cover:

- old-age pensions, invalidity pensions, widow, widower and orphan pensions,
- sickness contributions, contributions for the treatment of a family member,
- contributions to the state employment policy,
- administration costs.

In 1995 there was a significant legislative change in the framework of the compulsory structure of social insurance with the passing of a new law on old-age pensions. An increase in the statutory retirement age limit was approved to be introduced incrementally until 2007. The statutory retirement age for women, originally 53-57 was raised to 58-61 (the actual limit depends on the number of children), while for men it increased from 60 to 62. The law on base pension insurance conceives the old-age pension as having two components, made up of a fixed amount paid to all and one which is dependent on the number of years worked and the working income received; the law is built on the principle of a substantial redistribution of accumulated finances for those with a lower level of earnings. Old-age pensions for persons with higher working incomes are affected by a regressive calculation formula (see Table 6).

Table 6
The Average Full Old-Age Pension as a Proportion of the National Average Gross Wage 1989-1995 (average gross wage = 100)

	1989	1990	1991	1992	1993	1994	1995
Old-age Pension	47.9	49.8	51.8	46.3	45.8	46.8	44.4

Source: Pensions, Ministry of Labour and Social Affairs, 1996.

Under the new version of the law, the pension as a proportion of the gross wage will decrease by the year 2005 to less than 42%, in 2010 to 38% and in 2015 to 35%. Thus the government has managed to set down a very liberal conception of old-age insurance which differs considerably from continental European practice and does not rule out the possibility of the pension falling below the living minimum. Moreover, it is a system whose conditions and management of gathered resources are fully in the hands of the Ministry of Finance instead of an independent public pension insurance company.

In 1994 a special law made it possible to take out additional pension insurance with a state contribution, but only on the basis of a contract between the individual and the insurance institution (ruling out contributions on the part of the employer). The government thus asserted the 'civil' principle and blocked the way for the originally proposed employee forms of additional pension insurance (enterprise or professional systems arising, for example, on the basis of collective bargaining).

The public sector of compulsory social insurance is completely dominant in the Czech system of old-age pension insurance. Additional private pension insurance with a state contribution is, despite the rising number of clients, still in its infancy and enterprises cannot take part directly. If the government conception of a drop in the ratio of the old-age pension paid within the public system to the average wage comes about, the more well-off groups of the population will be forced to make more use of the private sector in order to increase their old-age pensions.

State Social Support

Unlike social insurance, state social support is covered from the funds of the state budget and the institutions responsible for this are the social departments of district authorities. The main element is benefit for parents with children. In 1995 a new law was passed on state social support, No. 117/1995 CoL, which regulates the payment of the following benefits:

a) income-tested benefits:

- child allowance (paid up to the age of 26 if the child is training for a future occupation)
- social contribution
- housing benefit
- transport benefit (for children training for their occupation away from their permanent residence)

b) benefits provided without regard to income (universally):

- parental allowance (paid to a parent looking after a child up to four years old)
- maintenance contribution (for the family of a soldier doing military service or the alternative form of civil service)
- benefits for foster-parent care
- birth allowance
- burial benefits.

One of the most important system changes has become the method by which benefits are awarded to children. Up to 1995 child allowance was paid to all families with minors no matter what their income. The State Social Benefit Act introduced a new means-tested method linked to the family income but not exceeding three times' the living minimum. These benefits were collected in July 1996 by 86% of all families with minors, the purchasing power of which has also considerably decreased since 1989. According to an estimate from the Ministry of Labour and Social Affairs

approximately 8% of all families with minors did not apply for child allowance even though they were entitled to it. There is no data available for the rate of claims not being made for other means-tested benefits in the state social support programme.

Social Assistance

The structure of social assistance is conceived as a 'lifeline' to those who are no longer able to help themselves, have no claim to benefits in the framework of the social insurance and state social support structures, or where these benefits are not sufficient to sustain them at least at the level officially set as the living minimum. Social aid is provided in the form of monetary benefits and/or social services.

The new social measures have begun to influence the living conditions of people in need. Czechoslovak Federal Act No. 463/1991 CoL, on the living minimum and the Czech Republic's Act No. 482/1991 CoL on social need (which has been amended several times) included the obligation of the state to guarantee to all citizens that their standard of living would not fall below the official living minimum level, and to make up the difference between the actual income of an individual or family and this limit on condition that he/she (they) cannot him/herself (themselves) increase this income by his/her (their) own endeavor because of age, ill-health, or other legitimate reasons. The law in question has thus delineated a socially accepted poverty limit, establishing the right to aid from the state under certain circumstances. It is a scheme based on the individual assessment of total income, property and social relations of the applicant. The defined living minimum differs according to age and structure of the household (see Table 7).

The Minimum Living Level

The law entrusted the government to increase the set level of the living minimum in accordance with changes in the cost of living and to maintain the ratio between the level of the living minimum and the average income.

The government conception of social assistance in the Czech Republic emanates from the principle that the individual is firstly responsible, followed by the family, charities, the municipality and, finally, the state. A new Act on Social Assistance has been under preparation since 1994. Two types of difficult social situations are defined, i.e. material need and social need. Under the principles of this draft Act citizens find themselves:

Table 7
The Minimum Living Level
(applicable as of 1 October 1996) in CZK

Living Minimum	CZK Monthly
For Individuals	
Children up to 6 years of age	1,410
Children from 6-10 years of age	1,560
Children from 10-15 years of age	1,850
Adolescents from 15-26 years of age	2,030
Adults	1,920
For Households	
One-Member	970
Two-Member	1,270
Three and four-Member	1,570
Five-Members and more	1,770

Note: Amounts for household members and for the household are added together. At the turn of 1996/1997 the rate of exchange was between CZK 27-31 per US\$.

- in material need if their income does not reach the living minimum set down by the law and they cannot increase this income because of age, state of health, or other legitimate reasons, by their own endeavor, especially by work, and thus their basic living needs are seriously threatened;
- in social need if because of being underage, or losing their autonomy because of sickness, handicap, family dysfunction, threat to rights and interests through the conduct of another party or for any other legitimate reasons they are in fact unable to secure their basic living needs and where these conditions and needs are not provided by other means.

A government proposal on the principles of the law being prepared on social assistance uses the idea of share of responsibility as a way to reduce the scope of required social aid, particularly in its preventive dimension. The administrative and testing aspect of social work prevails. Because of this, it is viewed rather critically by experts in this field and the government bill of the relevant law has not yet been passed by the Czech parliament.

4.2 Incidence of Poverty

Under socialism, full employment, high income leveling and relatively generous aid to families with children were reflected in the low percentage

of the truly poor. Although the transformation of the economy has changed and is still changing the economic situation of most individuals and households, the situation has been kept under control, in part by making use of the most varied socio-political measures, such as the previously mentioned introduction of the institutions of living minimum level, minimum wage, the introduction of a social allowance partially compensating the increase in prices following the liberalization of prices, the adjustment of the amounts of old-age pensions with regard to advancing inflation, and the payment of unemployment benefit.

The Ministry of Labour and Social Affairs is responsible for monitoring the occurrence and trends of poverty in the Czech Republic. It can be said that the poverty rate in the Czech Republic remains low. As we know, measuring the scope of poverty in society is complicated. In the case of the Czech Republic the following indicators can be used:

1. The official living minimum limit.
2. The rate of poverty used by bodies of the European Union. Households find themselves in the poverty belt where income per head drops below 50% of the income median of an equivalent adult person, whereby the first adult is counted with a coefficient of 1, other adults with a coefficient of 0.7, and children with a coefficient of 0.5 (adjusted household income).
3. The subjective rate of poverty, ascertained using specific methods.
4. The feeling of poverty, ascertained as the percentage of those answering 'definitely' to the question "Do you think your household is poor?"

The proportion of poor households in the Czech Republic as classified by the above mentioned criteria can be seen in Table 8.

Poverty does not relate equally to all groups of the population equally. Households with more members, especially those with children, find themselves in the poverty belt more frequently. In 1992, 3.5% of adults found themselves under the official living minimum as opposed to 6% of children. Whereas prior to 1989, more pensioners were in the poverty belt, the current transformation of the economy and the social system bring a greater threat, in particular, to families with children.

5. The Social Policy Role of Local Authorities, Enterprises and the Civil Sector

The aim of the reform of the social policy after 1989 was the pluralization of the sector of social and health services and those entering the arena of

Table 8
The Occurrence of Poor Households in the
Czech Republic According to Various Indicators (%)

Indicators	December 1990	January 1993	November 1994	January 1996
Official Living Minimum	2.0	1.9	2.0	3.7
Poor according to EU Methods	2.6	2.3	2.2	3.9
Subjective rate of Poverty	25.3	26.9	32.8	28.2
Feeling of Poverty	8.0	10.0	8.0	8.0

Source: Večerník 1997.

social policy. This has actually started happening in both the public and the private (profit and non-profit) sectors.

In the public sector, the burden of the provision of social benefits and services still lies with the state. Even though many local authorities are interested in greater involvement in carrying out a social policy, as yet there are not enough finances for this nor powers required by law. In general, however, it is assumed that the situation will change, especially after the new law on social assistance has been passed. Also awaited is the hitherto postponed reform of regional administration and autonomy required by the constitution and incorporated into the government's manifesto. This reform will also shift part of the responsibility for social and health-care from the center to the regions.

The role of enterprises in the provision of social benefits and services to their employees and family members has decreased in comparison with the period prior to 1989. Enterprises have gradually relinquished these under pressure of the market environment, forcing them to abandon functions non-essential for their survival and success in the new conditions. Significant exceptions have been the rich international companies, which have provided social benefits similar to those common in the West, and to a lesser extent the domestic banking and insurance sector.

Companies have become more interested in the provision of health and social services which had previously been monopolized by the state. Besides the relatively large sector of health services, the market is beginning to find a footing in several spheres of social care (domestic care, nursing, rehabilitation, pensions for pensioners and social consulting activities). The costs for the provision of such services are met from public budgets, the parafiscal funds of health insurance and from the finances of private individuals.

The development of the civil (non-profit, non-government) sector has come up against many barriers (the reserved attitude of state bodies, insufficient and belated legislation, insufficient financial resources), but nevertheless its development has been surprising: whereas in 1989 just over 2,000 civic associations were registered in the Czech Republic, the figure for 1996 is almost 37,000 organizations of this kind (see Table 9). An area of their activity which cannot be overlooked is aimed at the provision of health and social services.

Table 9
Civic Associations in Selected Spheres

Sphere of Activities	1993	1996
Religious and Humanitarian	166	170
Trade Unions and Employer Associations	643	728
Social and Health, Handicapped Citizens	346	562

Source: Ministry of the Interior of the Czech Republic, 1996.

The state has gradually become familiar with the idea that the activities of civic associations must and can, be supported from public resources (see Table 10).

Table 10
Non-Investment Grants to Civic Associations in Selected Branches
(in million CZK, current prices)

Ministry	1993	1994	1995	1996
Labour and Social Affairs	100	240	240	310
Health	213	208	242	310

Source: Ministry of Finance of the Czech Republic, Expenditure of the State Budget of the Czech Republic.

Non-profit organizations are heavily involved in the sphere of information guidance. Examples are the YMCA Information Center of Social Work, the Handicap Association and the Association of Representatives of the Physically Handicapped. Consulting services and social aid are also provided by various Church organizations, in particular the Czech Catholic Charity and the Protestant Diakonie.

6. Communication and Decision-making Processes in the Formation and Implementation of Social Policy

As has already been indicated, the most powerful decision-maker on social policy issues is the government. The Czech Republic has a long way to go in becoming a pluralist, consensual democracy similar to that of the Western European model, which would require governmental measures to encourage the results of public policy discussion to be widely published, presented, and discussed by all who will be affected by them. I would like to point out certain threats to achieving this ideal situation, primarily caused by the government's dominant position and secondly, by several communication barriers.

A problem specific to the Czech case was the fact that economic reform was, justifiably or not, considered to be the primary task of transformation. This political priority was institutionalized in the so-called Conference of Economic Ministers, an informal but very powerful body comprising selected ministers of the Czech government. They discussed all the important bills which the government handed over to Parliament after being approved. Therefore, the fate of all social legislation was influenced by the judgment of a group of high-level government officials whose educational background and outlook were primarily those of economists. Understandably, the influence of this powerful group was bound to make an impression on the laws. Non-privileged (non-economic) ministers, tripartite partners, and MPs received bills that were in a relatively finalized state which rendered them difficult, if not impossible, to change.

Communication between decision-makers and the public was not ideal. With regard to the Czech Republic's proportional election system, the responsibility of representatives in the Chamber of Deputies vis-à-vis their electorate is weak. It can be said that most representatives feel a greater responsibility towards the headquarters of their political parties. The most important channel of communication between the political elite and citizens is, therefore, the mass media. In this context, an important role is played by public opinion polls presented by the media, which reflect the public's views of various problems, including social problems, social policy measures, and the functioning of various institutions.

The role of the mass media has been significant during recent years. In many cases they supplemented, represented, or substituted for the developing institutions of a representative democracy. Without the mass media, there would have been no public dialogue on social policy problems. The

television, radio, newspapers, and magazines expressed opinions on various problems of every-day life including the possible consequences which the legislation being prepared may have. Unfortunately, this publicity rarely reached the necessary analytical depth that exists, for example, in English journalism. The limited capacity of academic and research institutions inhibited their ability to analyze and appraise individual policies.

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ABOUT PRINCIPLES OF SOCIAL JUSTICE

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The primary goals of economic growth are to bring about a prosperous and socially just society. On the one hand, social justice is tied to the existence of civil and political rights, and on the other, it is the provision of social and economic rights. These are two sides of the same coin.

If all individuals within a society received adequate housing, an acceptable level of health care, education and social insurance, but had no civil rights, that society would, in fact, not provide citizens with the constitutional means to gain the rights they lack. On the contrary, in a society in which individuals may exercise their right to vote, freedom of speech, freedom of assembly, freedom of movement, and the like, they can, at the same time, enforce their social rights through democratic processes. When seen in this light, civil rights are viewed as tools that enable citizens to gain social rights.

Civil and political rights, however, cannot be exercised if people do not have the social and economic tools to be independent and free citizens. This is because it is capabilities and opportunities that make freedom meaningful. Social rights alone cannot confer civil rights. Thus, without civil rights, social rights are ineffective and unattainable.

If social justice is defined as the guarantee of civic rights (individual protection, freedom of speech, freedom of movement, freedom of public assembly, freedom of religion, etc.) as well as political rights (the right to vote and the right to participate in the management and the control of one's country), there are no disputes or problems. There is a political consensus on these issues. However, disputes arise over the means and manner of exercising social and economic rights.

There are competing views and opinions as to what constitutes equality, individual responsibility and collective activity.

The social-democratic (or leftist) definition of social justice is as follows: Public policy should aim at creating equal opportunities in the broadest meaning of the word, for those in the same position. This approach is based on the belief that people differ as regards their starting positions.

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Some people experience many disadvantages. Some of them, however, can be overcome or removed, while others are insurmountable and unremovable. Welfare policy should therefore concentrate on minimizing removable disadvantages and compensate for them by making life chances equal. To be a citizen means to participate in society, enjoy its fruits as well as fulfill one's ambitions and use one's abilities. The prerequisite for this is, that every individual is equally able to make use of these opportunities.

There are two conditions necessary for social equality to be achieved:

1. In order to have equal opportunities, all citizens must have equal access to education, health care and other social services.
2. No-one should suffer sexual, racial, ethnic, or other forms, of discrimination.

The leftist paradigm is based on the principle of civil equality. The liberal (rightist) standpoint, emphasizes individual free choice and self-determination. Inequality is viewed as the price to pay for freedom of choice. Welfare policy, therefore should emphasize choice to the maximum possible extent and provide the safety net for those who are truly in need. The safety net is only there to assist those who are helpless. The safety net has nothing to do with the fact that certain individuals are liable to lose the ability to stand on their own two feet than others. The rightists defend the idea of equal civil rights but diverse starting positions. They reject the belief that people in the worst positions should gain more, thus leveling out the existing inequalities. In a market economy, the most efficient means of self-determination of the individual are freedom of choice, and competition is the most reliable guarantor of choice. The state should interfere only if it is really necessary. If the market fails, the properties of the market will be transferred to public agencies that will become tools of exercise of choice and its protection.

The key principles are the needs of the individual and philanthropy. The poor and people in need live with other people and must be assisted. However, this assistance should be provided by independent humanitarian agencies and voluntary institutions. In the rightist opinion, there is a small space for collective action by citizens arranged by the state or by organized groups.

These diverse perspectives generate further questions: Should social and economic rights have the same status as civil and political ones? Which rights should be protected by the state and which should be the responsibility of the individual? Can some categories of individuals be deprived of

existing rights? What should be the relationship between internationally and nationally determined rights?

In democratic societies, the first precondition for establishing social justice is achieving a political consensus on how to define it. In stable democratic societies, a political party wins for one term and is constantly watched by and in dialogue with, the opposition. The dominant orientation, therefore, is the result of the decision of citizens.

Human individual rights are listed in legal documents. Political and civil rights are enumerated in the “European Convention on Human Rights”, dating from 1953 and the UNESCO document “The International Covenant on Civil and Political Rights” dating from 1966. In 1965, Council of Europe’s, “European Social Charter” was adopted. In 1988 a protocol to this Charter was approved. It contains the key social and economic rights. In 1966, the United Nations adopted “The International Covenant on Economic, Social and Cultural Rights” which guarantees the individual’s economic, social and cultural rights as well as civil and political ones. All the above mentioned documents define goals and exemplify the political will to end social problems, namely poverty, long-term unemployment, lack of education, and the like.

In contrast to the proclamations in European and world documents, many people presently lack those basic rights. After reviewing opinions on civil and social rights in various European Community countries, the European Parliament concluded that the public has only a vague knowledge of what the governments of their countries guarantee. The situation, however, is getting even more complex due to the ongoing liberalization in central and eastern European countries, their entry into the European market and their desire to join European and world organizations.

Outcome of the World Summit for Social Development in 1995 and Human Dignity and Social Exclusion (HDSE) project of the Council of Europe

The globalization of an increasing proportion of economic activities and transactions, and the growing role of decision-making centres, particularly in the financial area, which have a global field of action are a phenomena of society and have mixed consequences for the living conditions of the citizens and the development of the countries. Today, the dominant cultural model and the rationale used to determine the value of production and trading activities require forms of competition which value immediate profit

and the rapid obsolescence of the products of human labour. There is also globalization of communications, information and therefore certain aspects of cultures and behaviours. Opening up to others and sharing technology, knowledge and art are sources of understanding.

The development and spread of new technologies, communications and information is similar in scope to the industrial revolution of the last century and this century will be known as that of the revolution of information.

The industrial revolution and its consequences created ideological and value systems expressed in the slogan: “Fraternity, Equality (Egality), Liberty”.

As a result of the information revolution, the new values should form the moral foundation of society : “Solidarity, Responsibility and Freedom”.

There are several consequences linked to this kind of change (Duffy, 1997):

- a. This shift modifies the idea of the welfare triangle, in order to characterize three dimensions to the integration of persons and groups into social life: the state, the economic markets (especially the labour market), and civil society, by which is meant primarily non-state organizations of private life, (especially families and personal networks, communities and grassroots voluntary organizations).

The experts have suggested that because of economic and technological change, there has been some convergence in European countries in the roles played by these three dimensions of social integration: there has been some retreat from intervention by the state, and from its role as ultimate guarantor of the conditions of life. Thus, whilst the degree of convergence should not be over-stated, it might be argued that most governments anticipate that in future, social integration will rely more on markets and on responsibilities of persons and their local networks.

- b. For social policy, this implies a shift, to varying degrees, in the orientation of governments: from the provision of collective security, (supported by the state), to a culture of individual opportunity. This shift appears to have had two consequences.

The first consequence is the increasing demand for, and creation of, intermediate organizations, which operate between the individual and the state, or the market. Examples are, local public-private partnerships, social entrepreneurial agencies, etc. (The capacity of some countries and some

regions to generate a dense network of civil society organizations, rather than vertical forms of clientelism, may be quite limited.)

The second consequence of the shift to an “opportunity” society, has been the increasing trend to “activation” policies aimed at those perceived to be “passive” social benefit recipients. Such policies do not target resources on outcomes, but on fitting people for opportunities. (example – active labour market policy). Opportunity is not a right, therefore there is an increased risk of poverty and social exclusion.

Returning to the welfare triangle, the risk groups are those with a weak relationship to at least one of the dimensions of social integration. The relative size of those at risk will vary in different countries and can be changed. (Those countries with lower unemployment, highly skilled workforces, mobility of labour and equality of opportunity, may have very small numbers of people with a weak relation to the labour market. Countries with universal welfare states with high quality provision will have less exclusions due to restrictions on entitlements based. Countries with strong social networks may have fewer persons suffering from the effects of isolation and alienation. However, all countries have groups at risk.)

The mirror of this framework we can find in the Outcome of the World Summit for Social Development. Stein Ringen (1979) argued that governments’ decisions are about behaviour, signals and regulations and about resources, transfers and taxes. Signals are recommendations from government to persons and institutions about behaviour. Compliance is for persons and institutions themselves to decide.

From this point of view, the World Summit (1995) should be understood as a signal - a recommendation for national governments to perform. A society depends for efficiency and legitimacy on a sense in the citizenry of a common will, a sense of purpose and direction and of national priorities and goals.

What kind of common will is formulated for national governments in the previously mentioned document?

The document consists of two parts: Declaration and Action Program. “Common will” – signals are not common in these two parts.

The Declaration of the summit is based on the values expressed by “Fraternity, Equality, Liberty” and social – democratic paradigm (leftist) and formulates the main goals of social development – to reduce poverty and unemployment and to increase social integration.

The main principles of this are Equality, Universalism, Re-distribution:

- equality is not a matter of course, it has to be wanted and perceived as desirable and has to find its justification in the universality of human nature. Uniformity and mediocrity are not the real dangers. It is inequality that leads to conflict and waste.
- we wish to see public services available to all and public property accessible to all
- the ultimate goal is full employment and the right to work.

In contrast, the Program of Action is more influenced by a neo-liberal paradigm, although in some inherent variation which consists of two factors:

- a. contradictory philosophy to social development of the so-called developed and less developed countries. The first strives to implant the philosophy of national responsibility for social development, while less developed countries try to move more responsibility on developed countries and their duty to support and help them.
- b. different opinions on the individual responsibility and state responsibility. (developed countries reject the state responsibility for the right to work, etc.)

A fundamentally political issue, currently addressed at the national level, is the extent to which the institutions of a democratic state should intervene to balance the unequal forces of markets and to protect diverse individual aspirations, while ensuring continued creation of wealth and resources.

The State Responsibility Based on Subsidiarity

The state responsibility should be built on the alternative to centralization. This alternative is subsidiarity – decentralization from government to private institutions, from central government to local authorities, and within government, central and local, from systems of command to systems of agencies with autonomous authority and responsibility. (efficiency of the welfare triangle). The crucial areas for state responsibility are education and health. The basic, important needs, whether seen from the individual or from society's point of view will not meet with satisfaction without government provisions for education and health care.

The idea of “us” and “them” is age-old. Group loyalty can often be a positive force, while people's discomfort with others who are different is

mostly harmless. What is socially harmful and disruptive is a systematic discrimination by the majority against minorities, or when a stronger group suppresses the rights of weaker groups.

Solidarity Based on Specific Needs

The new ideology of responsibility and solidarity is connected with an important principle, i.e. that the emphasis should be on special needs rather than problems (the shift from social problem groups to groups with specific needs). A positive attitude emphasizing the needs rather than a negative attitude emphasizing problems, is in the spirit of society, able to accommodate differences. It is also more likely to mobilize and sustain public support in the long run.

Moreover, there are specific needs apart from those of the poor. Encouraging a variety of education, health and other social services targeted to different social stratas through both governmental and non-governmental organizations can offer them choices and opportunities to respond to their needs.

The starting-point for establishing the foundation for solidarity at the national level is good government. Public authorities should set the tone, in political and ethical terms, in a manner which encourages the various other actors to assume their roles and discharge their responsibilities in promoting social development. The state plays a key role in shaping an environment in which rights are respected, interests are reconciled, needs are met and responsibilities are shared.

Freedom Based on Protecting Diversity Based on Shared Values

The aim of social integration is not to eliminate differences but rather to enable different groups to live together in co-operative diversity. An integrated society should be able to accommodate differences within a framework of shared basic values and common interests. The aim is to promote a pattern of development which is consistent with justice for the individual, the groups and the countries.

Shared basic values and common interests create the basis of social justice. The key theme revolves around security and risk, the changes which are taking place in Europe, in the balance between these two dimensions of social life and the impact on social integration (and social exclusion). Failure of the state to represent the common interest can cause

people to lose faith in its ability to act effectively and fairly and can result in alienation of people from institutions.

There is no doubt that the shift from an industrial value system to an information value system should be supported by correspondent new institutions. The attention has shifted to the role of the institutions of civil society, the community and the individual (self-help activities) regarding the distribution of responsibility. Many of these responsibilities are now performed by public or private agencies, both profit-making and non-profit making. In developing countries the traditional institutions, including the family, are undergoing rapid change. This brings attention to the need to emphasize institutional development as part of a broader effort to maintain social cohesion in rapidly changing societies.

There is no one solution. A variety of needs must be covered by a variety of programs. Such programs can take several forms: social insurance programs, universal coverage programs which provide benefits independent of need or contributors and are funded by taxes and other public revenues together with a needs-based programme which covers various kinds of need.

National social systems usually consist of some combination of these types of programs to cover the various contingencies, with the combination depending on the resources available and the national social policy.

Conclusions

Societies are each a unique product of distinct local histories, but they all have the following in common: they typically embrace different cultures and linguistic, ethnic or religious groups, and citizens differ in their perception of their economic interests, of what a good society is and their place within that society.

A viable society will need to accommodate the diverse interests and cultures within the framework of shared basic values. The central message of the World Summit 1995 is the conviction that unity may best be fostered by tolerating diversity, that dissenting views should freely coexist with dominant values of society, and that "society for all" should be able to adapt to the needs of its various constituent groups.

All groups in society will feel that institutions of government are responsive to their needs when differences in wealth, income, occupational prestige or social status are accepted, especially when seen to uphold a

system which rewards the special contributions to those who show enterprise, take risks, work harder or distinguish themselves in various other socially useful ways.

Isaiah Berlin's Solution - The Concept of Positive and Negative Liberty

There are three questions: "How many doors are open to me?"; "Who is in charge here?" "Who is in control?" These questions are interwoven, but they are not the same and they require different responses. How many doors are open to me? The question about the extent of negative liberty has to do with what obstacles lie before me. What am I prevented from doing by other people - deliberately or indirectly, unintentionally or institutionally? The other question is "Who governs me"? Do others govern me or do I govern myself? If others, by what right, what authority? If I have a right to self-rule, autonomy, can I lose this right? Can I give it away? Waive it? Recover It? In what way? Who makes the laws? Who implements them? Am I consulted? Does the majority govern? Why? Does God? The priests? The Party? The pressure of public opinion? Of tradition? By what authority?

All these questions, and their sub-questions, are central and legitimate. They must be answered. The answers determine the nature of a given society - whether it is liberal or authoritarian, democratic or despotic, secular or theocratic, individualistic or communitarian, and so on.

Negative liberty is twisted when I am told that liberty must be equal for tigers and for sheep and that this cannot be avoided even if it enables the former to eat the latter, if coercion by the state is not to be used. Of course, unlimited liberty for capitalists destroys the liberty of the workers, unlimited liberty for factory-owners or parents will allow children to be employed in the coal-mines. Certainly, the weak must be protected against the strong and liberty to that extent must be curtailed. Negative liberty must be curtailed if positive liberty is to be sufficiently realized; there must be a balance between the two, about which no principles can be enunciated (Berlin and Johanbegloo, 1991, p. 40,41).

In the case of Slovakia the main barrier for implementing the already prepared concept of social policy based on individual responsibility (and transition from a state paternalistic former social policy system to a self/responsible system) is the level of negative freedom. The individual and the family are "closed in a room" with no open doors. There is either very

limited or no space for individual activity. Active life strategies are limited by existing conditions, mechanisms and rules of the game mainly in the economic sphere.

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SECTION 1
Social Reform in the
Context of
Economic and Political
Transformation

SOCIAL REFORM IN THE CONTEXT OF ECONOMIC AND POLITICAL TRANSFORMATION

*Marju Lauristin**

The papers presented at this working session covered a wide range of problems which must be solved during the course of social reforms taking place in the post-Communist countries. The aim of the session was not to envisage the concrete steps which could be taken to improve the social conditions of the people in these countries, but rather to discuss the broader social, political and economical frameworks and conditions for successful social policy-making.

The concept of social policy was broadly understood, not only on the negative side of combating the immediate social problems which have emerged in the course of economic and political restructuring in the previously communist countries, but also on the positive side of the process, taking on board the wide reforms required to create the conditions for achieving higher standards of human development.

During communism, social welfare was provided directly by the state or by state-owned companies or state-ruled trade unions. Social protection was designed as a part of an ideological system which reinforced the state's control over the people. The social reforms are changing the sources of social protection by establishing contribution-based schemes of social insurance, developing a market for social services and stimulating voluntary organizations. In doing this, they are changing the networks of power and control, giving individuals more freedom from the state and increasing the individual's responsibility for his/her future.

The successful restructuring of the old systems of social protection requires the political will to do so, the administrative and social resources together with a knowledge of the alternative models. International organizations are playing an important role in creating these conditions by setting standards and stimulating mutual learning. However, social conditions and perspectives for their improvement in the post-Communist developing societies are very different when compared to developed Western countries.

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The main difference lies in the fact that full social protection and equal welfare provided by the Communist state also meant full dependence of the individual on the state authorities and party apparatus. This experience makes people in Central and Eastern Europe on the one hand, more demanding concerning their expectations for a decent standard of living and level of social services. On the other hand, they are willing to bear the hardships brought about by reforms and are more ready to accommodate the social uncertainties of the transition period, if they can see a light at the end of the tunnel and are convinced that their country is making progress.

Reports from the different countries demonstrated how different the conditions and opportunities for the success of social reforms are, depending not only on the level of economic development, but also on the interests and goals of the political players and on the strength of the civil society and local governments.

Discussion amongst the participants in the session revealed that the course of social reforms in post-Community societies is influenced by different factors such as:

1. the economic situation in the country (level and growth of GDP, economic sustainability, taxation policy, privatization, development of the banking system and level of inflation);
2. the political ideologies (influence of neo-liberalism, post-communist pragmatism, populist mixture of socialism and national conservatism and impact of the renewed European social democracy);
3. the administrative resources (professional education and administrative skills of public servants, corporative interests of old and new bureaucracies, knowledge of international standards, development of social statistics and registers and professional ethics);
4. the social needs and problems (declining birth rate, poor health conditions, poverty, deprivation, economic inequality and unemployment);
5. the civil culture and education (concepts of the good of the public and civic virtues, the concept of social justice and social rights, traditions of collective bargaining, acceptance of the values and concepts of western welfare society and a knowledge of alternative models);
6. the public's support and availability of social capital (solidarity, trust, participation, moral standards, a will to cooperate and voluntary work);
7. the international context (influence of the international financial organizations: economic constraints and criteria of cost efficiency; global

targets of human and social development; universal rights, health care for all, gender equality, social participation and adjustment to the European Social Charter standards).

These various factors have created certain specific problems. In the republics of the former USSR, which belong to the NIS, such as Ukraine, the Kyrgyz Republic or Russia itself, social reforms, according to the presentations made by representatives of these countries, are still inhibited by unclear economic and political relations, poor economic development, power games of the previous Communist elites and low public moral standards. At the same time, the example of the Baltic countries and Bulgaria, demonstrates the importance of a clear-cut privatization and marketization policy for the development of the new strategies of social protection, based on social insurance schemes rather than on general taxation. Whilst in most of the previous Communist countries, structures of civil society are still weak, Hungary is an exception, where local governments are able to rely on the broad network of community relations and voluntary participation in order to improve social conditions.

Theoretical discussions on the experiences of the different countries in implementing social reforms showed that there is a need for a more comprehensive comparative analysis of social policy in the republics of the previous USSR, the Baltic States and central and eastern European countries in order to enhance their knowledge on the emerging new models of welfare in this part of Europe.

BULGARIAN WELFARE STATE REFORM: INTERESTS AND POLICY CHOICE

*Tatyana Braykova**

At the beginning of its transformation to an open society, Bulgaria, as with other ex-socialist countries, inherited economic and social structures. Privatization was considered a basic political instrument for the adaptation of the existing economic structures to a market oriented society. Adaptation of the social structures entered the political agenda later. The delayed political strategies for reforming the social sphere caused serious imbalances which have a negative influence on the entire social reform.

Bulgaria inherited from state socialism, a welfare state structurally similar to those existing in the modern societies in continental Europe. The income maintenance system was divided into three regimes for different categories of labour. The regimes differed in the level of replacement incomes, as well as by the degree of liberalization of social entitlements. Those most favoured by the social security system were workers in those branches with hard labour conditions.

This social insurance system co-existed with an active policy of full employment and public provision of social services. The full employment policy was achieved through total employment supply centralization and the economic relations maintained in the framework of the CMEA. The public sector in social services included education, public health, day care and personal social services for old people. Access to the services was unconditionally free of charge. The administration of the publicly provided social services was decentralized, but on the basis of state determined national standards and absolute central control on the functioning of public finances.

A considerable part of the inherited welfare state is also the labour legislation which regulates in detail the conduct of employers and strongly protects the rights of the employee. The economic practice existing up until the end of the 1980's, for the moment, has not posed the problem of the necessity of market flexibility of the enterprises. Even now, their liberty concerning regulation of the utilized volume of labour, is limited. At the

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highest level, the rights of employees to take part in the management of the organizations were guaranteed.

The welfare state which was inherited resembled a universalistic redistributive body. Its method of functioning was a result, not only of the structure of the welfare state itself, but also of the practice of absolute state control on salaries, thereby maintaining a low level of social differentiation.

The majority of the population depended on the welfare state, mostly because of the total system of publicly provided social services. A unique part of the population, excluded from the paternalistic care of the welfare state, were those of the highest nomenclature whose consumption and life were determined by other rights and rules.

The welfare state was financed entirely from state finances whose income came from taxes and from an almost total and uncontrollable centralization of the production industry's profits.

The welfare state at the time of state socialism was simply a part of state policy whose purpose was the creation of a non-market society, built up through power. The welfare state model destroys any relationship between the individual and welfare and its position in the labour market. It introduces into society another non-market logic of social structuring. The social effect is the shaping of an almost equal society with limited individual opportunities for market regulated consumption.

The social transition, originating from the political changes in the early 1990's is a process of restoration of market conduct of the economic structures, of the labour market and of complete market social structuring of society. In this context, the welfare state, inherited from state socialism, lapsed into a deficit and structural crisis.

1. At the beginning of the social transition, the crisis in the welfare state manifested itself in a deficit situation and was a consequence of the general economic crisis and the delayed economic growth which was negative after 1995.
2. The restoration of a market conduct for enterprises, limited state incomes and the government's capacities to centralize economic growth.
3. The restoration of the market price formation in the sphere of social care (especially in the field of public health) brought about an increasing cost pressure on the system.

4. The extension of the welfare state to include the poor and unemployed, increased the consumption which should be guaranteed and assured by the welfare state.

The appearance of unemployment and its very fast growth during the 1990's was a consequence of both economic stagnation and the state no longer controlling employment. Unemployment in Bulgaria follows the trajectory of unemployment in modern societies: amongst the jobless, the young and women are disproportionately represented. Important also is the number of long term unemployed. Some specific features are also present: the number of unemployed with higher qualifications and education level has increased. The non-intervention of the local power in the problem of employment is an insurmountable obstacle for the satisfactory settlement of these problems.

Poverty is a problem, which for the moment, seems to have no solution. The principal, but not the only factor, is the lack of employment. A large portion of the employed do not have a normal everyday life. With this situation, we cannot expect that economic growth has a favourable influence on the poverty indexes. However, employment is not a guarantee to overcome poverty, due to the very low wages. The state does not control labour prices. The minimum salary on which all social payments are based does not assure a minimum standard of living.

The official poverty figure is fixed through the poverty line which is way below the 50% standard. The formal criterion of poverty is a percentage of the minimum salary. The underestimated criterion of poverty causes a large part of the population to remain near the poverty line, but slightly over and thereby outwith the social assistance program.

Families with a person unemployed (whether it be the man or the woman), families of pensioners, one-person families, one-parent families, together with families with more than one child represent the majority of the poor.

The welfare state, inherited from state socialism, is in deficit but its origin is structural, not cyclic. Its preservation is not possible due to the different imbalances in society and the new political ideology held by those in power.

1. The existing welfare state presume full employment. The unemployment levels in Bulgaria could be aided by raising taxes but this process reached its limits long ago.

One cannot limit employment demand. One result of state socialism is the high labour activity of women. It is also impossible to decrease the pension age because of the large number of pensioners and the difficulties faced by the pension security fund. Extending the period of secondary education (a measure adopted recently) will not have much influence on employment demand.

Political intervention in employment is largely inefficient. Short-term, employment supply will continue to decrease. There are unfavourable prospects for the growth in the number of self-employed.

The possibility of active intervention on the part of the local authorities is financially limited. In the short-term their activities in this sphere could only be stimulated by the central authorities.

2. The maintenance of the existing welfare state became impossible due also to the predominant negative evaluation of the social practices of the late 1980's, and the desire to reach a complete delimitation from them. At the very beginning of transition, the ideas of a free and unlimited market, of the market as a source of social equality, of the state interventionism as a reason for breaking the balance in society, were affirmed as positive.

The first seven years of transition to a market society were a process of political modernization, which created a favourable environment for the acceptance of neo-liberal political strategies.

During this period of political modernization, the structural reform (economic and social) was remitted. Political measures with little effect were taken. The aim was to get through the growing deficit in public finances. Some state institutions were created with a view to optimizing to some degree, the social sphere organization, but the inherited welfare state reform was not carried out. The sphere of social services (especially public health) was the most affected by the lack of reforms.

During the period end of 1994 to end 1996, the socialist government in Bulgaria tried to restore the existing economic and social structures' vitality through active intervention. During the first year, the accepted political strategies which manifested in a reinforced state investment in a number of productions, resulted in some economic growth, stabilization of unemployment growth and in a decrease in income. During the second year, it became clear that the chosen strategy was the wrong one. It prepared the ground for unchained hyperinflation at the beginning of

1997. Since this crisis, political programmes with no anti-inflation policies are not accepted by the electors.

During this “socialist” period, the National Security Pension Fund was founded but it made not great difference to the inherited welfare ideology. The reform separated the fund from the state budget and changed the basis of its income. The pension insurance budget now depends on a tax split between the insured person (2%) and the employer (34-35%, according to the category of work). The fund is administrated by the executive power.

There was to be a reform in public health. The plan of the socialist government included the revitalization of the existing state public health system. However, this social reform did not come to fruition mainly because of the strong opposition by the doctors’ society which is extremely influential in the fundamental opposition political party (which is in power since 1997). A real reform of the social sphere began in mid-1997 when the process of political modernization ceased.

1. The welfare state reform is not stimulated by mass or political pressure. It is undertaken by government to rationalize the social system organization and to get to grips with the social imbalances. There is no direct electoral pressure for the reform due to the absolute failure of the socialist government which ruled the country up until the end of 1996. The orientation of the electors is not structured on the basis of the left-right opposition, but on the basis of personal experience.
2. The major trade-unions signed a social charter with the government and in this way became involved in the economic reform. Their main political instrument is privatization and financial stability. In recognition of their support, the trade unions simply received recognition of their legitimacy. Their consent for the reform was accepted in exchange for general power over the control on transition state prices.
3. The ruling political party has an absolute majority and the opposition is not united. The biggest political opposition party does not have a good reputation.
4. The real reform of the welfare state lies with a government of right centralist political formation with an ideology, policies and political conduct similar to the German Christian Democrats. The government programme (Programme 2001) provides for a sudden reduction of state intervention in the social sphere, the creation of independent social security funds, taxes paid by employers for social security reduction,

privatization of social services, an increase in direct payment share for public social services, state intervention reduction up to the minimum standard maintenance and limitation of social programs which are not on proven needs.

5. This process of welfare state transformation suits a trajectory determined by the terms of the new Currency Board and a very restrictive financial policy. Social expenditures growth and labour price growth, are possible only in the framework of economic growth. The influence of the international finance institutions limited greatly the internal political choice.

The most important reforms are the introduction of health insurance, the creation of an autonomous public health fund and the destruction of the monopoly of the publicly organized public health. This system will take effect from the beginning of 1999. Up until then, a partially paid public health system will be introduced. This reform is being undertaken with the intention of helping public finances.

The planned health security system, to a great degree, mimics the German health security system with the only difference being that in the Bulgarian version, only one health insurance fund exists, making the possibility of state influence even greater. The existence of only one national fund permits the adoption and the maintenance of unique health standards for the whole country. Financing comes from taxes (percentage of salary) divided equally between employer and employee. Health security of unemployed members of the family are assured by those working. The same applies to children. The state assumes the health security of pensioners (the other difference with the German model of social security), the military and the poor. Health services are free for those insured. The system is very redistributive for the poor and pensioners. At the same time, it maintains the model of a family-organized welfare, reinforcing the role of family relations as a source of security.

The reform in the health insurance is made under great pressure from the doctors' professional society who are expected to have much influence on the system. The Doctors' Professional Union (an organization which is politically close to the ruling circles), has the right to conclude agreements with Insurance funds, which means that only its members can offer health services.

For the moment, it is not very clear how the problem of the maintenance of income during illness will be handled. Until now, this and maternity were paid by the state budget. This practice will most likely remain. It would not be possible to transfer health indemnities to employers, since they are already highly taxed with considerable amounts for social insurance.

For the moment, the Bulgarian welfare state is as follows:

1. The system for maintenance of incomes includes pension insurance, unemployment insurance, child benefits and social assistance.

The pension insurance is financed mainly by employers, state subsidies and taxes on the individual labour incomes. The replacement rates are very low and redistributive for those with low incomes. The differences between the pensions are minimal. There exists a minimum pension which is higher than the social assistance payment, as well as a maximum pension which is twice the minimum salary.

Unemployment insurance is financed entirely from the tax paid by employers. The social payments are not favourable for the long-term unemployed.

The child benefits system is the only one financed entirely from general taxation. Its reform seems impossible because of prevailing attitudes, although there is presently a political debate that child allowances should be dependent on real income.

Social assistance is administrated by the municipalities and is on a needs basis. The system for income maintenance does not surpass the minimum standards. Transfers are low. Payments are indexed but there is no mechanism to automatically update them.

2. The social services are mostly public. The administration of public health and public education is divided between the central and local authorities, in the proportion 1:3. With the implantation of the health insurance, the private provision of health services will be stimulated. There is a risk of transforming the Bulgarian welfare state model into a transfer-lean and social service-lean system, at least to begin with.
3. The state does not actively interfere in the labour market. The policy of full employment was abandoned, replacing it with “economic effectiveness and anti-inflation measures”. Labour price is not a subject of social regulation, but is converted into a macroeconomics index, with one of the controls being the anti-inflation policy.

4. The fiscal policy has no social purpose. There are no tax expenditures which might favour certain social groups.

The described welfare state does not have a strong redistributive character. It keeps the market structuring of the society and liberates a great perimeter for the private sources of welfare. This situation will bring about a very strong disequilibrium in society. The national market, even in an economic animation phase, will not be able to produce equality. Large sectors of the public will not participate in the distribution of the eventual economic growth. This will create new social problems, which at any moment, could produce social and political tension.

Probably the better solution is to keep and partially adapt, universalistic social programmes and to preserve the public provision of social services. Due to the lack of political pressure on the shaping of the process of the welfare state, the ruling party's choice of political strategies is the main factor for social reform. Moreover, due to the lack of strong political opposition, these strategies are not subject to political debate. For this reason, the perspective for the stability of such an organized social sphere is not good. At the moment, there are no particular interests with access to power, but they will appear and will cause in the future, more pressure on the welfare state. The reformed welfare state is not based on political consensus, but on the lack of a strong opposition.

The pessimistic perspective may be unjust regarding a labour price increase, but it is not impossible with Bulgaria's affiliation to the European Union. This will have a favourable influence both on the social indexes and on the economic structural reform. Only under these conditions can the welfare state achieve the conservative functions seen in Germany, without considerable social tensions.

STRATEGIC FORMULATION OF SOCIAL POLICY: THE EGER CASE

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Local governments and civil organizations

The local government in Eger is one of approximately 3,200 in Hungary authorized under the new system of local governments, established in 1990. According to the new law (LXV 1990), every Hungarian citizen has the right to elect a local government. As all local governments, Eger has significant autonomy. It is responsible for a wide range of public services including regional development, housing, basic health care, education, and social services. Eger also has financial autonomy; state bodies have only normative control over the activities of local governments. This means that Eger is a legal entity with the fundamental right to pass local statutes and decrees. In the area of social policy, Eger is responsible not only for providing social services but also has the right to regulate those local social questions not covered by law.¹

Because of the economic, social, and political pressures, there are ongoing reform steps and innovative efforts being made in the local government of Eger. The main objective of these actions is to provide more effective and more cost-efficient public services. A shift can be observed from a bureaucratic form of local government to an entrepreneurial form. The traditional isolation of public administration from civil organizations and private sector companies is fading. Local officials no longer have a monopoly on the provision of public services. New forms of interorganizational networks and strategic alliances have been created, and they provide for services based on co-operation and co-ordination with multiple local governments.

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¹ For more details on the system of local governments in Hungary see *Public Management Profiles*. OECD-SIGMA Paris 1993. 65-66 pp. Hungary in the 90's. The shortened version of the answer of the Hungarian Government to the questionnaire of the European Union. Budapest 1997. 260-263 pp.

One can also observe the basic features of larger international reforms in Eger. The local government leadership has tried to be a catalyst for a town which is steering, rather than rowing. For example, they have attempted recently to inject competition into service delivery. With a focus on the improvement of the quality of services and meeting citizens' needs, they have evolved new forms of public agencies moving from hierarchy to participation and teamwork inside the organizations of local government.² An immensely important feature of the reform efforts has been to establish a mission-driven local government, creating a long-term, strategic view that guides the day-to-day life of the public agencies. Another crucial initiative has been the involvement and empowerment with Eger of smaller communities and their institutions in providing different services.³

At the level of local government in Hungary, reform efforts have been undertaken, largely due to the apparent and direct needs of the citizens. Local authorities carry the burden of coping with the serious social problems caused by economic restructuring; they cannot pass their responsibilities up to higher levels (regional or central) of government. In contrast, of course, central and regional governments can mandate the obligations of local governments, especially in the area of social services. Therefore, it is essential for local governments to establish clearly their fundamental financial plans and obligations.⁴ Both the reform efforts, as well as their various economic, social, and political constraints, have motivated Eger to increase its problem-solving capabilities through increased involvement of civil organizations.

How should we define civil organizations and differentiate them from other non-profit organizations? Civil organizations, of course, are non-governmental and possess no public authority based in law; they were created by the civil society itself. In contrast, non profit-making organizations can be created not only by the civil society, but also by governments, or by the private sector. This can be clearly seen in Eger: non profit-making organizations with sufficient funding to be active and influential in various

² A detailed description of the modernization process can be seen in the book of David Osborne - Ted Gaebler: *Reinventing Government*. Addison - Wesley Publishing Company, Inc. 1992.

³ For more details on this issue see *Ibid.* pp 49-76, 108-138

⁴ See Public Administration Reform Program. Budapest 1996, pp 68-72. Manuscript issued by the Office for Modernization of the Public Administration in the Hungarian Prime Minister's Office.

public policy areas. Civil organizations, however, were not established with the principal objective to achieve power, nor do they have an interest in profitability through economic activity.

The focus of this paper dwells strictly on the role of civil organizations in Eger. How many civil organizations are there? When were they established? Which are new ones and how many traditional organizations can be found? Historically, the role of civil organizations was decisive at the beginning of this century with significant activity in education, culture, and social policy. A serious attack against the civil society during World War II led first to the prohibition of eight Jewish organizations and then of some organizations of the workers' movement. After 1945 the totalitarian system initially prohibited Catholic organizations and later virtually all existing civil organizations. These attacks caused fundamental changes in ownership within the political system, as well as in human rights, and were so effective that only a few civil organizations were able to survive through the next 40 years.

By the end of 1996, however, there were 1,157 civil organizations in Heves County; 241 (21%) of these civil organizations were located in Eger, the capital of Heves County.⁵ The vast majority of these organizations have been established in the last ten years; only four of them existed before 1989. As shown in Table 1, the largest number of civil organizations were created in 1989 (27%) and the fewest in 1995 (6%). Some earlier civil organizations, however, were abandoned during the last decade: 21 altogether. Approximately 35 civil organizations have become very well known in Eger, and they take increasingly important initiatives and play a significant consultative and decision-making role in the public life of Eger.

Table 1
The number of civil organizations established in Eger by year

Year	Number	Percent	Year	Number	Percent
1989	65	27%	1993	23	10%
1990	37	15%	1994	17	7%
1991	23	10%	1995	15	6%
1992	31	13%	1996	16	7%

Note. There are a total of 241 civil organizations in Eger.

⁵ Source of these data: Catalogue of the civil organizations in Eger. 1997. Published by the United Way - Eger Foundation. In Heves County the percentage of civil organizations is 3% that of Hungary.

Table 2 presents the categorization of civil organizations according to the various areas of public interest in Eger. About one-third of all these organizations are devoted to sports activities. Another quarter of these organizations look after cultural and professional issues. Fewer than 10% of Eger's civil organizations are constituted for reasons of health care, recreation, environment, youth, or the elderly. According to Table 3, however, most funds (25%) were established with an educational objective. This is not surprising since Eger is a regional academic center.

Table 2
The number of civil organizations in Eger according to areas of public interest

Interest Area	Number	Percent
sport activities	82	34%
culture	34	14%
association of professions	30	12%
health care, social	20	8%
recreation	18	7%
youth organizations	15	6%
environmental protection	10	4%
elderly	5	2%

Note. There are a total of 241 civil organizations in Eger; 27 (11%) could not be categorized into these eight areas.

Table 3
The number of funds in Eger according to areas of public interest

Interest Area	Number	Percent
education	41	25%
youth, sport, recreation	28	17%
social	23	14%
culture	19	11%
health care	17	10%
regional development	10	6%
human rights, religion	9	5%
environmental	8	5%
research	4	2%

Note. There are a total of 167 funds in Eger; 8 (5%) could not be categorized into these nine areas.

Relatively few organizations are actively concerned with supporting families with children or the unemployed. Those organizations which do exist, are mainly charitable in effort, not focused on influencing public opinion or lobbying local authorities. Organizations that work for the

elderly are interconnected but provide primarily recreational opportunities; only one is more directly engaged in representing the interests of its members in the larger political process. Handicapped persons also have their own network of organizations but, again, only one - for a group of physically handicapped citizens - has a strong lobbying capability. In some cases there are organizations consisting only of leaders, but no members. These leaders are often loud and visible, but they are known often to espouse their own opinion rather than the views of the socially vulnerable group that they claim to represent. The great Hungarian social organizations (e.g., Red Cross, Hungarian Caritas) have very active regional units in Eger, and regional units of international social organizations (e.g., United Way International) have also been established.

Prior efforts to support social policy making in Eger

A joint effort of local government in Eger and the Center for Public Affairs Studies (Budapest University of Economic Sciences) to support social policy making in Eger was undertaken in 1996 with sponsorship from a PEW-SOROS project directed by Jeffrey Straussman, a professor at Syracuse University, and Katalin Lévai, Head of Division at the Ministry of Labour. This co-operation confirmed the idea of developing a fully participatory process involving the many key stakeholders of Eger's social policy making.⁶ Through the support of an ACLS/IREX project, a strategic planning process was initiated which encouraged the involvement of local civil organizations, hosted by a three-member facilitation team who assisted the participants in reaching consensus on various recommendations for a social plan in Eger.⁷

Altogether there were three conferences, from the late fall of 1996 to the early spring of 1997, each of which involved local government officials, leaders of voluntary and professional organizations which provide social services, and executives from local economic enterprises. Each conference consisted of small group discussions and plenary sessions. Working groups

⁶ See more details in: Jenei, G. and Palotai, Z. "Social problems and Social Management in Eger" In: Jeffrey D. Straussman and Katalin Lévai (Eds) *Innovative Local Authorities* pp. 48-89 (1996).

⁷ See more details in: Jenei, G., Palotai, Z., and Vári, A.: "Values and attitudes in a changing local society. A Participatory Process for Strategic Planning in Eger". In J. Jabes (Ed) *Professionalization of Public Servants in Central and Eastern Europe*, Bratislava, NISPAcee, 1997, pp. 74-93.

which were established at the first conference remained active between conferences by collecting information and developing proposals for the next sessions. After identifying the most pressing social problems in the city and generating possible interventions for mitigating them, participants developed recommendations for an efficient allocation of the resources available from government, civil organizations, and business to implement the selected interventions.

At the end of this collaborative social planning effort, a number of key observations were made concerning the process:

- participants must be carefully selected to avoid dysfunctional behavior and unrealistic expectations which could seriously impede reaching agreement;
- representatives of civil organizations need to be able to clearly articulate social needs, while government officials need to be able to clearly articulate the constraints facing the local authorities;
- representatives of civil organizations had to learn how to represent the interest of their organizations (i.e., how to distinguish between their own opinions and the interests of their organizations), recognizing when the interests of their organizations overlapped with the interests of other organizations;
- conferences resulted in a shift in the behavior of the participants toward teamwork and consensus building;
- co-operation between participants is required at multiple stages—not only in formulating plans but also subsequently in taking actions on these plans;
- participants expressed the conviction that a new type of civil servant is needed—one who is not paternalistic but, instead, works as partner, manager, and, when necessary, protector, maintaining a positive attitude towards people and their problems and a neutral attitude toward political parties; and
- participants expressed the conviction that social programs must be regularly assessed—lack of evaluation can result in serious misunderstandings and conflicts.

New forms of co-operation: from information to contracts

In the months following the three conferences, a new phase of the project has begun. Detailed analysis of the content of the participants' joint statements has been undertaken to examine more closely their perceptions

of the social problems faced by the most vulnerable groups in Eger. This analysis has confirmed that the most vulnerable groups are 1) families with children, 2) the elderly, 3) physically and mentally handicapped persons, and 4) individuals and families in poverty, especially amongst the Roma population. Consensus-based statements have been developed concerning the most serious problem areas these groups face:

- unemployment;
- quality of housing;
- cultural and educational disadvantages;
- regional differences; and
- deterioration of health conditions.

At this stage a consensus has been created between government officials and representatives of the civil organizations concerning the social service needs of the four vulnerable groups. In addition, the project team has assessed the capabilities of the civil organizations and the local government through the development of three workshops, with the participation of government officials and leaders from the civil organizations. These regular discussions between the civil organizations and local government have resulted in a series of actions accelerating the reform process of social policy in Eger for all four vulnerable groups, as detailed in Figure 1. (See Annex)

It is now apparent that an improvement is needed in the information system pertaining to social plans, programs, and policies. For example, more publicity is needed on the conditions of eligibility for special social services. An improvement is also necessary in the informational role of the local media. Better co-ordination is needed between public agencies and the civil organizations with regard to all their services, but especially those for the unemployed. Furthermore, decisions of the local government should become more transparent and increasingly rely on the assistance of the civil organizations. Reform and modernization of the local government is being strongly encouraged by the civil organizations, too. Most of these organizations are highly motivated to create effective partnerships with the local government. This interest is expressed explicitly in the number of contractual relationships between the local government and the civil organizations created since the new phase of this project in May of 1997. The list of these contracts and agreements is presented in Figure 2. (See Annex)

What type of strategy for the future?

The cooperation between the civil organizations and the local government has made it quite clear that there is an urgent need for a strategic, long-term approach to social policy in Eger. There are many constraints and problems generated by the different vulnerable groups. The local government, of course, has to provide a response, but it is very dangerous without a prioritization process based on a strategic view. Without a strategic view, social policy will be fragmented and a politically unbalanced situation is created because the priorities of the social support system and the priorities of the vulnerable groups do not overlap. The political consequence is that one cannot reach the level of a consensus-based social policy even when there are serious political tensions between the local government and the population. The financial threat is also serious. In a fragmented situation, local government can exceed the limits of the local budget and the lack of overlapping interests can cause also serious managerial problems. The real question is what type of strategy do we need? There was a consensus among the participants that the strategy has to meet two criteria:

- its value - orientation and objectives must be in harmony and they should be formalized in a clear cut manner
- the strategy has to be operationalized; it has to contain actions or a series of actions

It was also obvious that a classical, rational decision-making pattern cannot be followed in establishing local social strategy. Rational decision-making involves selecting alternatives which are conducive to the achievement of goals or objectives within organizations and this type of decision-making also involves the selection of those alternatives which maximize the decision-maker's values.

The first problem was that there were differences between the value orientation of the different participants. And not necessarily between the local government and the civil organizations but also among the representatives of the civil organizations as well. That is the reason why the question "whose values and objectives are to be followed in the decision-making process?" cannot be answered without taking into consideration the political pressures.

The second problem was that it transpired that the individual value orientation of the representatives of the civil organizations was different from the organizational value orientation. Sometimes the civil organizations

themselves have not reached the level of sharing common values or objectives.

The third problem was that it turned out for the participants that their capacities were limited; it was impossible for them to consider all the alternatives during the decision process and they had insufficient knowledge of the consequences of the various alternatives.

Having taken into consideration the above mentioned dilemmas, the participants basically did not force their own value orientation on the others - of course there were certain attempts in that direction - but they tried to reach a consensus based on answers to the questions: "Is the decision good enough?" "Is it satisfactory to the population?" Actually, what they did was to follow the idea of "bound rationality," without knowing that this concept was elaborated by Herbert Simon in one of his early works.⁸

The participants agreed that an action program cannot be formulated on the general level of social policy making. The action programs can be created only at the level of the vulnerable groups. Each of them is different by nature because there are many differences in the current situation and the crucial problems facing each group.

In the first stage of prioritization the participants mentioned five groups:

- families with children
- the elderly
- handicapped groups
- the poor, including the Roma population
- housing

It should be mentioned that the prioritization was not accurate because the first four are social groups, but housing is not a group. It is, however, a crucial problem influencing the vulnerable groups. These groups were characterized partly with the same and partly with different criteria. Amongst the main problems, unemployment and housing were mentioned by all groups. However, it transpired that the vulnerable groups also have special affinities. The current situation of the elderly - for instance - is burdened by serious health care problems. In families with children, the segmentation in schooling and cultural inequalities are the most serious problems.

⁸ Simon, H. A. *Administrative Behaviour*. (Second edition. Macmillan, New York, 1957 p. XXIV.)

Regional inequalities and unemployment are the key issues for the Roma population. That is the reason why these different groups cannot be treated in the framework of the same action program. These programs must be tailored according to the special needs of the vulnerable groups. Of course, joint actions can be organized in a few cases, especially in the area of an employment policy. (For instance: part time jobs for mothers with children, for the poor, the Roma population and handicapped groups.)

The participants' conclusion was that two dimensional work is needed. An elaboration of the value orientation and of the main objectives is necessary at a general level. Its function is to provide a coherent orientation for the public agencies and the civil organizations without prescribing any actions.

The second task is to work out action programs for the different vulnerable groups.

Amongst the recommendations which were arrived at by the participants, one can differentiate between action oriented and strategy-oriented proposals.

Some of the action oriented proposals - roughly 50% of the total - followed an incrementalist pattern. They did not take into consideration the alternatives and they ignored the consequences of possible policies. Instead of specifying objectives, they set up a proposal with the intention to improve. The participants considered only those alternatives that differ in small degrees from existing policies and they did not isolate the analysis of facts and values, or means and ends. Instead of an effort to maximize the decision makers' values, they attempted to reach an agreement between the different interests. From that point of view the approach of the participants can be described with Lindblom's concept on disjointed incrementalism where a mutual adjustment is also needed with the application of negotiation and bargaining.⁹

At that point some participants were skeptical about whether there is a real chance to reach a "mutual adjustment" because there is a strong motivation amongst the institutions to use their dominant position.

There were other proposals containing a strategic approach and one or two actions. They can be characterized as mid-way between rationality and incrementalism. Without any basic knowledge of public policy literature,

⁹ See more details in: Lindblom, C. E. 'Still Muddling, Not Yet Through', *Public Administration Review*, 39 (1979).

this approach reminds one of the mixed scanning model of decision-making. These types of recommendations consist of two parts:

- a fundamental decision based on analyzing alternatives setting basic directions and providing the context for the implementation.
- an incremental decision with a more detailed analysis of specific options

Of course, some of the proposals had no strategic connotation. They were simple requirements either with a “what to do” or a “how to do” pattern. Quite unrealistic proposals were also made. They cannot be implemented because of legal or financial limitations. In a few cases a modification in the legislation can be initiated by the local government but only in the case where local government can convince other local governments to take joint action. There are institutional frameworks for doing that because seven different associations were organized on the national level in Hungary based on the different sizes of the settlements.

On the other hand, nothing can be done when the proposal requires the local government to work out a local statute or a decree which is not conform to national legislation. But these proposals can be also useful because they can generate new ideas on the solution of the same problem.

The importance of implementation

There was a general agreement amongst participants that one cannot postpone the actions of a social policy simply because one is awaiting the arrival of the prepared social strategy. There are urgent needs, strong pressures and challenges which must be handled. Some of the participants even expressed their conviction that no strategy is required. Instead, a clear-cut mission statement is needed and is a sufficient basis for coherent social policy-making. A few participants required a detailed strategy and they wished to wait for a strategy with ready-made solutions. They were not convincing for the others and therefore in the end, a common statement was formulated. According to this, the main requirement of policy-making is a continuous effort to meet the needs of the communities. They were convinced that practical details are very important and the strategy has to be put together step by step during the course of the implementation of the policy process.

Policy formation and policy implementation were not isolated in their approach. Instead of looking for perfect implementation, they were looking for ways and means of how to minimize the implementation deficit during the policy making process.

At that point, participants emphasized the role of the inter and intra-organisational context and the impacts of the external legal and financial elements on the implementation process.¹⁰

The participants were convinced that the strategy must be flexible and that it be evaluated from time to time and revised when necessary. It was pointed out that it is extremely difficult to translate a stance or a value orientation into an action. A policy in its strategy has a clear form and contains political commitments to specific actions. But the reality is always a much more complex phenomenon.

Therefore, a few participants proposed that the social strategy must be formulated quite deliberately in an obscure and ambiguous way. In this way one can avoid a deficit in the implementation and can prove through a “backward mapping”¹¹ style that there was an original, clear-cut social strategy. The majority of the participants had a bottom-up approach instead of following the top-down model. They put forward many arguments on why they were ready to choose the bottom-up model of implementation. They were convinced that the implementers are better equipped to make the key decisions than anyone else because they have more knowledge on the facts and they have to answer to the ongoing changes during implementation. Secondly, conflicts are never resolved in the policy making stage; they must always be resolved by the implementers. They know what the actual impact is of the new measures. And they have to negotiate and compromise in the day-to-day work with the other units and public agencies of the local government and with the civil organizations. They mainly followed an implementation pattern which is described in the literature as follows: to understand the policy-action relationship we must get away from a single perspective of the process which reflects a normative administrative or managerial view of how the process should be, and try to find a conceptualization that reflects better the empirical evidence of the complexity and dynamics of the interactions between individuals and groups seeking to put policy into effect, those upon whom action depends and those whose interests are affected when change is proposed. To do this, we have argued for an alternative perspective to be adopted - one that focuses on the actors and agencies themselves and their interactions, and

¹⁰ See more details in: Mountjoy, R. S. and L. J. O’Toole, ‘Towards a Theory of Public Implementation: An Organizational Review’, *Public Administration Review* (1979).

¹¹ Elmore, R., Backward Mapping: Implementation Research and Policy Decisions, *Political Science Quarterly*, 94 (1980).

for an action-centered or “bottom-up” mode of analysis as a method of identifying more clearly, who seems to be influencing what, how and why.¹²

Conclusions

The cooperation process between the civil organizations and the local government of Eger shows the development of a new type of social policy making in Hungary.

In the area of social policy, traditionally there were four basic actors:

- state (public agencies)
- associations (voluntary, civil organizations)
- market (private firms)
- community (households, families etc.)

The non-profit organizations have a special place since they can belong to each of the four actors.

The state had a dominant role in the previous Hungarian welfare model. The functions of the market and the voluntary organizations were quite peripheral. You have to take into consideration that there were no foundations from 1949 onwards in Hungary and only the large religious organizations were allowed to carry out welfare tasks. During the 1980's the role of the market and the voluntary sector began to increase. The establishment of foundations was authorized again in 1987 and in 1989 there were already 400 foundations. State firms had more autonomy and many small, private businesses were created.¹³

But despite these changes, the model of social policy remained basically an Eastern European model with a certain shift towards the direction of the Yugoslav ‘Self-government’ Welfare model.

It is a well-known fact that with the withdrawal of the state, a systematic change began in 1989/90 in Hungary. The role of the market, the voluntary sector and the communities began to increase. However, the state (central

¹² Barrett, S. And M. J. Hill, Report to the SSCR Central-Local Government Relations Panel on the ‘Core’ or Theoretical Component of the Research on Implementation. (Manuscript, 1981.) Cited in Christopher Ham - Michael Hill, *The Policy Process in the Modern Capitalist State*. Second edition. Harvester-Weatsheaf. 1993. p 109.

¹³ See more details in Zsuzsa Széman, ‘The role of NGOs in Social Services in Hungary’ In V. Pestoff (Ed) *Reforming Social Services in Central and Eastern Europe - An Eleven Nation Overview*. Cracow Academy of Economics 1995. pp. 323-329.

and local government) remained the key actor in the process. What we can observe now in Eger and in other settlements of Hungary, is a shift from a Welfare Model dominated by the State, to a Welfare Model coordinated by the State.

The changes and shifts in the social policy making in Eger which were outlined and described in this paper show the main characteristics of the general trends. The local government already has a dominant role in the social policy-making but there are ongoing efforts in the direction of a local government coordinated welfare model. Regarding that issue, there is a consensus between the representatives of the local government and the civil organizations.

The majority of the participants were convinced that a new model is needed for making the social strategy based on a partnership between the local government and the civil organizations. Of course the civil organizations are full of uncertainties. They are looking for both their identity and their role. On the one hand, they behave in an old-fashioned way and are waiting for the tasks to be distributed by the local government. On the other hand, one can find civil organizations which are very active in the articulation of the interest of the community - sometimes they are too ambitious - but at the same time, they are not ready to share the burdens. They could not find a balanced position between rights and obligations.

Of course, in local government one can find officials who would like to preserve their dominant position. They did not recognize that a political consensus in the long run could be created only on the basis of shared rights and responsibilities. They are not aware of the fact that under these social pressures their only chance for survival is to involve the communities - directly and through their organizations - in the policy-making process.

Another crucial problem that some of the representatives of the civil organizations did not recognize was the difference between the strategy-oriented and action-oriented approaches. That is the only explanation for the fact that amongst the proposals, 50% are action-oriented and in only a few cases, were the orientations in a balanced position. On the other hand, there were proposals with a strategic character rather "in the clouds" without any knowledge of the real existing opportunities.

It is quite obvious that social policy-making is a learning process. There are many problems and weaknesses amongst the actors in Eger. But we can be optimistic. The trend is conform with the international reform efforts

and what is more important, the actors are ready to learn. They are ready to learn from other experiences and they are ready to learn from each other. They have to cope with the economic and financial constraints and with the social and political pressures. They have to act based on new value orientations and the signs of a new public behavior can be observed. They have already achieved results. They have to learn how to handle the failures. But local government and civil organizations have been getting closer and closer to each other. Sometimes they are on the same side and sometimes they attack one another but one thing is sure: a brand new model of social policy-making has come to Eger.

ANNEX

Figure 1 - List of actions accelerating the social policy reform process

Families with Children

- organizing a regular Social Service Forum (current social issues, ways to cooperate) with involvement of public agencies and civil organizations
- providing part-time jobs for women - joint action between the local government and the Heves County Employment Office
- promoting new forms of civil organizations (Women of Eger for the city - supporting families in poverty; organizations against AIDS and drug dependency) in finding their places and establishing the necessary contacts with other organizations
- preparing for organizational changes (The House of Youth will become a non-profit organization instead of a public agency)
- arranging regular visits of social workers into schools, including sharing social work between primary and secondary schools and the Institute for Family Support

The Elderly

- educating family members on how to take care of the elderly in the family - joint action of the Red Cross and the local government
- preparing for an extension of “meals on wheels” services to seven days a week
- diversifying the function of the homeless house to provide social care for 15-20 elderly persons

- working on a strategy to change the functions of social institutions according to demographic shifts over a 15 to 20-year period
- establishing a new health care district especially for homeless people
- preparing a plan for the extension of home care services instead of building a new house for the elderly
- creating a strategy for sharing tasks among doctors, social workers of the Institute for Family Support, nurses and care-giving organizations

The Physically and Mentally Handicapped

- preparing more publicity and better coordination of the activities of organizations providing mental care
- creating new services for drug dependents - joint venture of Hungarian Caritas (building and experts) and local government (maintenance costs)
- establishing a new profit-oriented center by local government (Agria Human KFT) for training the unemployed and handicapped
- supporting the training activities of a non-profit organization (Foundation of Eger to assist)
- extending part-time opportunities for the handicapped
- involving a representative with consultative right-to-work in the Social Committee (precondition: the different civil organizations agree on sending a representative for a one-year term)
- local government providing appropriate places for the civil organizations' events at subsidized prices

Individuals and Families in Poverty

- influencing the Heves County Employment Office for advertising public work opportunities for the unemployed
- improving co-ordination between the Roma Minority Self-government and the local government in creating parents' councils in the schools with the involvement of the representatives of the Roma population
- establishing a problem-solving task force with the involvement of local government, service provider companies, banks and representatives of groups below the poverty line to work out recommendations on how to pay back debts incurred in connection with housing (electricity, water, remote heating)
- beginning the preparation of the Social Map of Eger
- affirmative action for families living in slums and the demolition of such slums. The first Roma families' homes were built by themselves. They

were given the land by the local government together with plans of the house free-of-charge, support in cash and subsidized loans.

- launching a special program by local government on subsidizing the rationalization of remote heating

Figure 2 - Contracts and agreements since May of 1997.

- Local government - Alternative Association of Culture
Organizing programs against AIDS and drug dependency with the goal of prevention
- Local government - Catholic Community of Lajosváros (one district in Eger)
Taking care of homeless and unemployed people; cultural community programs for young people
- Local government - Hungarian Heart Association (Section of Eger)
Support of the rehabilitation of poor people with heart disease
- Local government - “Servita” Order
Summer school for handicapped children (6-14 years of age; 50 children)
- Local government - Foundation against Poverty (SZETA Section of Eger)
Summer school for poor children (8-12 years of age; 40 children)
- Local government - Foundation for Family Support
Summer school for poor children (43 children)
- Local government - Club against Alcoholism
Rehabilitation, family therapy and organizing a community organization for alcohol-dependent persons
- Local government -Vox Humana
Mental aid service by phone; education of the service providers
- Local government - Association of Parents with Handicapped Children
Summer school for poor families
- Local government - Association of Great Families
Summer school for 83 families

THE MAIN SOCIAL PROBLEMS IN LATVIA AND THE WAYS TO SOLVE THEM

*Imants Krūpenkova**

Background

Latvia regained independence from the former Soviet Union in 1991. After years of Soviet domination, Latvia inherited an excessively exaggerated economy and obsolete technologies and management techniques. The structure of the economy had been formed according to the needs of the Soviet empire and its military complex. Industrial production figures in 1991 had increased 59 times compared to 1939. This was achieved despite a lack of raw materials and small work force and was due to an extensive production pattern, creating new jobs. An unlimited influx of immigrants into Latvia contributed considerably to the decline in living conditions and health care services etc. After the collapse of the Soviet Union, all economic ties with the former Soviet Republics were severed. Latvia had to restructure its economy and as a result, Latvian society has experienced severe economic hardship. The transition to a market economy was accompanied by sharp declines in output and employment and greatly increased prices. Although substantial progress has been made recently in the development of the economy, an urgent need remains for a more effective social safety net to protect vulnerable groups of the population.

Though living standards in Latvia are stabilizing, a considerable proportion of the population still lives in poverty; demographic figures are unfavourable and there is high unemployment. According to the people's development index developed by the United Nations Development Program - in 1997, Latvia was 92nd in the world (Estonia - 71, Lithuania - 76). The figures produced by specialists testify that poverty in Latvia is still widespread and in 1996 665,000 households were still below the poverty line i.e. under the crisis subsistence minimum (52 lats or 98 USD). Since the number of people in an average household is 2.42, this means that 1.6 million people (or two thirds) of the population live under these conditions. The majority of households which live in poverty are families with children or households where there are unemployed people. However, the situation is very different for urban and rural residents and for developed and under-developed

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regions. For instance, in the region of Latgale (approx. 0.5 million residents), only 24.9% of the population spends more than the subsistence minimum. At the same time there are relatively fewer people living below the poverty line in the Riga region.

The average wage amount is still lower than that of other central and eastern European countries (with the exception of Rumania, Bulgaria and countries of CIS). The average monthly gross wage of people employed in the national economy in the middle of 1998 was 120 Lats (210 USD). The situation is aggravated by inequality of income. The Gini coefficient is 0.32 for all households in Latvia. Compared to other central and eastern European countries, inequality in Latvia is similar to that of Poland and Estonia. At the same time in the Czech Republic it is only 0.23.

An insight into the living standards of Latvian residents is provided by household budget surveys carried out by the Central Statistical Department.

The real disposable income of households (in money and in kind) during 9 months of 1997 reached 53.73 lats (93 USD) on average, per member of a household (per month) and has increased on average by 7.1%. With an 8.8% increase in the consumer price index, the purchasing power of people over this period decreased by 1.6%.

Household budgets are based mainly on two types of income. According to data for the 9 months of 1997, these incomes are wages and social transfers (pensions, stipends, benefits, etc.) – in total, approximately 80%. Even farmers' incomes from wages and social transfers on average exceed half (52%) of the total and net income from agricultural production (41%) and comes in second place after social transfers.

Disposable income in households of employed salaried people per family member was by 9.2% more than in the average household at 58.67 lats. Incomes in kind are an important part of household budgets, however they are becoming less frequent.

It must be noted that slowly but surely, the prevalence of income over expenditure is growing in all households. During the 9 months of 1996, incomes in all households on average per month exceeded expenditure by 4.5% - in 1997 it was 5.8%.

Consumer expenditure in all households during a 9 month period in 1997 rose by 5.5% just behind the consumer price index by 3.3 percent points. An important part of household expenditure is consumption in

kind. Its share of household expenditure during the same period was 14% and in rural households, 28%.

Although consumer expenditure on food per family member has gone down, especially in urban households, total household expenditure on food has increased by 0.1% (3.3% in rural areas). On the other hand, expenditures related to house ownership and apartment costs, transport and communications, holidays and other expenses, have risen.

The poorer households have a particularly high share of food expenditure. According to the decile grouping of households published in "Latvia: Human Development Report 1998", in the first and second lowest decile groups, in 1996 on average, food exceeded 60% of household consumption expenditure. In the highest decile (10), the share was 41%. Households in the two lowest groups spent approximately 80% of their consumption expenditure on food, clothes, footwear and apartment maintenance. In the highest decile, 67% spent considerably more money on cultural activities, relaxation and services.

Although household incomes have risen, in the average 9 months of 1997, they constituted 99.0% (in the 9 month period of 1996, 96.3%) of consumption. This was foreseen by the crisis subsistence minimum basket.

Self-evaluation of living conditions of households in the reviewed period compared to the same time in the preceding year have not significantly changed. Farmers evaluate their financial position positively i.e. 55% of them consider it as either satisfactory or more than satisfactory. In households where people are employed and receive wages, this evaluation was expressed by 50% of respondents. In these groups, the share of negative answers has gone down slightly. However, the share of negative answers (bad or worsening) in the 9 months of 1997 compared to the same period in 1996, increased amongst pensioners from 71.0% to 74.1%. It has also gone down in other types of households (from 80.2% to 80.1%). As proved by the opinion poll carried out in the network of household budget survey at the end of the fourth quarter of 1997, 45% of households (43.4% in the previous year), lacked the resources to buy food. Only 55% (54.6% in the previous year) of households could pay apartment rent and utilities.

The high level of poverty and low per capita incomes are not significantly different from those of pensioners. Therefore the presence of pensioners in the family does not visibly affect its living standard.

The increase of average old age pension of non-working pensioners registered in social care institutions during the 9 months of 1997 compared with the same period in 1996 was 1.1%. Living standards of pensioners are still low. In the third quarter of 1997, the average amount of old age pensions was only 54.3% of the total subsistence minimum in the goods and services basket per inhabitant and 78.4% of the crisis subsistence minimum value of goods and services basket.

In 1996 the state began to align pensions with the consumer price index. It should be noted that the basis of the pensioners' consumption basket differs from that of those employed in the national economy. This should be rectified to reflect their real expenditure

One of the main reasons for poverty is unemployment. According to the data of the Latvian State Employment Board, the unemployment rate started to increase during 1996 and at the beginning of 1997 was 7.6%. Activation of the economy and changes in the procedure for awarding unemployed status have created a situation whereby unemployment at the end of May 1997 (7.7%) has decreased every month since.

It should be noted that the real unemployment rate in the state is much higher. Labour surveys carried out by the Central Statistics Bureau following the methodology of the International Labour Organization, show that in Latvia the number of people seeking employment in May 1997 was almost 15.9% (in November 1996 it was 18.3%) of the economically active population. However, only 25% of this number registered themselves with the State Employment Board. Others were seeking work through relations with family and others.

Amongst the total registered unemployed, more than 50% are women and this number is growing substantially. At the end of 1996, it was almost 55% and in 1997 it had increased to 60%. Surveys show that women look more actively for jobs and register with the Employment Board.

Every fourth unemployed person belongs to a low skill profession (26% of the total number). In the last two years, high-skilled workers, e.g. craftsmen, machine operators and assembly workers are amongst the unemployed. They totaled 37% at the end of 1995 and during the same period last year, 31%. This testifies, to some extent, the increase in entrepreneurial activity in the state. The number of unemployed clerks, service and trade workers and other professions is also growing. Unemployment has touched least those in highly skilled professions. Only

6% of the unemployed have a higher education; 31% have a general secondary education and primary or unfinished primary education account for 26%. More than half of the unemployed (51%) were between 30-49 years of age and 19% were young people under 25.

Unskilled workers make up the majority of those unemployed (26%), followed by skilled workers and craftsmen (19%), and machine operators and fitters (14%). These figures reflect the restructuring of Latvia's economy during transition. The unemployed are primarily from sectors where Soviet economic planners had expanded into Latvia to serve the aims of the centralized administration.

The number of long-term unemployed has increased considerably. At the end of 1997 approximately 53,000 people failed to find jobs for more than six months, of which 32,000 were out of work for more than a year (at the end of 1996 the figures were 47.6K and 26.3K respectively). The opinion poll organized by the Central Statistical Bureau shows that the average time people have been out of work was 23 months. 75% of people in search of jobs have been job-hunting for longer than six months. The considerable length of time spent looking for jobs indicates a slow adjustment to market requirements by some of the population; a low retraining rate and a low mobility of people in search of work.

At the same time, a very small portion of those unemployed have been sent to vocational training or retraining. In the 9-months period of 1997, they numbered 6,600 (7.4%) of the total unemployed. In the same 9 months of 1996, this number was 6,800 (7.7%). The number of people involved in temporary public works is low. During 9 months of 1997 this figure was 7,000 and for 9 months of 1996, 8,600 people.

Unemployment benefits in December 1997 were paid to 28% of the total number of unemployed and this share has substantially fallen during the last year (by 8%). There may be a connection between the long-term registered unemployed in the total number of registered unemployed. For instance, those who had been unemployed for 12 months or longer during 1997, increased from 31% to 38%.

From June 1, 1997 the procedure of unemployment benefits payments has changed. This benefit is now based on the last salary earned and not simply 90% or 70% of the minimum wage. If social insurance contributions have been paid for at least 9 months during the previous 12 months before becoming unemployed, the benefit is paid proportionately to the insurance

history, i.e. 50% to 65% of average earnings over the last six months, decreasing gradually after three months. The amount of unemployment benefits has not significantly changed - in September 1997 it was 31.94 lats and one year before, it was 31.64 lats.

During the time of Soviet occupation, an artificial and distorted territorial structure of the economy was created. Transition to a market economy has also aggravated the problems in many Latvian regions. As a result, the unemployment rate differs between the regions.

Some consequences of territorial distortion are:

- an excessive concentration of people and production facilities in the Riga region and a relatively low population density, weak production and infrastructure in the remaining territory;
- very different living standards in different areas of Latvia (per capita income, development of social infrastructure).

The unemployment rate in the different areas and cities of Latvia at the end of October 1997 varied from 3% in the cities of Ventspils and Riga, to 28.3% in the Rezekne region.

The most crucial situation is in the Latgale regions and cities where unemployment rates are the highest in Latvia. In the Rezekne region at the end of October, the figure was 28.3%; in the Kraslava region – 22.7%; in the Preili region – 22.2% and in the Balvi region – 21.1%.

One the whole, the unemployment rate in Latvia does not differ that greatly from other countries in Central and Eastern Europe, where at the end of 1996, the rate fluctuated between 10.5% and 18.8% (with the exception of the Czech Republic – 3.5% and Rumania – 6.3%).

Poverty problems are strongly connected to demographic problems. Family poverty increases with every additional household member and those at greatest risk are families with two adults and three or more children. Using the crisis subsistence minimum the poverty index shows that 90.5% of families with three or more children live below the poverty level. This impacts the demographic situation in Latvia. The rate of mortality is 1.6 times higher than the birth rate.

A study commissioned by the United Nations Population Fund and the Latvian Ministry of Welfare showed that amongst those who do not want children, 36% of men and 30% of women cite difficult socio-economic conditions as the main reason.

Although in 1996-97 the average life expectancy of residents has increased – for men from 60.7 years to 63.9 years and for women – from 72.9 to 75.6 years, it is still one of the lowest in Europe. In Western European countries these figures are much higher. For men the life expectancy is over 70 years and for women, 80 years and over. These figures are closely related to the bad condition of people's health and the high death rate. Based on 1000 people, the number of the newly born in 1996 was only 7.9 and the deceased figure was 13.8.

However, it is noteworthy that since 1995 there are certain positive changes in demographic figures. Compared with 1994, the number of deceased in 1996 dropped by 18% and death from murders and suicides by 35%. The death rate amongst infants has decreased considerably.

All of the above mentioned situations concerning people's welfare are connected with the economic situation in Latvia. Latvia's economic development since regaining its independence has remained unchanged: its aim is to create a western style market economy which is sufficiently liberal, based on the principles of competition and a private property economy, open foreign trade policy and a gradual adjustment of the economic environment to meet the requirements of the European Union.

There has been a gradual improvement of the state's overall economic situation. GDP and direct foreign investments have gone up and a turning point has been reached in crediting of the national economy. The annual inflation rate has been reduced to a single digit number. Latvia corresponds to the requirements set out in the Maastricht agreement vis-à-vis the European Monetary Union with regard to the size of the state debt, budget deficit and exchange rate stability. Credit ratings awarded to Latvia by international agencies Standard & Poor's and Moody's are amongst the highest in the central and east European states and correspond to the so-called investment grade.

Consumer price inflation has been reduced from a level close to hyper inflation in 1992 to 7.0% in December 1997. It is expected that the inflation rate will continue decreasing in the future. However, it will only be possible to achieve the inflation rate currently in western states when administrative prices are regulated to fully cover expenses.

The financial position of the state continues to improve. The government has expressed its determination to maintain a balanced income and expenditure portion of the central government basic budget and not allow a deficit.

The dynamics of the gross domestic product also testifies to the gradual improvement of the state's economic situation. It is expected that in 1997 growth of GDP compared to the preceding year, will double. The results for the 9 months of 1997 show that GDP has gone up by 5.6% compared to the same period in 1996. Growth of GDP has been achieved basically due to a rapid increase in investments thereby making a base for the growth of the national economy in the future.

Direct foreign investments in Latvia have increased considerably during the last few years. Data indicate that since the beginning of the 1990s up until the end of September, foreign investors have invested more than 1,000 million USD in Latvia. Per inhabitant, Latvia has come close to those central and east European states which are leaders in terms of attracting direct foreign investments. It is expected that with the improvement of the overall economic environment, the amount of direct foreign investments will continue to grow.

In 1997 activity increased in almost all basic sectors of the national economy.

Transit business development has been particularly successful. Such factors as liberalization of the Latvian economy, the external economic situation together with Latvia's infrastructure, the quality of services at Latvian ports and in the Latvian transport corridor have created favorable conditions for Latvian transport services to develop, together with the mediation operations of foreign trade. The transit sector contributes approximately 18% to GDP.

Compared to the beginning of 1990s, the share of services has essentially gone up and in 1996 it reached 50.7% of GDP (in 1991 it was 31.9%). Services play an important role in covering the balance of trade deficit in Latvia. Transit haulage and port services in the export of goods and services constitute 25%.

Since 1996 manufacturing activity has also increased. Wood processing and furniture production is one of the most dynamic sectors of Latvian industry which, based on local raw materials and cheap labour resources, produces products mainly for the western market. There has also been an increase in the textile industry and metal processing and also in the largest manufacturing sector – the food industry. The latter, for the time being, is mainly oriented towards the domestic market. However CIS countries also represent a considerable market together with Lithuania after the creation of the united Baltic market.

Nevertheless, many sectors, especially those which were deeply integrated in the former USSR economy are still in stagnation. Since the beginning of the reforms, the decline has continued in the production of electric machinery and equipment, radio, television, communication equipment and devices, automobiles, trailers and semi-trailers. Outdated technology, limited markets and tax debts are basic factors hindering the development of these industries.

In 1997, the decline in agriculture ceased. The total yield of grain and milk is growing, however, meat production is decreasing. During the next few years it is planned to give national support through subsidies to only rational and efficient production. Positive solutions to problems in agriculture must be found as the development of agriculture is not only an economic, but also a social problem. These problems, however, have to be separated from one another. It is also important to develop non-agricultural sectors of production in rural areas.

Construction has also increased. In the 9 months of 1997, compared to the same period in the preceding year, the total amount of construction (building and road construction) has increased by approximately 8%. Construction work in ports is proceeding especially quickly. Together with the creation of the hypothecated lending system for house-building, it is expected that the growth rate of the construction sector will be even higher.

Simultaneously, we should mention that during the course of the economic reforms and liberalization of foreign trade policy, the current account of Latvia's balance of payments compared to the beginning of the 1990s has gone from positive to negative. In the current circumstances, growth of imports is dependent on a general modernization of production and a growing demand from people for high quality durable goods.

It is necessary to note that at present, there is a rapid increase of exports of Latvian goods especially to the EU. Compared to a 10-month period of 1996, during the same period in 1997 exports increased by 22.5% and to the EU, by 37.4%. At the same time, total imports increased by 24.9% and from the EU, by 33.5%. At the moment, more than half of Latvia's exports and imports are to EU countries although it should be noted that prior to regaining independence, Latvia did almost no trade outside the former socialist countries group.

During the last few years, the government has actively worked on the improvement of regulatory documents and a legislative base for entrepre-

neurial activity; elimination of barriers to business; promotion of investments and acceleration of structural reforms.

Privatization is nearing completion. At the beginning of 1997, the private sector accounted for 59% of gross domestic product and employed 64% of the employed population.

The Cabinet of Ministers has, on the whole, completed its assignment for the privatization of state enterprises and state statutory companies. In total, more than 95% of state enterprises and statutory companies have been privatized. Some large state companies (Latvian Railway, Post, Free port of Riga), specialized state agricultural companies, social and health care establishments have still to go through this process. It is expected that privatization of state companies will be completed by July 1, 1998.

One of the most important tasks at present, is to achieve higher efficiency of privatization by encouraging the quality of privatization projects and reinforcing state supervision and control over work of companies under privatization. Acceleration should be achieved in land privatization (under state property, units undergoing privatization) and capitalization of debts to the state budget of the yet-to-be-privatized companies. The utilization of resources gained through privatization should be perfected.

Although there are certain difficulties in the present Latvian economy, the overall development may be viewed with a certain optimism. Considerable progress in macroeconomic stabilization has been achieved and there is growth in economic activity. The fiscal and monetary policy of the state and acceleration of structural reforms, support investment in the private sector and stimulate economic growth. Thus, the foundation for an increase in the welfare of its people, is being established.

Social policy

The Government must restructure the social safety net to meet the demands of a market economy and develop a more productive and efficient social welfare system. As a result of this high quality and professional social policy, a monitoring and evaluation system is being developed to ensure that by improving the quality of the social policy adopted by the Government, it will be possible to reduce poverty and improve the efficiency of resource utilization. An efficient and cost effective social insurance and old age security system will be implemented in Latvia in the coming years.

An initial social welfare reform was undertaken during the first years of the post-soviet period, primarily designed to enhance the social safety net

during the stabilization and price liberalization phase. This legislation basically enshrined previous Soviet benefit rights, including a variety of special pension regimes, sickness and maternity benefits, and numerous allowances. It soon became clear, however, that the system was hindering the development of a market economy. Expenditures on cash transfers increased rapidly - from 7% of GDP in 1990 to over 14% in 1995. It was clear that the system was unsustainable financially even with a restoration of economic growth. The high social tax rate (38%) encouraged tax evasion and the development of a black economy (outside the tax system).

Recognizing the need for fundamental reform, the Government began a systematic overhaul of the whole welfare system. In 1995 seven new pieces of legislation were enacted (laws on social security; social tax; state pensions, social assistance and others), covering the financing, eligibility and benefit structure of all significant cash transfers. With the adoption of comprehensive social legislation, Parliament and Government made the creation of a financially strong and independent social security system a high priority. The aim was to reorganize the social protection and health care sectors and include them in a unified system, to involve non-governmental organizations in solving social problems, and to strengthen cooperation between local authorities, local employers, employment services and others involved in social work.

Since 1995, the social insurance budget has had special budget status. The development of the social security system was planned within the parameters of the social tax rate (38%). Further amendments to the Law on the Social Tax provided for the gradual increase of the employee's portion in the social tax payment. Instead of the 1% social tax payment in 1995, employees now pay 9% and employers, 28%. It was planned that the social tax rate will gradually be reduced to 33% in 2001. From the beginning of 1998, the new Law on state social insurance came into effect and this will regulate all contributions on social insurance instead of the Social Tax Law. It is envisaged from 1 January, 2002 the social insurance payment rate will be 33% divided into two equal parts for employee and employers.

Four special budgets have been introduced with this Law i.e. state pension, employment, work-related accidents and for disability, maternity and illness. From the beginning of this year these budgets have been administered by the State Social Insurance Agency.

Latvia also undertook a far-reaching pension reform in 1995. The reform will gradually replace the “pay as you earn” system with a new three-tier system:

- The first tier will provide modest state pensions, the level of which would be partially determined by contributions, but will include minimum government provided pension.
- The second tier will be a state funded pension scheme, where part of the resources are invested in long term investment funds.
- The third tier will consist of voluntary private pension arrangements for those who wish and can afford a higher level of old-age and disability protection.

The first tier has already been introduced on 1 January, 1996 and all social tax payments made by employers are credited to individual accounts, where interest is accrued in line with the average growth of wages. On retirement, annual pensions will be paid according to the accumulated balance divided by the average post retirement life-expectancy. Benefits will be price-indexed.

Additionally, the minimum pension age for women was raised from 55 to 56 in 1996 and will be further increased by six months every calendar year until it reaches 60. Therefore, the number slows and both income and social taxes continue to be paid.

Savings will be channeled to a second funded system in which the contributions will be invested in private pension funds or held in reserve. But it is not expected that this scheme will be introduced soon since the average level of pensions is low and under the value of the crisis minimum basket of goods and services per capita. Expenditures for those retired prior to 1996 should also be covered.

The third tier is expected to be introduced in the second half of this year. Private pension schemes will be an addition to the state guaranteed pension and provide the age pension beneficiaries with higher level pensions, based on the savings of all working individuals during their working life. The estimates indicate that at the beginning of the voluntary pension schemes in 1999, financial investment could be attracted equivalent to one percent of Latvian GDP. By the year 2025, this investment would increase to 20 percent of GDP and would be a valuable source of long-term national resources for financing large infrastructure investment projects.

In the area of the employment policy, the main task is to reduce the rate of unemployment and adverse consequences created by unemployment and to ensure maximum speed and effectiveness in recuperating those who have lost their jobs.

It is expected that the solution to unemployment problems in Latvia will be encouraged by the successful implementation of the regional policy including programs for development of the depressed areas and free economic zones.

In 1997, the Government accepted national programs of regional development, development of small and medium-sized business and other programs to improve the economic situation in the state.

To conform with the national program accepted by the government, a favorable environment to support entrepreneurial activity and attract direct foreign investments has been created in the regions.

The present general objectives of the regional policy is the improvement in the levels of the quality of life in the whole territory of the republic and ensuring sustainable development both for the country in general and for each specific region.

In May 1997 the Saeima passed the law "On Assisted Regions" stipulating basic principles for identification of assisted areas, selection of economic tools and cooperation between the central and local authorities on issues of economic development of the depressed areas. The Cabinet of Ministers has already accepted the package of regulatory documents linked with the law On Assisted Regions.

It is planned to award the "assisted area" status to regions which meet a set of defined criteria (social and economic development, development of infrastructure, indicators etc.) and review the development plans prepared by regions and evaluated by the interministerial commission.

According to state legislation, territories where there is limited economic activity may apply for assisted region status. These territories are restricted areas, national parks, cultural and historic places etc.

The maximum number of people inhabiting regions which have been awarded the status of assisted region must not exceed 15% of the total population of the country.

The Ministry of Economy prepared a list of potentially assisted areas and on 15 November 1997 this list was approved by the government.

The most important period for both local authorities and companies registered and functioning in their territories has begun - i.e. specification of activity plans outlined in development programs and justification of the resources required.

Real state support to economic development of the assisted areas will become possible with the foundation of the Regional Fund. It is envisaged that this Fund will be created at the beginning of 1998. In 1997 the government allocated one million lats for its foundation and for the financing of economic development activities in the assisted regions. The same amount is also planned in the state budget of 1998. The Regional Fund is open for co-financing from international institutions (the Ministry of Economy has prepared a proposal for PHARE co-financing in the framework of the 1998 National Indicative program) and will target donations of local entrepreneurs or private individuals.

The basic task of the Regional Fund is the promotion of entrepreneurial activity in the assisted regions by supporting projects with justified business and activity plans and where the respective local governments are interested in their implementation.

Investments in the share capital will be financed from the regional fund. Lump sum payments will also be granted, for instance to create new jobs or activities of economic education and investment concessions. This is partial compensation for capital investments. Interest payments (partial) will be made from this Fund for medium and long-term loans and credit guarantees granted on special occasions.

Another important set of economic tools for the development of the assisted areas is partial concessions of some taxes. In November 1997 Saeima accepted the law "Amendments to the Law on Company Income Tax" which envisages the reduction of companies' taxed income on specific development projects which are realized in the assisted regions through the accelerated depreciation rules of fixed asset purchase expenditure. In essence, companies in the assisted areas during the first few years will receive company income tax relief.

Conclusions

The overall aim of the social assistance reform is to provide more effective and better targeted social assistance, with specific emphasis on the development of new, alternative social care services for underprivileged

categories of the population. The main social assistance system development objective is to extend the ability of the Government to provide targeted assistance to local governments, including assistance for social care services to the poor and socially unprotected groups as well as to make this assistance more efficient. It envisages that the quality and standards of social assistance are not dependent on the varied financial means of local governments.

However, we should point out the following shortcomings in social assistance reform:

- the national social safety net is not of universal coverage
- the existing financial system does not encourage the development of community-based alternatives to institutional care
- several municipalities are too small to develop an effective social assistance system. However, the realization of the policy of social assistance is continuing and the aforementioned shortcomings will gradually be eliminated.

In a situation where considerable progress in macroeconomic stabilization has been achieved, a comprehensive poverty assessment, including disaggregated data by region, age, gender and social group should be undertaken and on this basis a comprehensive poverty reduction strategy worked out. It should target assistance and relief to the most needy families and cover labour market aspects, including job creation, retraining, increasing labour mobility, etc.

As poverty amongst the working poor disproportionately affects low-income families with children, a well-targeted family allowance is necessary.

The Government should make a sustained effort to measure income inequality in order to monitor current social reforms and develop in the future a well-targeted social development policy.

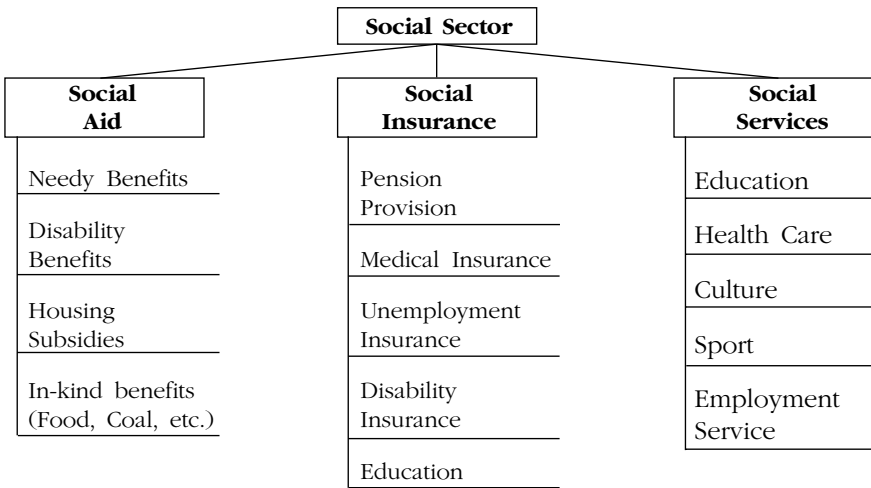
In coordinating Latvia's social legislation with legislation of EU countries we must continue to improve and carry out social reform and ensure its inclusion in the social model of the European Union.

THE FINANCIAL PROBLEMS OF THE SOCIAL POLICY PROGRAMS IN THE KYRGYZ REPUBLIC

*Bolotbek Orokov**

The governments of the countries in transition of the former USSR are attempting to manage their social policy implementation on the basis of fairness and equality. They are also creating conditions of citizen protection against the negative consequences of market economy failures on the basis of various systems of governmental guarantees such as social insurance, social security, and goods and services delivery. In the Kyrgyz Republic, sociologists define the social sector as designation of policies and programs related to issues of employment and unemployment, minimal income provisions and supporting education and health (see Figure 1).

Figure 1
Social Sector Structure

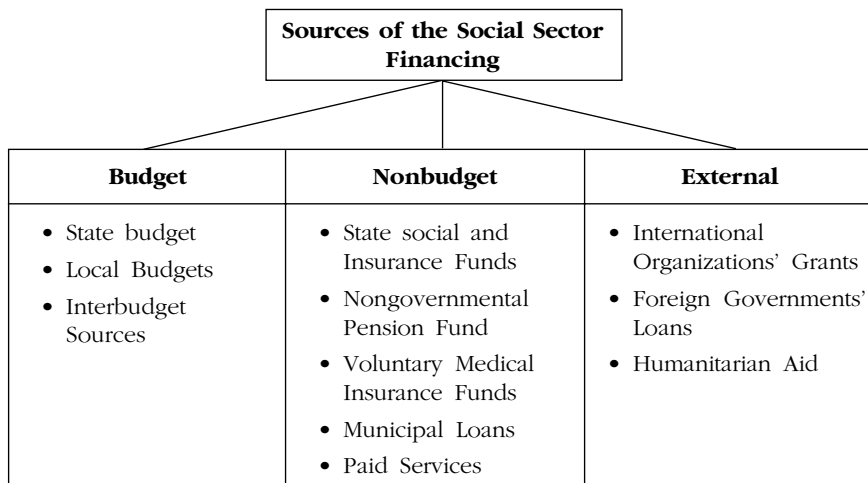


Taking into account the worldwide experience for the financing of social sector policies and programs, both budget and nonbudget sources

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are widely used. The financial system in Kyrgyzstan also assumes a complex use of various instruments of funding (see Figure 2).

Figure 2
Main Sources of the Social Sector Financing



The main financial source for the social sector is the Government of the Kyrgyz Republic, which distributes the funds for multipurpose usage. Budget inflow consists of current tax and non tax gains and capital incomes. Capital incomes are derived from the gains of fixed assets sales (such as buildings), public (government) stocks and reserves, land, funds targeted for construction or budgeted organizations' purchase of equipment.

In the conditions of transformation from a centralized planning economy to a market economy, there are a great number of restraining factors that reduce the opportunities for both central and local governments to finance social policies and programs. Economical restraining factors have caused a crisis in both state and local budgets. The budget deficit is caused mainly by the collapse of national production. Economical recession in the first five years dramatically reduced tax gains in the budget because of a decrease in enterprises' income. From 1991 until 1996 GDP of Kyrgyzstan fell dramatically (see Table 1).

Table 1
Socio-Economic Indicators in the Kyrgyz Republic
(in percent to previous year)

	1992	1993	1994	1995	1996	1997
Gross Domestic Product	86.1	84.5	79.9	94.6	105.6	110.4
Real average wage (monthly)	68.8	55.7	73.7	104.1	102.3	100.5

Source: Bulletin of National Statistics Committee of the Kyrgyz Republic, 1998.

As can be seen from Table 1, it was only from at the start of 1996 that the Kyrgyz Republic saw its first small growth of GDP and real average wage since the beginning of transition. In 1997, the growth of the national economy was ongoing and GDP has since increased to 10.4 % compared with 1996.

For a 9-month period in 1997, the Consolidated Budget of the country had a 803.5 mln. soms deficit (4.6% of GDP). In 1996 it was 5.7%. The exchange rate of the national currency (the som) with the US dollar is 17.5/1.

The following is information on 1997 consolidated budget revenues compared to 1996 (Table 2).

Table 2
Consolidated Budget Revenues and Expenditures

	1996	1997
	in % of GDP	in % of GDP
Revenues	19.5	16.1
among them:		
Tax gains	14.1	12.4
Nontax gains	2.8	2.7
Others	2.6	1.0
Expenditures	25.2	20.8
among them:		
Social sector	14.5	11.5
Others	10.7	9.3
Deficit	5.7	4.6

Source: Bulletin of National Statistics Committee, January 1998.

From Table 2 we can see that the main share of total revenue came from tax gains (76.9%). In comparison with the corresponding period in 1996, this share increased by 4.6%.

Government expenditures on the social sector are approximately 57% of total expenditures in 1996 and 55% in 1997. Last year 55% of expenditures were broken down as follows:

- Education - 41.4%;
- Health Care - 23.8%;
- Social provisions - 24.5%;
- Others - 10.3%.

These figures show that in spite of the small growth of the national economy, GDP in 1997 is still 40% less than in 1991. This means that the national economy is still in a deep crisis. As the income from enterprises is a substantive part of tax income, the economical crisis of the country has a negative influence on budget revenue. In this respect, there are two factors:

1. What happens with the balance between wage and income?
2. What happens to the real wage?

The progressive tax rate is the reason for the differences in tax gains for the budget. In Kyrgyzstan, income is taxed higher than salaries. Therefore, transformation from a system based on income to a system based on salaries reduces budget income. From a salary perspective, there are two reasons why production recession leads to a reduction in real wages:

- the number of breadwinners is decreasing while unemployment is increasing, and
- the real wage of the employed population is also decreasing.

The latter effect relates to the necessity for real income to decrease in the process of stabilization in order to correct the internal demand in accordance with production volume. Real income has two sources: money income (wages, child benefits, etc.), and benefits-in-kind (cheap accommodation, free healthcare, free education, etc.). Reduction of real income may be due to a reduction of benefits-in-kind, but in reality it is difficult to reduce some of them in the short term (for example, subsidized heating). It is for this reason that the majority of the population's income reduction was due to the reduction of real wages.

There are at least three reasons why the amount of taxes is decreasing. Firstly, the deepest production recession is in the state sector. In the old system this was the sector where taxes were collected much more easily. As a result, a number of state enterprises do not pay taxes or into insurance funds. Secondly, economic growth is apparent in the private sector where

there is not yet an appropriate system for tax collection. Thirdly, inflation, together with the delay in collecting social insurance, may lead to serious losses in real income. Therefore, income from taxes is decreasing due to a variety of reasons: wage reduction, decrease in income level from the basic wage, possible reduction of income and the changing balance between income and wage. The final result is that tax income has been reduced.

Reduction in expenditures cannot happen as quickly as that of income. First of all, rising unemployment and poverty increase the demand for a system of re-distribution of income.

The proportion of families in poverty is estimated to have risen from under 40% in 1993 to almost 60% in 1997. Under current conditions of economical growth and structure of distribution of income, the number of poor will decrease from 60% in 1997 to approximately 50% in 2000.

For the implementation of a poverty alleviation program, various sources of financing are utilized. The total budget for the social sector is estimated at 5.5 bil. soms for 1998. In the education area, expenditure is estimated at 1.7 bil. soms of the total budget and 937 mln. soms for financing of the healthcare system.

In addition to government sources of financing, a significant amount of financial resources is provided by the Social Fund. In 1998, the total pension provision is forecast at 2356 mln. soms. Employment Fund expenditure is estimated at 175 mln. soms.

In addition, substantive contributions will be made to the social sector from nonbudget sources of financing by various non-governmental organizations and humanitarian aid. In the Kyrgyz Republic, the Agency for Humanitarian Aid co-ordinates the activities of those non-governmental organizations providing humanitarian aid. This agency falls within the structure of the Ministry of Labor and Social Security. For fair distribution of foreign aid a precise system of organization is required. Humanitarian Aid is considered as a special reserve for helping people who are in an untenable situations.

Budget and nonbudget constraints concerning unemployment and poverty are of great importance, especially to the pensions of those who have retired early. In Kyrgyzstan these problems are factual and raise vital questions about an acceptable level of support in the struggle against poverty. Budget cutting in public health services and education areas leads to a dramatic decrease in government expenditure on medicine and school

benefits. The problem is two-fold i.e. how to develop a package of actions in order to restrain the budget deficit and how to attract parliamentary and public support for the necessary actions. Social policies and programs in Kyrgyzstan are not only political issues, but also economical. Kyrgyzstan has not been an industrially developed country with a market economy. The social problems during the transition period are new to the country. The problems of financing the social policy and programs in transition have new nuances, too.

Among such nuances, it should be noted that the level of consumer budget is higher than the average nominal wage. For the period from January to September 1997, the average nominal wage (including social benefits and material aid) amounted to 582 soms and has increased in comparison to the same period of the previous year by 25%. In US dollars, according to the official exchange rate of the National Bank (Central bank) of the Kyrgyz Republic, the average wage was 37.4 dollars. In other CIS countries average wages in dollars are:

Russia	170.3
Kazakhstan	119.0
Ukraine	98.8
Belorussia	86.5
Uzbekistan	56.2
Turkmenistan	48.0
Tadjikistan	6.0

Source: Bulletin of the National Statistical Committee, November 1997

The Republic's minimal consumer budget in September 1997 was 681,17 soms per person of the total population; 820.53 - per employed person; 557.39 - per pensioner and 574.64 - per child from 1 to 17 years of age.

In other words, the population of the Kyrgyz Republic has more expenditures than revenues. Real money revenues (revenues after compulsory payments, based on the consumer price index) increased in comparison with the corresponding period of January-September 1996 by 8.2%. From January to September 1997, revenues collected amounted to 12496.7 mln. soms and expenditures were 12510.5 mln. soms.

In those conditions, with revenue lower than expenditure various types of non-governmental funds such as pension funds and social security funds would be very useful. The problems of the financing of the social sector

must be solved by joint activities of governmental and non-governmental players.

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Section 2
Systems of Social Security:
Unemployment,
Youth and the Elderly

SYSTEM OF SOCIAL SECURITY: UNEMPLOYMENT, YOUTH, AND THE ELDERLY

Martin Macha and Tomas Sirovatka***

This workshop was divided into a few topics in order to ease discussion. The major issues revolved around social security schemes, the changing labour market and its consequences and pension reform. Participants also emphasized the importance of history and institutions and the role played in the transition process as well as the scope of social security system reforms.

Social Welfare for the Entire Population

In the paper by Karl Woerister from Austria he discusses the development of Social Welfare and compares CEE with EU countries. He emphasizes that the traditional difference between the Bismarckian and Beveredgean systems diminishes in mixed strategies in the EU as well as in CEE countries in line with cuts in social expenditures, demographic pressures and unemployment growth. Ignoring the national differences, we see the level of benefits and coverage trends are very similar.

Leoš Vítek from the Czech Republic analyses the effects of the tax system on the social security system in that country. He raises the following problems: social benefits are not indexed, tax relief for children as a social policy tool seems to be unfair as this favours rich taxpayers. He suggests changing the tax credit system and elimination of tax relief in favour of direct income-related social transfers.

Tomáš Sirovátka, also from the Czech Republic, characterizes the effects of income- and means-tested transfer systems which are dominant in post-communist countries, as a strategy for containing costs and alleviating poverty both at the same time. There are broader positive effects within the Czech system (prevention of poverty, low disincentives and low stigmatization in the income-tested family-related benefits system). On the other hand the negative effects would be marginalization of the social assistance means-tested system and its clients (disincentives, stigma and decreasing level of protection). Due to the key role of the minimum subsistence in the whole

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social security system, the middle class loses benefits thereby placing solidarity and legitimacy in question.

Pension Security Reforms Past and Future

The Hungarian and Russian examples were discussed. The need for reform emerges from the transformation of the social security system as well as from the present demographic pressures. The World Bank influences those countries significantly, promoting funded schemes - 3-tier and partly contracted-out systems.

Lev Yakushev from Russia referred to cuts in the pension system in Russia and the deterioration of the standard of living of the elderly (real pensions decreased by 50%). A proposal for the reform of the 3-tier pension system was accepted, but at present temporary measures are required to promote the subsistence level of pensioners (the government has recently accepted some partial obligations).

János Hoós from Hungary discusses the reform of the pension system in Hungary (implementation of the 2-tier system : earning related pay-as-you-earn combined with a funded portion plus a voluntary funded scheme, increased pension age to 62, indexation of pensions according to wages, replacement ratio set at 65%). At the same time he submitted the macroeconomic requirements for a workable pension system: an annual economic growth of 3-4% and a well-functioning capital market.

Changing Labour Market, Poverty and Unemployment

Three papers were submitted on this subject from Germany, Poland and Bulgaria.

A. Bektenova from the Kyrgyz Republic speaks about the high level of unemployment and poverty rates which are both almost 60 per cent, She also talks about the lack of efficient targeted policies and the need for citizens to orient themselves in a new situation.

Marek Stefaniuk from Poland criticizes the lack of adequate changes in the education system; the lack of institutional infrastructures, the lack of information and low incentives to work.

Inessa Vorontchuk from Latvia links the high level of hidden unemployment with the rigorous conditions applied to unemployment status entitlements including the too strict definition of a "suitable job".

The gaps in the employment legislation which negatively influence the emergence of hidden unemployment as well as entitlement effects and information and institutional gaps were widely discussed. It seems that experiences and development of active labour market policies are more successful in countries where the changes of economy were more profound and more successful (Hungary, Poland, partly the Czech Republic).

ENTERPRISES RESTRUCTURING AND EMERGENCY OF NEW LABOUR MARKETS IN EAST-GERMANY, POLAND AND BULGARIA

*François Bafoil**

In our study, carried out for the Ministry of Labour, we wished to show how local authorities could manage the problem of unemployment during transformation of firms which previously had a monopoly on local employment up until 1990. Three post-communist countries were investigated - East Germany, Poland and Bulgaria. We started with an analysis of the process of the restructuring of different firms and continued with an analysis of the different forms of regulations in their local contexts. In East Germany we analyze the cities of Leipzig and Eisenhüttenstadt; in Poland, Lodz and Bydgoszcz and in Bulgaria, Sofia.

I now work with three European scientific teams on the same thematic and our common research project is supported by the European Commission (Targeted Socio-Economic Research, DG XII). My colleagues come from the *Institut für Sozialforschung* in Frankfurt am Main, from the University of Pavi and from the University of Lausanne. I am responsible for the French, East German, Polish and Rumanian fields.

The forms of negotiation which appear in these countries depend on the property rights. They fall into two categories: they are bought either by a western investor or by the employees. However, we did discover a third case i.e. the public sector constituted by the protected state-owned sectors (energy, coal industry, etc.).

In the first case, a contract is most important. The process of differentiation which occurs inside the firm obliges the partners to define the expected roles, the economic constraint being the major one. This is now well known. Concentration on the final economic result leads to a breaking up of those parts of the companies which are considered of no use. This concerns the social area. Very often there is a simultaneous negotiation with local authorities concerning two activities: housing - the responsibility of which is totally the municipalities' and the local work force. The latter activity covers a large area, from the organization of professional training, to public employment. The employment agencies in East Germany are the

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best example. They are created with help from both the federal and regional levels (institutions of the labour market) and the firms themselves. Certain of these new employment agencies look at renewing the environment of the old industrial complex. In the coal mining, chemistry and metal industries, they fulfill particular sector-based aims.

In the second case, we see a combination of the old compromises which lead to new dependencies at a local level. The lack of a foreign investor leads to a lack of real control of the firm and to the reinvestment of the bureaucratic resources which were owned previously. Some studies have shown how compromises with the new “owners” were based on the conservation of a certain level of employment and an assurance that managers would keep their jobs. Here we can use the term “bureaucratic paternalism” to indicate the importance of the social rights in the new regulation and the conservation of jobs coupled with low productivity. Other studies have shown that this compromise was largely unequal and that it was advantageous only to managers. The employees were excluded from negotiations and fired with no possibility of recourse. Trade unions are either very weak or non-existent and the managers’ allegiance lies with the external political and economic authorities. This has led to the strengthening of the network of the bureaucratic elite outside and inside the firm.

The third illustration is the state-owned sector. We analyzed the case of the coal-mining industry in High Silesia. Here the transformations aim at reinforcing the previous network of the elites and combining their companies with others in the region. The restructuring programmes include finding new jobs for the workers and a programme of new technologies has just been implemented. Due to their important political support, they can ignore the local authorities and carry out their own program.

In this context, we can discuss the meaning of “path dependency”. This term covers not only a common form of division expressed by the weight of the past determining the present, but also the dependence of many workers who are totally under the power of the “old-new” elites. Path dependency means a continuation of this alienation.

We conclude our study by asking the relevance “model” concept. Firstly, we examined whether the “German model” had been modified since the East-German developments and secondly, if the “Italian model” is relevant.

Two conclusions were made concerning East German developments. Firstly, the employment agencies have made an important modification in German rights. In Western Germany they were created for a short term period, but in East Germany their creation was long-term. Due to the high level of unemployment and the necessity to find quick solutions, the transformation in 1991 of the legal status of these agencies was a real innovation. There is a vast difference between the areas of industry and that of for example, agriculture and public administration. In the former, it was impossible to bring in new personnel due to the technologies used. When a firm was restructured, only one profile existed: the western one. On the other hand, in the rural or administrative fields, it was possible for employees to use their own resources and combine them with the new rules. For example, in the territorial or financial sectors, these modifications did not change the general aspect of the German model, in spite of the important new differences and inequalities existing between the two German sides.

Since 1991, the budgetary limits have seen a withdrawal from the State, making the regional governments more and more responsible for many public tasks. Intermediary non-profit making organizations have built new structures to employ those who are unemployed thanks to public subsidies to bring them back into the labour market. In Leipzig, where a study was carried out, these associations represent one of the largest employers in the town. Two associations were analyzed. The first - *der Arbeitslosenverband* - has integrated one of the six social West German federations of welfare associations and the other - *ABS Verbund* - was created by the trade unions - the *Treibbandandtalt* - the employers' federation and the regional government. These two associations depend on subsidies provided by the State whose withdrawal has placed them in danger. Both organizations criticize the transfers from West to East and argue that this policy has completely ignored both the East-German reality and the complexity of the institutional arrangements built up during forty years. The abolition of these regulations have led to the present high rate of unemployment although it is recognized that the situation could have been worse if the policy of public subsidies had not been implemented. At the same time, the employers' federation severely criticizes the present policy, which gives sustained employment to the unemployed, but who argue that such a policy gives long-term support to the second labor market thereby blocking the first one. Despite the difficulties along the way to a social policy in East Germany, it is important to recognize the significance of the interactions

between the different players. Through it, federalism may be implemented in East Germany.

The “Italian model” is important for many reasons if we consider two countries - Poland and Bulgaria. This southern model is characterized by the universal features of social benefits, regional and sectorial differences and the capacity of the local players to reduce the uncertainty which is due to a general lack of social benefits. The social structure is also relevant because this example points out the importance of combining agriculture, church, family and “moonlighting”. The political system is illustrated by its clientele and patronage. A clear distinction separates the private from the public area and is dominated by groups whose legality depends more on the “clan” than on democratic guaranty. Which elements of this “model” are useful for our study, if we accept the evidence that in both countries, but especially in Poland, the importance of the church is deeply embedded in both the rural activities and the local authorities?

In Poland, contractual obligations taken on different forms. On the one hand, public firms are featured by relatively strong trade unions, low wages, minimal social rights and good relations with the administrative and ministerial sectors. This covers many areas, from the protected energy and coal-mining sectors to the very fragile MBO. It would appear that in many cases, the compromises between management and staff are based on social rights and the will to maintain the level of employment. On the other hand, the private sector shows a greater form from foreign companies to the small local private firms. In the small companies, it would appear that deregulation takes place. With a working day of more than 10 hours, together with a lack of trade unions, there is a feeling of insecurity. The phenomenon of “moonlighting” is very important. Some say it is 20%-30% of GDP. It occurs both in urban and rural areas and there are many foreign workers in the latter. 20%-30% of unemployed people work in the black economy. The most frequent activities are in the areas of construction, repair, commerce and the automobile industry. 70% are employed by private employers. On average, earnings represent 48% of personal revenues for those employed in this sector. In a survey carried out in Lodz with 1,000 people working in the black economy, it was found that 436 receive unemployment benefit and 659 had unemployed status but received no benefit. The problem lies with the fact the public administration lacks competent personnel. However, in many cities, public control is growing.

It would appear that in Bulgaria this phenomenon of “moonlighting” is more widespread than in Poland. From a survey carried out in 1996, 23% of those questioned had some connection with the black economy (9% in Poland) - 87% of whom were employed in the public sector. 20% were unemployed and 60% had not worked for over a year. In general, these activities occur out of the home, outside normal working hours and for 35%, in another place of work. 52% are female. The sectors are the same as in Poland. Concerning the low levels of qualifications, this was the same. We have very little information on this black economy which instead of disappearing during the transition, has grown significantly.

POVERTY AND UNEMPLOYMENT IN KYRGYZSTAN DURING THE TRANSITION TO A MARKET ECONOMY

*Asel Bektenova**

The Kyrgyz Republic became a sovereign state five years ago. A young democratic state with a socially oriented economy has been created.

To put in place an adequate system of social security, the experience of other countries is being analyzed to adapt it to local and national conditions.

In the early 1990's, the budget resources of the state were drastically reduced. Accordingly, resources for providing social guarantees were cut. The following are the consequences:

- a drop in the standard of living for the majority of the population with increasing poverty, social stratification and as a result, a reduction of the middle class;
- an increase in hidden unemployment and the threat of its transformation to open unemployment;
- a decrease in the availability of medical services and certain forms of education and cultural development;
- uncertainty for the future of many people.

Another negative factor is that Kyrgyzstan is behind when we compare incomes with other CIS countries. In this respect, it is necessary to develop a system of targeted social security for the most vulnerable stratum of the population. The principal approaches to improving the state system support for the population are by refusing equal support to everyone; to overcome their psychological dependence and finally, to substitute the present unwieldy social security system to one that is simple and understandable.

As other countries' experience shows, varying social aids are an important protection of the population from poverty.

The reasons for inequality in standards of living and the degree of poverty between the different sectors of the population can be caused by the following:

- Geographic distinction. There are significant differences between northern and southern regions, between urban and rural populations and between

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different areas. Families living in mountainous areas suffer most from the negative effect of the current changes.

- Status in respect of employment. Unemployment is the most dangerous phenomenon in the reform process. Reduction of the working day and lack of money to pay salaries over a long period, have caused the phenomenon of the working “poor”.
- Demographic distinctions. Large families and one-parent families make up most of the poor population. Their standard of living becomes worse because of decreases in the real cost of family benefits.
- Sex discrimination. Women suffer most from the reform process since they are in the majority of the registered unemployed. This is caused by the closing down of many services and working places in the social sphere where women were predominant.
- Level of education and nationality can also be important factors determining the standard of living and the degree of poverty.

However, the principal reasons for poverty are the increase in prices and the decrease in salaries. Those who live on a fixed salary or pension suffer the most from the liberalization of prices and the cuts in the different subsidies. Other important reasons for poverty are the absence of full-time employment and therefore the possibility of earning money; problems dealing with professional skills; non-mobility of the labour force and the special difficulties for people of a certain age etc.

Since it is common for a Kyrgyz family to have no less than three children and the fact that we are in the first stages of creating a social security system, one can conclude that today, the majority of the Kyrgyzstan population are poor.

Preliminary results of the March 1996 Poverty Survey (Table 1) indicate that the percentage of those households in the poverty bracket may have increased from slightly more than one-third in October of 1993 to just under a half of all households in March of 1996: an increase of over 20%. Both the extent and severity of poverty have increased, indicating that the cost of alleviating poverty has gone up, not simply because of the number of poor people increasing, but also by the degree of poverty amongst those who are already poor.

Table 1
Poverty Measures for Households, 1993 and 1996

Poverty Measure	1993	1996
All Households		
Percentage Households in Poverty	39.7	49.2
Poverty Gap	19.5	23.6
P2	12.6	14.9

Source: National Statistics Committee (NATSTATKOM), 1996

Note: In 1993, poverty was based on expenditures below that of a high cost food basket; in 1996 it was defined as expenditures below that of a low cost food basket.

We must refrain from relying too heavily on the accuracy of the numbers presented as there may still be some debate as to whether the 1996 Poverty Survey overestimates the actual increase in poverty between the two years. Although at a technical level, every attempt was made to ensure comparability between the two surveys¹ the effects of seasonality², changes in consumption patterns³ and measurement error⁴ must all be considered.

Nevertheless, even being cautious, it would appear from the general picture as shown by the 1996 Poverty Survey that the increase in poverty seems reasonable. The economic situation, rising unemployment and the

¹ The March 1996 Survey is a replica of the 1993 Kyrgyz Multipurpose Monitoring Survey and should thus provide a means for accurately assessing the changes in poverty over time. Every effort was made to ensure that the analysis of the first survey was duplicated for the 1996 survey to ensure that any changes in poverty identified were due to real changes and not artifacts of the data analysis methods.

² The 1996 survey was conducted in March, and the 1993 survey in October. While consumption should remain fairly stable over time, in an agrarian economy, consumption could be expected to be somewhat higher after the harvest and at a low point by March or April. These seasonal factors could give the appearance of a greater increase in poverty than had actually occurred.

³ Patterns of consumption, especially of food, may have changed significantly. The food basket used in the analysis may now be less relevant than it was three years ago. Although these changes may be welfare-neutral (the same amount of calories may be obtained but from cheaper sources) it could still show up as an increase in poverty.

⁴ The questionnaire used may not capture all data on home production. To the extent that this has increased over time, total consumption in 1996 may be significantly underestimated compared with 1993.

fact that those with employment often receive wages well in arrears, have all had a negative impact on household welfare.

Further evidence that poverty has increased is found in the anthropometric data collected in the survey. Calorific intake has fallen since 1993 and malnutrition amongst children (Table 2) has apparently increased by approximately 30%, a figure which is substantially higher for the very young.

Table 2
Acute Malnutrition and Calorific Intake Amongst Children
Aged 1-6, 1993 and 1996

AGE	ACUTE MALNUTRITION	
	1993%	1996%
One	7.3	16.7
Two	10.4	11.2
Three	5.0	8.2
Four	8.8	7.9
Five	4.2	4.7
Six	6.8	9.1
Average	7.0	9.3
	CALORIFIC INTAKE PER DAY	
	1993	1996
Age 1-3	1026	877
Age 4-6	1352	1254
Average 1-6	1194	1076

The malnutrition rates can be considered as being high even for a country with the per capita income level of the Kyrgyz Republic. Acute malnutrition rates also reflect the health status, not only food consumption levels. The high rates of acute malnutrition may indicate an increase in the prevalence and/or duration of disease amongst children, something which should be investigated more thoroughly.

Finally, it is important to note that both surveys show, poverty as being prevalent in rural areas. The severity and depth of poverty are also greater (see Table 3).

Table 3
Poverty by Urban and Rural Areas, 1993 and 1996

Poverty Measure	1993	1996
Rural Households		
Percentage Rural Households in Poverty	48.1	58.0
Poverty Gap	25.5	n.a.
P2	17.1	n.a.
Urban Households		
Percentage Urban Households in Poverty	28.7	39.0
Poverty Gap	11.5	n.a.
P2	6.6	n.a.

Note: Poverty in 1993 was based on expenditures below a high cost food basket, poverty in 1996 is defined as expenditures below the low cost food basket.

There is a new category in our society - the unemployed - since prior to 1991, according to official information, there was no unemployment.

The role of the state in regulating the situation in the labor market is to develop an adequate economic policy in this sphere and to create the system based on this policy. For this purpose, the State Employment Agency was established in Kyrgyzstan by Government Decree in 1991. The main steps of the public policy in employment of the population are being undertaken by the agencies of the Ministry of Labor and Social Security.

In the beginning, 68 employment agencies were established all over the country in order to collect and process information on the unemployed population; to analyze the labour market conditions and make a forecast on the situation and create a public policy in the employment and labour market, including the payment of social aid.

Since 1991, people applying for jobs have been registered and where it has been impossible to find employment, they receive unemployed status. The number of unemployed is constantly increasing. In 1991, 28,000 people applied for jobs and in 1995 this figure increased to 98,200 (up 350%).

Increasing unemployment amongst youths and women with children is also a great concern. In 1991, only 30 young people were registered as unemployed but by 1995 this figure had increased to 20,300 (35% of the total unemployed). For women for the period 1992-95, the number of unemployed rose from 1,300 to 29,900.

Table 4 highlights some of the differences in unemployment data: between urban and rural areas and between the poor and the non-poor.

Table 3 showed that people in rural areas are more likely to be poor. Table 4 shows that unemployment is higher amongst the poor than the non-poor. However, it also shows lower unemployment rates in rural areas. This may be because the survey was carried out during the off-season for agriculture and hence, the rural population may have been erroneously classified as inactive as opposed to unemployed. Changes in under-employment, however, were not assessed.

Table 4
Unemployment, Poverty and Geographic Location, 1996

	Poor	Non-Poor	Sig. Level
Labour Force Participation Rate	47.3	56.4	0.001
Percentage urban	30.7	48.1	0.001
Unemployment Rates	20.7	17.1	0.05
	Rural	Urban	Sig. Level
Unemployment Rates	17.0	21.0	0.05

Note: The labour force is defined as all females between the ages of 16 and 54 and all males aged between 16 and 59. The labour force participation rate is the number of employed and unemployed as a share of the working age population. The unemployed are those of the working age, presently unemployed and actively seeking employment.

In summary, the last three years have seen an increase in demands on the social safety net system. The overall economic situation has worsened. Poverty has increased and unemployment has also increased significantly.

Social aid to vulnerable sectors of the population and a certain level of income support, assist to a great extent, in reducing the initial level of poverty, especially amongst the elderly and unemployed with children. The stable character of poverty has destroyed social peace and led to economic and social dangers thus leading to a decline in personal security. To understand these trends more clearly, further analysis is required.

Creation of an adequate system of security can influence the effectiveness and efficiency of economic activity, especially in view of the growing confidence of the population in economic decisions and their readiness to follow the transformations (especially of a structural character).

Systems of social security have been widely used in many countries in Western and Eastern Europe. The number, structure and professional level

of people have benefited from pension systems, payments to the unemployed and payments to people with small children and also by providing employment agencies to retrain people. Kyrgyzstan is following the same path by carefully learning and drawing conclusions from the experience of other countries.

REFORM OF THE HUNGARIAN PENSION SYSTEM

*Dr. János Hoós**

1. History and Theoretical Background

The pension system is one of the basic elements of any welfare system. Both society and the state have to deal with this question because:

- those who have money and spend it are not saving for their old age
- due to the risk factor in investments, market oriented insurance companies charge high fees which most people cannot afford;
- inflation can wipe out the value of savings;
- many people do not have enough money to save for retirement;
- in all cases society has to pay the price since old people then become a burden on society.

The basic function of a pension scheme is therefore to develop a system to minimize this risk.

The state sponsored pension system began in the 19th century in Germany through an initiative by Bismarck, basically as the major part of a social protection system. Since then, a very elaborate and complex pension system has been created, especially in the developed industrialized countries. However, in all countries, including Hungary, there are problems which have to be solved. The main issue is what roles the state and the individual should play. There is a consensus that a more transparent combination of three distinctive tiers are required for security in old age to meet two basic objectives, i.e. the insurance objective and the redistribution objective. One without the other cannot fulfill both requirements. The reason for this is that the design of every pension system consists of both public and privately provided management activities with a built-in conflict of interests:

- to save money for retirement and,
- to provide a level below everyone's living standards in retirement regardless of what they actually earned and contributed.

One form of this three-tier arrangement could be:

- a pension providing more or less a flat rate benefit to those who reach old age;

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- a transparent mandatory earnings-related retirement savings plan which could take many forms;
- a voluntary pension plan prudently regulated and tax-assisted.

2. Hungarian Reform Case

In Hungary, until 1993, only the pay-as-you-go (PAYG) option existed. The first concrete step towards a multi-tier scheme was taken in November 1993 with the passing of the Act on the Voluntary Mutual Benefit Funds. This regulated the optional retirement savings scheme in addition to the mandatory PAYG scheme. This scheme is mainly used by middle aged white-collar workers. It is not mandatory but is savings oriented, efficiently using its resources. The state supports it by giving preferential tax advantages, but it must be regulated in order to be safe and without risk. However, this system is not yet well developed. Since 1993 more than 200 Voluntary Mutual Benefit Funds have been established. They have collected approximately 24 billion HUF.

The main problems of the Hungarian pension system

The real challenge in modernizing the Hungarian pension system lies in the choice of the second tier. The reform has to solve the present problem – crises in the Hungarian PAYG scheme, i.e.:

- financing;
- evasion;
- early retirement.

The demographic process of population aging has continued in Hungary. The aging index in 1920 was 29.1% and in 1995 106.2%.¹ In Hungary one-fifth of the total population has reached retirement age. One of the problems in the Hungarian System is the high dependency ratio. (This is the number of pensioners, including pre-retirement age disability pensioners, divided by the number of contributors to the pension funds.) In 1993 this ratio was 0.66, one of the highest in the world. In 1990 it was 0.50. This increased for the following reasons:

- formal sector jobs are lost, because activity ceases or it goes underground;
- pensions are awarded to men at 60 and 55 for women;

¹ Aging index = (age composition of population below 14 years of age/age composition of population above 60 year)X100.

- an explosive growth of new disability pensions occurs (for example in 1993, 27% of all pensioners received benefits originally awarded on disability grounds); this creates a function of soft lay-off to escape being unemployed.

The real value of pensions has decreased very sharply in the last decade; the average amount of pension (US\$ per person per month) was 100\$ in 1995, but ten years ago it was approximately 200 US\$.

All these factors lead to unsustainable expenditure. The deficit of the Social Security Funds has been increasing year by year. For example, in 1997 the central state budget had to provide more than 100 Billion HUF.

How can the existing mandatory pension scheme be reformed?

The main policy should be what would enable the existing PAYG scheme to survive well into the next century without becoming an intolerable burden on public finance.

The following actions could be taken:

- increase the effective retirement age;
- broaden the tax base including taxation of pensions;
- change the indexation in such a way to create savings in pension expenditures.

In 1996, the decision was taken to increase the retirement age which means by the year 2000 it will be age 62 for both men and women.

Increasing taxation is also under consideration, but due to the very low level of pensions, it is unlikely that this will be accepted in the near future.

Regarding indexation, the new procedure which has already been accepted by all interested social groups, parties, trade unions and government ministries uses a mix-indexation, that is, the index of real wages and consumer prices with the base of indexation being the 1st of January every year. Up until the year 2000, the index of real wages will be used. In this way, the real pension value will grow at the same rate as the real wage of the active population until at least 2000.

In addition, there is a need to create a new mandatory system, which should offer a clearer link between one's actual contribution and the return obtained. It may be less generous than the present system. It could be based on:

- PAYG, whereby the annual contribution revenues are equivalent to the annual pension spending and,
- on a fully funded base, it accumulates assets whose value is equivalent to all outstanding pension liabilities. However, this would require a development of capital market and effective regulation.²

The design and implementation of a well articulated transition from the public PAYG system to a new system are at the core of any successful pension reform. The new system should be able to generate an increase in efficiency, even during the transitional period and at the same time prove acceptable from a fiscal point of view.

The speed of the reform also has to be taken into consideration. There can be two main strategies - gradual and accelerated. Both have their advantages and disadvantages which must be examined before any decision is made regarding which will be chosen.

The main features of the new Hungarian system - in addition to the existing Voluntary Mutual Benefit Funds - have already been accepted. According to this three quarters of the total pension will function on the basis of the PAYG system and one quarter of the total pension will be on a fully funded basis.³

The proposal of a Citizen's Pension, i.e. the minimum pension guaranteed by the government has not been accepted. This is a welfare task which will be taken care of in the framework of social assistance. The reason for this was that the pension system was to be based on the principle that the amount of pension should be proportionate to work and payroll contributions.

Therefore, the new Hungarian pension system has only two tiers:

- mandatory earnings related retirement savings plan;
- voluntary pension plan.

The new PAYG system provides savings mainly due to the higher retirement age and to a longer eligibility period (20 working years are

² In Hungary at present there are not sufficient profitable and safe opportunities to invest personal savings; the main investment area are government bonds. The banking system and the stock market need to develop in this respect.

³ In a purely pay as you go scheme (PAYG), annual contribution revenues are equivalent to annual pension spending whereas a fully funded scheme accumulates assets the value of which is equivalent to all outstanding pension liabilities.

required in order to become eligible for a pension. In the old system it was only 10) and to the restricted possibilities of becoming a disabled pensioner (only those who are permanently disabled can receive a disability pension whereas in the old system, a large number of pensioners were judged temporarily disabled, which meant relatively easy access to becoming a pensioner).

The fully funded part of the pension system can channel progressively large sums into a new generation of institutional investors, with long-term investment horizons and relatively low liquidity needs in the short and medium terms. This would be a major boost to the stocks and bonds markets. It would also spur investment and potential economic growth.

Those who are new labor market entrants will be forced to move into the fully funded system, but all other employees will be free to choose. Those who select the fully funded system have to pay 6% of their salaries into the scheme. This contribution is tax deductible and until the year 2000, it will grow annually by 1.1 percentage points up to an 8% ceiling. The payroll contribution will be transferred to pension funds that invest these savings in capital markets, and pay annuities on retirement. Those who select the system with only PAYG have to pay contributions into this pension fund, (this fund does not, of course, pay annuities on retirement,) in which the annual contributions are equivalent to the annual pension expenditure. This contribution is not tax deductible.

The new pension system with a mixture of both the PAYG and the fully funded systems, will be paid in 2009. It will take more than 10 years to introduce this pension system.

Calculations were made using a special pension model in order to calculate the impacts of the reform on the fiscal sustainability of the pension system. According to the results of these calculations, the new pension systems are able to provide a surplus in the Pension Fund which will be equivalent to approximately 500 million US\$, 0.8% of GDP in 2010 (in 1998 the figure is 0.6%). This means that by introducing this reform, the pension system will become financially viable long-term, but without it, a crisis cannot be avoided.

The success of the new system does require, however:

- sustainable economic growth of the Hungarian economy, minimum 3-4% annually, without which the contributions necessary to the Pension Fund cannot be realized due to the low level of economic activities;

- further development of the capital market in Hungary to provide investment opportunities together with a tightening government regulation of the pension funds in order to avoid fraud and bankruptcy.

Without these, the system will be high risk and its functioning will be costly for both the government budget and future pensioners.

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SOME OBVIOUS AND LESS APPARENT EFFECTS OF THE SOCIAL SECURITY SYSTEM: THE CZECH REPUBLIC

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Introduction

This paper aims to evaluate some of the effects of the social security system transformation in the Czech Republic.¹ I will concentrate mostly on the questions “To what extent have the targeting of social transfers and effects of redistribution changed?” and “How have these changes affected social security system expenditure?”. The way in which these effects have been important will be discussed as well.

1. Goals and priorities of the reformed social security system

In post-communist countries, the basic dilemma of the social security system transformation lies, on the one hand, in the need to keep wider groups of the population above the poverty threshold in conditions of increasing social inequalities and, on the other hand, in the need to restrict public expenditure. For this reason, governments, experts and influential international financial institutions (the International Monetary Fund and the World Bank) formulated several requirements on social security in post-communist countries already at the start of economic transition (e.g. see Barr 1994). Due to the requirements, more attention was paid to the central task in the first period of transformation, i. e., to the formation of a social safety net including:

- a) labour market institutions, a system of income compensation in case of unemployment, and active labour market policy;
- b) a national social assistance system and securing a minimum living standard.

When solving the task, economically efficient solutions were sought: in general, the solutions lay in lowering social insurance based benefits that individuals were eligible for and in a gradual decrease of universal family

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related benefits targeted at families and children. Furthermore, entitlements for benefits and the amount of the benefits were determined on the basis of a means test. These trends were set, not only in countries with a long-term or at least initial favourable political climate due to the right-wing coalition government (the Czech Republic, Poland, Hungary), but also in countries with a small economic potential of the state budget as a limiting factor (e.g. the Ukraine, Lithuania).

A number of factors which significantly influenced the trend were identified²:

- political factors (values of solidarity and equality that underpin the welfare state were discredited by the former totalitarian regime; on the other hand, the requirements of the international monetary institutions are highly important for transition countries);
- economic factors (the transition countries are poor and, furthermore, experiencing a decreasing rate of economic growth during the first stage of transition; the welfare state is logically the main goal of budgetary savings);
- social factors (the institution of civic society is absent and in some countries, trade unions are in a weak position).

In general, rewarding individuals according to merit and personal responsibility are stressed to be the leading principles of transformation, these are complemented by the principles of subsidiary and proved neediness.

Generally speaking, putting these requirements through, means a gradual shift from the universal system of redistribution to the "individualistic" and targeted system - either based on personal merit or proved neediness. Therefore Ferge (1997) characterizes the present process of changing social policy as the process which was built on the post-fordist paradigm: as "individualization of the social". The social policy system is not targeted at citizens with universal social rights but at a disjointed set of marginal individuals who are entitled to benefits because of their special needs and handicaps. Such a shift corresponds to the general trend that has been described in developed market economies as a legitimate crisis of the welfare state (see Flora, Heidenheimer 1981, Pierson 1991). Nevertheless, this example is more pronounced. The political climate in post-communist

² For example, see Deacon 1993, Standing 1996, Ferge 1997.

countries which discredits the process of redistribution, makes room for a more significant change. An advantage of the new political elite is that it provides opportunities for a change during the initial years of transformation because the former system completely lost its legitimacy.³ Furthermore, democratic civic rights, pluralism and the possibility to make a choice - all of which had been denied in the past to the individual by the totalitarian regime - are important for these societies. Social civic rights have less emphasis during the first stages of transition.

Certain analyses predicted a shift towards the liberal type of social policy, even in the Czech Republic (Potůček 1993) and others supported this shift on the basis of apparent trends (Standing 1996, Ferge 1997). On the other hand, the shift of social policy towards a liberal type is considered to be the first reaction of the post-totalitarian development. A constellation of various factors can, according to other sources, influence the future course of social policy since there are several alternatives to this policy - alternatives which correspond to all three types of the Esping-Andersen typology of the welfare state (see Deacon 1993).

Any discussions taking place on the social policy development in a perspective of the well-known typology of "political economies of the Welfare State" (Esping-Andersen 1990)⁴ is not just a theoretical discussion. It is primarily a matter of effects of redistribution and secondly of social-stratification effects of the social policy system: that is to say the question of whether the social system will produce hierarchy, universalism or dichotomy in the social stratification of society. Such effects deserve more attention specifically at a time when the social structure and social security system are changing dynamically.

2. Social security system and redistribution in 1990-1996

Social security is directed to redistribution of resources: on the one hand, it includes cash transfers and, on the other, it provides the public with social services. This part of the paper will deal with the effects of the social security system reform in the area of transfers as they traditionally form the core of social security. It would be much more complicated to

³ The "Soviet model" of social policy was, on the one hand, highly de-commodified and combined open egalitarian practices with hidden conservative arrangements (Deacon 1993).

⁴ The conservative (corporative) type, social-democratic (institutional) type and liberal (residual) type.

concentrate on the effects in the area of public services as the effects are highly dependent on access to services and their use.

The effects of redistribution spring from a number of characteristics of the social security system, especially from specifying entitlements for benefits and the level of benefits. This influences the scope of redistribution and its targeting - at particular types of households, at a certain stage in life (horizontal redistribution) and at a certain income level (vertical redistribution) respectively.⁵

a) Scope and targeting of redistribution: social income and different types of households

Average real wages began to increase after their fall in 1991 and in 1996 they were even higher than in 1989. In the period between 1991 and 1996 the real disposable income of households was gradually rising, but not as fast as real wages.

Table 1
Real Net Disposable income in the Czech Republic (1990 – 1996)
(1989 = 100, Income per capita per household)

Households	1990	1991	1992	1993	1994	1995	1996
All employees	96.0	72.6	78.3	78.3	81.3	88.2	93.0
Childless employees	94.2	74.9	79.0	82.1	87.3	91.3	99.7
Employees with children	97.3	69.4	77.5	75.5	77.6	85.9	88.6
Employees – one-parent families	x	80.6	84.0	91.2	89.5	96.2	99.5
Households with children, minimum income	x	72.9	69.3	62.2	62.0	62.6	64.9
Pensioners	99.0	82.5	85.2	78.2	79.0	85.5	93.3
Pensioners with minimum income	x	87.1	94.5	83.9	82.6	87.9	95.7
Real-wages-growth index	94.5	69.6	76.7	79.6	85.8	93.2	101.4

Source: Department of Income Policy, Ministry of Labour and Social Affairs, CZ, Development of some living standard indices in the Czech Republic in 1990-1996, Prague, April 1997 – adjusted.

Net disposable incomes of households declined due to a gradual fall in the extent of social incomes compared to earnings from employment. Social incomes decreased by approximately one-third of their real value in 1990.⁶ The decrease in the extent of social transfers was evident throughout the whole period with the exception of during 1991 when a universal benefit was implemented to compensate individuals for the effects of the

⁵ In reality both types of redistribution overlap one another to a large extent.

⁶ The tax burden and social insurance contributions increased slightly (see tables in Appendix).

price liberalization (the price liberalization caused the sharpest fall of real wages in 1991).⁷

Table 2
Social Income: Its Share in the Total Net Disposable Per Capita Income of Households

Social income of households	1990	1991	1992	1993	1994	1995	1996
All employees	16.4	18.7	13.7	12.2	12.3	11.5	10.7
Childless employees	15.6	15.7	11.0	9.9	9.5	9.4	9.6
Employees with children	16.2	18.3	15.0	13.4	13.8	12.7	11.3
Employees – one-parent families	21.4	21.9	19.6	15.7	15.2	16.4	15.8
Households with children, minimum income	x	33.0	33.5	34.8	35.4	37.0	37.7
All pensioners	90.7	91.9	92.1	91.6	92.0	92.3	93.4

Source: Department of Income Policy, Ministry of Labour and Social Affairs, CZ, Some living standard indices in the Czech Republic in 1990-1996, Prague, April 1997 - adjusted

The ratio between social transfers and total net incomes of employees' households declined in all types of households with the exception of households with children and minimum incomes.

This is explained by the fact that these households were affected by a loss of income from employment because of disability, child-upbringing or economic inactivity and due to the new phenomenon of unemployment. Social benefits compensated for this loss - but in real terms only to a limited extent, as real social benefits decreased, while real wages increased slightly. Despite the gradually increasing targeting of social benefits it was the households of employees with children, and especially those with minimum incomes, which were the most affected by a decline in real income (see Table 1).

b) Targeting of redistribution based on income level

An analysis of targeting of redistribution based on the income level of households was made by comparing decile groups of employees' households and quartile groups of households of economically inactive pensioners based on family accounts statistics (see Appendix).⁸

⁷ The state compensatory premium.

⁸ We used family budgets statistics from the Czech Statistical Office taken from income per capita in the household. This method corresponds quite well to the logic of the Czech social security system. On the other hand, considering the real living costs of households it would be more adequate to standardize the number of household members by using equivalence scales which take increasing returns to scale into account - compare Večerník (1997).

It is known that at the end of the eighties, income distribution was strongly determined by the number of dependent children with respect to the number of economically active members of a household. That was, together with wage leveling and deflation of incomes, a traditionally fatal cause of “demographic” poverty (see Mareš, Moný 1995). Despite a moderate increase in income inequalities, the situation did not change much in this respect during the transformation period. Therefore, households with children were an important part of social policy as far as social transfers were concerned during the entire period of transformation. It was mainly the way in which benefits were addressed to them that was being changed.

As for the development of targeting and scope of benefits redistribution in 1989-1996, we can distinguish two periods:

First period: 1989-1992

As early as in 1989 there were two cross-tendencies for targeting of transfers. First, the so-called Matthew effect⁹ was noted in the area of social benefits (that was also caused by the fact that pensions were typically directed to childless families and, furthermore, these families sometimes disposed of a higher income from employment plus a higher pension). Secondly, there was an important effect of redistribution for the benefit of low income households - even in the case of universal benefits such were child benefits at that time - because household income was closely linked to the number of dependent children. In this way this “demogrant” together with “other social benefits” (at that time they also included a parental benefit) successfully played the role of the targeted benefit and increased income especially in the first three decile groups of income distribution. On the whole, transfers were rarely targeted and the Matthew effect was strongly dominant. In the socialistic social policy, social transfers did not have such an important function in income leveling; the system of forced employment for leveled wages, subsidized goods and services, and a large share of public goods and services in consumption operated together with social transfers.

In the period between 1989 and 1992 the share of social transfers in net disposable incomes of employees’ households on average did not change.

⁹ In its final effect this means redistribution of social benefits for the benefit of higher income groups (as stated in the Evangelium by Matthew: “Everybody who has will be given and will have plenty. But the one who has not will be deprived even of what he has got.”)

Nevertheless, as with targeting of transfers, it shifted significantly. After price liberalization, which caused real incomes both from employment and social benefits to fall, the ratio between social transfers changed - the total expenditure on universal social transfers (demogrants) went up and social insurance benefits went down. Both unemployment and social assistance benefits still played only a marginal role: unemployment was low and income inequalities were increasing only slightly. On the whole, the Matthew effect weakened - this is especially obvious in the case of higher decile groups. As with targeting of social incomes this shifted significantly. Targeting resulted from a significant fall in real incomes of any kind, in combination with benefits that were introduced to compensate price increases and inflation and to operate as a complementary benefit to child benefits and pensions which were of a universal character of demogrant (the state compensatory premium that was introduced in 1990). In 1989, slightly more than half the social transfers targeted at the tenth decile group were targeted at the first income decile. In 1992, the situation changed and more transfers were targeted at the first decile than at the tenth. Targeting of social transfers (combined with taxation) increased mainly for the first three deciles and many more social transfers took that direction, which was based on the total income of these deciles, especially due to increased targeting of child benefits in combination with the state compensatory premium. On the other hand, the highest income deciles suffered significant cuts in social benefits. Nevertheless, the tax rates and social insurance contributions increased relatively. However, they did not affect the lowest income segments.

Second period: 1993-1996

The total expenditure on social transfers decreased between 1993 and 1996. Despite the emphasis which was put on targeting, the targeting of benefits, as with the size of transfers directed to the lowest income distribution deciles, did not improve much. Each of the first three deciles lost a similar total amount of social transfers from net disposable income as with higher income segments.

The decrease in the size of transfers was most evident in the case of benefits targeted at children. On the other hand, tax burden and social insurance contributions of all income groups rose significantly. In spite of the fact that means-tested benefits were introduced in 1995, targeting of transfers on the whole, deteriorated. Child benefit became highly and

efficiently targeted.¹⁰ However, due to the fact that other social benefits were decreased, the total effect does not seem so apparent when we compare the years 1992 and 1996. Nevertheless, another fact is obvious: middle income category employees were affected by the decrease in transfers relatively more than the three deciles of highest income distribution due to the fact that they had not been receiving very high family targeted benefits in the past.

Regarding pensions, there was a clear tendency throughout the whole period with a trend towards leveling. The share of the average pension on an average wage decreased (see Table 3). Pensions in the lowest quartile increased slightly but pensions in the highest quartile decreased. The question of providing minimum guarantees became more important when determining the level of pensions, than previous earnings (earnings related). This trend is normal in a situation where total expenditure on pensions decreases relatively and consistently with the intent to stimulate higher income groups to contract private pension insurance.¹¹

3. Overall tendency: restricting and targeting

Economic efficiency (lower expenditure) and social efficiency, whereby the system provides fewer individuals in need with more benefits and thus protects them against poverty, is a powerful argument for targeting the system. This argument holds true only for those in the first decile when comparing the ratio between social transfers and total disposable income of households in each decile group during the period between 1989 and 1996. The first decile benefited slightly from 1989-1996, but when compared with the period between 1992 and 1996, the first decile lost as much as the others.

Changes in targeting of benefits did not result in a decrease in the level of transfers from 1993-1996, even although a number of new transfers were introduced - the state compensatory premium, the social allowance and housing and transport benefits (excluding unemployment benefits). This can be explained by the development of social transfers which have fallen behind income from employment.

¹⁰ About 80 per cent of the total amount go to the first three income distribution deciles.

¹¹ But it is less consistent with limits put to the amount that is monthly spent on the private insurance with state contribution (CZK 500.- is only about 5 per cent of the average wage).

Table 3
Social Benefits as a Percentage of the Average Wage

	Net Income (CZK)	Min. wage compared to GW	Min. pension of individual compared to NW	Average pension compared to NW	SM of individual compared to NW	SM of couple compared to NW	SM of 4-member household compared to SM	Unemployment benefit (real) compared to NW
1990	2,629	x	51.6	72				
1991	3,034	52.8	59.4	76	56	100.5	184.6	53.1
1992	3,715	47.1	53	68.1	45.8	82.1	150.7	37.8
1993	4,654	37.7	47	67.7	42.1	75.2	137.5	35.5
1994	5,515	31.9	45.7	64.5	39.2	70	128	33.2
1995	6,538	26.9	41.6	59.4	37.3	66.7	119.9	31.4
1996	7,741	25.8	37.3	61.2	37.3	66	117.7	29.8

Source: VUPSV, 1997, own calculations, net average wage as approximation of 80 percent of gross wage (see VUPSV bulletins).

NW = net wages, GW = gross wages, SM = subsistence minimum.

Two factors were decisive in this development:

- a) consider the development consequent (not automatic) of indexation of the minimum subsistence, dependent on an increase in the cost of living by 10 per cent (not on wages) - and thus when we look at the minimum subsistence level we can see that its proportion with regard to net disposable income per person in a household is permanently decreasing.

Table 4
Minimum Subsistence as a Percentage of Average Net Disposable Income (in %)

	1989	1990	1991	1992	1993	1994	1995	1996
4-member family	46.9	47.0	46.4	46.7	43.9	42.8	40.6	37.7
individual	55.8	55.3	52.4	56.7	53.7	52.3	50.6	46.8

Source: Hiršl 1997 (1/2 : 13), adjusted

- b) the “secondary” function of minimum subsistence, the ratio between decisive social benefits targeted at families with children and subsistence minimum respectively. With this ratio, we can see that the real income in households with children and the minimum income decreased by one-third in the period between 1990 and 1996 (see Table 1).

From 1990-1992 the real minimum subsistence decreased as a result of price liberalization, with real wages falling simultaneously. After average real income was restored, the real purchasing power of the minimum subsistence was kept at a stable level (indexed on the cost of living). However it remained behind increasing disposable income. Social benefits based on minimum subsistence similarly fell behind.

Social assistance benefits guaranteeing minimum subsistence remained marginal in their share of the total expenditure on social benefits. Their function was taken over by the means-tested and income-related system of benefits in the framework of a state social subsidy i.e. the state compensatory premium, child benefit and other benefits (including housing benefit). The national social assistance system has become a partial compensation for the decline in real income, but the relative position of low-income segments continued to worsen. This effect corresponds more with an attempt to introduce a system that would strengthen work incentives for the economically active population but less to sufficient social protection.

4. Social security system expenditure

A portion of the financial resources that were to be spent on transfers to households (households of employees) was saved. From 1990-1996, expenditure on social and health care systems was successfully kept down. This was in line with plans for a restrictive economic policy. As regards expenditure on the social security system, the Czech Republic spends less than developed EU countries. It is, however, ahead of certain southern European countries (Portugal, Greece) and close to countries such as Ireland and Spain (countries with high unemployment). In nominal terms, expenditure on the social system was the same as GDP development; in the area of social transfers it fell behind. Health care expenditure presented a problem. Compared to an increase in GDP, health care expenditure increased proportionately more. This increase was caused by the frequently discussed failure of “market-conforming” transformation of health care (based on the regulation of output with the help of demand only, on an evaluation by doctors with displayed output and on a pluralistic network of health insurance companies) as well as by the increase in the quality and quantity of the services.

Table 5
Growth Indices of Nominal GDP, of Social Expenditure
and Health Care Expenditure 1990 - 1996 (1990=100)

	1991	1992	1993	1994	1995	1996	1991-96
GDP	126.3	110.4	115.1	113.9	116.8	112.9	249.2
Health care	132.6	108.0	124.7	116.4	116.0	109.1	263.2
Social security	134.6	105.9	111.7	116.1	117.0	111.2	240.7

Source: Research Institute of Labour and Social Affairs (VÚPSV) CZ – Bulletins, Main economic and social indicators CZ, own calculations.

Cuts in expenditure on benefits - transfers - were more or less compensation for the sharp increase in health care expenditure. It was only in 1991, when the state compensatory premium indemnified families with children and pensioners for price increases, that transfers increased. On the contrary they gradually became stable. However, transfers directed at families with children were weakening.

Table 6
Social Security System Expenditures as a Percentage of GDP

	1990	1991	1992	1993	1994	1995	1996
GDP index (1989=100)	98.8	84.7	79.3	78.6	80.6	84.5	88.5
Total social security and health care	19.5	20.5	20.1	21.7	22.2	22.1	21.3
A. Social security system	14.2	15.5	14.6	14.1	14.4	14.4	14.2
Pensions	8.0	7.8	8.1	8.2	8.3	9.1	9.1
Sick pay and maternity benefits	1.6	1.3	1.3	1.3	1.6	1.5	1.5
Employment policy	0	0.3	0.4	0.2	0.2	0.2	0.2
Family benefits	2.1	1.9	1.7	1.8	1.7	1.6	1.5
State compensatory premium (SCP)	1.5	2.9	1.8	1.4	1.0	0.5	0.5
Other benefits	0.01	0.03	0.12	0.00	0.00	0.00	0.11
Social assistance	0.9	0.7	0.9	1.0	1.1	1.1	0.9
System administration	0.1	0.3	0.3	0.4	0.4	0.5	0.4
B. Health care system	5.3	5.3	5.5	7.6	7.8	7.6	7.1

Source : VÚPSV : Main economic and social indicators in the Czech Republic in 1990-1996, June 1977, adjusted, own calculations of the GDP index.

5. Effects of redistribution

There are two main social effects of redistribution. The first is eliminating or preventing poverty (this approach is preferred, even to social security goals) and secondly, eliminating income inequalities (this goal can be

polemized depending on what stage of elimination is desired and therefore not worthy of attention).¹²

a) Protection against a fall to a low income segment and poverty

So far, the social system has provided sufficient protection against poverty to the broader segments of the population. This holds true both when we measure minimum subsistence (the level provided by the law) and when we consider other poverty indicators, even though it seems that the number of poor increased in the Czech Republic during 1993-1996.

Table 7
The Poor in the Czech Republic (in %)

	1990, XII	1993, I	1994, XI	1996, I
Under the minimum subsistence level	2.0	1.9	2.0	3.7
Under 50 % of medium income per a person (EU standard)	2.6	2.3	2.2	3.9
Consider themselves to be poor (definitely)	8	10	8	8
Poor according to subjective poverty line - SPL	25.3	26.9	32.8	28.2

In contrast to this, the poverty figures for Holland were 7.2% and 15.9% respectively based on the EU standard (SPL method). The figures for Holland were 6.1% and 24.9% per cent; in Belgium the figure was 15.1%, 37.3% in Catalonia, and 19.9% and 42% in Greece (Večerník 1996).

However, according to other sources, the number of poor in the Czech Republic seems to be higher according, for example, to the STEM Agency (survey of June-August 1995):

less than minimum subsistence	7.7 per cent
consider themselves to be poor	8.0 per cent
poor according to SPL	36.5 per cent

According to this survey, the proportion of households which find themselves under the minimum subsistence level is influenced by the number of children in a household. It should be noted that whether one considers oneself poor or not is influenced by one's education: 16 per cent of people with a basic education consider themselves poor, whilst only 3% of those with a university education feel this way.

¹² It is, of course, hard to differentiate between the two goals as the definition of poverty is a relative concept and thus it includes a more general aspect of elimination of income inequalities.

Similarly, Tuček states that according to EU standards and data from the 1993 Survey of “Social Stratification in Eastern Europe after 1989” 6.7 per cent of households had less than 50 per cent of average income per capita.¹³ In comparison, Hungary’s figure was 13.2%, Poland was 18.6% and Slovakia was 11.6.

Although data on subjectively felt poverty would suggest that it is much higher than the objective rates, it would appear that the number of poor households is rising slowly. This means that the Czech Republic, according to the poverty indicators, has a low rate of poverty. We believe that this is due firstly to the low differentiation in earnings from employment and secondly the low unemployment rate. The other reason is due to well targeted family benefits which are paid to those who have fallen below the minimum subsistence level and poverty threshold. Nevertheless, these benefits are still falling.

6. Evaluation of redistributive effects of transformation

Social transfers targeted at economically active households are means-tested and entitlements for benefits are mostly derived from comparing the income and subsistence minimum levels. In addition to this, the real value of all benefits derived both from subsistence minimum and social insurance were lowered (see Table 3).

In the Czech Republic, the real disposable income of households with children went down during 1993-1996. It decreased quite significantly for those in the low income bracket (see Table 1). Social transfers decreased but at the same time, tax and social contributions rose, especially for households with children. As for social insurance, a decrease in pensions should be compensated for by private pension funds.¹⁴ In the area of child benefits, targeted and income-tested transfers are dominant even for middle income segments (income brackets are quite narrow). They are highly targeted since they are based on income and provide exactly the level of benefit required.¹⁵

¹³ The number of people corresponds to the so-called equivalence scale.

¹⁴ With respect to the way in which the private pension insurance is constructed it can be in no way a sufficient compensation.

¹⁵ The state compensatory premium is by its character and size the main benefit for the poor, the benefit complemented with a child benefit, housing benefit, and fuel and electricity benefit.

The emphasis on targeting connected to income testing can be found in a number of transition countries such as Poland, Lithuania, Hungary (see International Social Security Review, 1996). However, in 1995 the Czech Republic introduced a relatively consistent system of benefits targeted at households with children. The system, as a whole, has a multifunctional character: the aim of the benefits is partial social assistance, in particular prevention of poverty.¹⁶ This is due to:

- graded child benefits which relate to income levels, their gradual decrease and exclusion of high income segments;
- introducing the state compensatory premium which is another form of child benefit. For those on low incomes, it is higher than the ordinary child benefit. Its level is closely linked to income level (means test) and is provided to a more limited extent – basically to those with less than average income (to those with less than 1.6 multiple of minimum subsistence per head per household). Housing benefit is similarly calculated but it does not concern only families with children. Its level is lower and is provided to an even smaller extent (1.4 multiple of minimum subsistence).
- low unemployment benefits with a limited ceiling as a multiple of low social assistance benefit (maximum of 1.5 multiple of minimum subsistence).

This system provides households with less transfers on the whole than in past, but its targeting, based on income levels, is rather high (see Dlouhý 1997).¹⁷ In this way, it plays the role of a social safety net, and is a preventative measure since it operates ahead of social assistance benefits. Thus the social assistance system becomes marginal and relates mainly to marginal portions of the population – mostly to households with no breadwinner from an economic activity. In practice it concerns mostly heads of households who are unemployed (often the Romany, single mothers, disabled).¹⁸ Thus the social safety net in the Czech Republic has been formed in an original way: by transforming the whole system of

¹⁶ Social assistance benefits are also provided only after other family related transfers.

¹⁷ While only 24 per cent of the family related benefits were addressed (targeted) in 1995, there were 67 per cent of them in 1996.

¹⁸ Based on the statistics by the Ministry of Labour and Social Affairs CZ, less than 120 thousand social assistance benefits in 1996 (as there are 4.2 bil. households in CZ, less than 2.8 per cent of households received the benefits).

benefits targeted at economically active households with children, into a system of means tested and graded benefits which are closely connected to the conception of social need.¹⁹

The social support system (family related benefits) has the role of a social safety net. Its objective advantage lies in its being the most reputable system. The social assistance system which is linked to marginal social groups and specific means testing and willingness to work, is more disreputable.

7. Open questions

In general, the shift from non-tested to means-tested benefits, with insurance-based benefits being supplemented by private insurance schemes, brings a number of problems (see the list by Oppenheim 1994):

- costly and difficult to administer
- produces poverty and unemployment traps (benefits are withdrawn as soon as income goes up)
- are not given to individuals close to the poverty line who do not qualify in the means test
- produce disincentives to saving and personal responsibility (this mainly holds true for low-income population)
- the process of applying for benefits has a stigma attached to it
- make women less independent as the family income is accounted for as a whole
- they miss their targets: some of those entitled to benefits do not claim them due to the administratively difficult and humiliating application process and due to the fact that entitlements are not adequately assessed
- no secure income in dynamically changing conditions and therefore discourage people from taking the risk of entering an insecure labor market or those leaving a bad job
- do not prevent poverty
- finally, there is an unwillingness and disinterest on the part of the population to participate in a system of social solidarity which is targeted only at low-income earners.

A construction of the system of income tested benefits has succeeded so far in preventing poverty with respect to the detailed grading of the most important benefits, even though this was not an explicitly defined goal. In

¹⁹ This is the character of the most important benefits.

this way, a high institutional flexibility in the welfare state is maintained (Klein 1993). For the Czech Republic this means a significant shift in the conception, modifications and real functions of benefits for families with children. Functioning as a cheap social safety net, the ability to prevent poverty and diminish the humiliation are indisputable advantages of the new system.

Other effects of the social system transformation, are for the moment, difficult to evaluate. Generally, these are:

1. Being linked to the social assistance benefits system is a problem. Considering the small difference between the level of income for those employed and the minimum subsistence for households, the working class may find the fact that the poorest – who are mostly economically inactive²⁰ - receive the same income as those who are economically active. This would mean that the intention is merely to reduce the minimum subsistence level and apply strict testing when allocating benefits to marginal social groups. Providing targeted benefits based on the means tests (in the area of social assistance) is typically linked to “pseudo-targeting” whereby the criteria of destitution are added to other requirements of a behavioral nature such as timeliness in paying rent, willingness to accept job offers defined as “suitable employment”, meeting other administrative requirements and fulfilling conditions of registration or cooperation with the system administrators.
2. Social benefits are permanently kept at the lowest level of calculated minimum cost of living while the ratio between minimum subsistence and income is still going down. This could mean that social assistance benefits may not be sufficient protection against poverty.²¹ Not only is the ratio between minimum subsistence and average income falling, this also holds true for unemployment benefits which are based on minimum subsistence. The Czech Republic is an example which would support the theory that benefits targeted at the poor gradually become poor benefits. Social protection of the poor is slowly losing political and financial support from the middle class i.e. the class that is becoming less and less a benefits’ recipient.

²⁰ The social assistance system is really targeted at such individuals.

²¹ Poverty is a relation and feeling springing from the ratio between social assistance benefits and average income, as well as average consumption.

3. The social system which provides security in cases of income loss if income falls below the minimum subsistence level therefore becomes ambiguous. However, due to the low rate of unemployment in the Czech Republic, conditions have not been ripe for this ambiguity to become apparent. It refers only to a relatively small group of long-term unemployed and other marginalized social assistance clients who depend on the system rating them in need of help. Those concerned are threatened not only with relative poverty, but also with social exclusion and permanent dependency on social assistance benefits combined with informal income.
4. The middle class is also gradually losing (see Appendix), not only because they are explicitly excluded from or restricted in entitlements because of the means test, but also because the benefits designed for economically active households with children are based on the minimum subsistence which has become a decisive element of the whole social system. Not only that but the ratio between minimum subsistence and income is also decreasing.
5. The politically important question of legitimacy which played a role in the process when the new social support system was negotiated politically as early as 1995, can also be a problem. Although the government had intended to restrict even more the family related benefits (they are still the main transfers from state budget which are financed from taxes), this idea was dropped thanks to resistance on the part, not only of the political opposition, but also of the government coalition. It was only because of the unbalanced state budget in 1997 that another restriction was accepted but it had a time limit until 1998.

According to some surveys (Purkrabek *et al*, 1996 : 23) the evaluation of social security brings about tension in public attitudes. On the one hand, it shows that citizens consider social security reform together with other social issues as being very important. On the other hand, it is obvious that although this area is not a source of wide discontent (citizens on average are satisfied) there is the legitimacy problem (tension) due to the emphasis placed on these issues by citizens.

If we return to evaluating the effects in the context of political economy regimes in a welfare state, the importance of a social policy for social stratification is supported. Due to the changes in social policy, income inequalities have resulted. These, together with social inequalities are, to a great extent, caused by the low level of social transfers which are

compensated only partially by measures targeted at those in need. A trend towards the social marginalization of a small portion of the population has also resulted from the combined effect of a longer period of unemployment, or economic inactivity and separating the stigmatizing social assistance system from the targeted system of national social (family) support.

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APPENDIX:

1. Social transfers in decile groups (employees): the share of social transfers in total net disposable income per capita of household

Year 1989

DECILE	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	average
total net disposable income	100	100	100	100	100	100	100	100	100	100	100
social transfers	21.9	16.8	14.7	13.8	12.4	11.1	11.5	10.7	11.4	12.4	13.5
pensions	0.9	0.9	0.8	2.3	3.1	4.0	6.2	7.0	8.6	9.8	4.5
statutory sick pay	2.6	2.9	3.3	3.3	2.9	2.6	2.8	2.3	2.1	2.1	2.7
child benefit	15.4	11.7	9.8	7.7	5.9	4.2	2.3	1.3	0.6	0.4	5.7
state compensatory premium (SCP)											
unemployment benefit											
social assistance											
other social transfers	3.0	1.3	0.8	0.6	0.5	0.3	0.2	0.1	0.1	0.1	0.6
tax and social insurance	12.4	13.8	15.0	15.3	15.8	16.7	17.6	19.1	20.3	18.1	16.5

Source : Czech Statistical Office, special analysis of family budgets, own calculations

Year 1992

DECILE	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	average
total net cash income	100	100	100	100	100	100	100	100	100	100	100
social transfers	27.8	19.8	16.2	14.3	13.6	13.3	11.6	10.4	8.8	5.2	13.6
pensions	0.8	1.1	1.5	2.5	3.2	5.5	5.7	5.7	4.4	2.6	3.3
statutory sick pay	2.6	1.9	2.2	1.9	2.8	2.2	1.6	2.0	2.2	1.5	2.1
child benefit	11.0	7.8	5.9	4.8	3.6	2.3	1.7	1.0	0.7	0.3	3.6
SCP	7.6	5.6	4.6	3.8	3.1	2.5	2.1	1.4	1.1	0.6	3.1
unemployment benefit	0.4	0.3	0.2	0.3	0.2	0.04	0.06	0.06	0.03	0.05	0.14
social assistance	0.15	0.03	0.003	0.003	0.006	0.03					0.02
other social transfers	5.2	3.1	1.8	1.0	0.7	0.7	0.4	0.2	0.4	0.2	1.3
tax and social insurance	12.6	15.9	17.0	18.1	18.2	19.8	20.3	21.8	23.1	22.2	19.2

Year 1996

DECILE	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	average
total net cash income	100	100	100	100	100	100	100	100	100	100	100
social transfers	23.8	16.3	13.9	10.4	11.0	9.4	9.9	8.2	7.2	4.3	10.7
pensions	0.9	1.5	2.8	2.2	3.4	3.6	3.7	4.5	4.4	3.1	3.1
statutory sick pay	3.0	2.2	2.6	2.2	3.0	3.3	3.3	2.4	1.8	1.1	2.4
child attendance benefit	0.3	0.4	0.3	0.3	0.2	0.1	0.2	0.06	0.04	0.01	0.16
maternity leave	0.5	0.5	0.4	0.4	0.3	0.2	0.3	0.2	0.04	0	0.25
parental benefit	6.4	3.8	1.7	0.7	0.5	0.2	0.2	0.3	0.1	0	1.2
child benefit	7.3	5.2	4.0	3.5	2.6	1.5	1.1	0.4	0.2	0.05	2.3
SCP	4.0	1.6	1.0	0.5	0.2	0.1	0.2	0.03	0.1	0	0.6
other social support	1.0	0.6	0.6	0.4	0.4	0.2	0.3	0.1	0.04	0.02	0.3
unemployment benefit	0.2	0.3	0.4	0.2	0.3	0.1	0.1	0.1	0.1	0.01	0.2
social assistance (means test)	0.1	0.1	0.03	0.01	0.1	0	0.01	0.1	0.01	0	0.04
other social care	0.06	0.02	0.1	0	0.02	0.01	0.5	0	0.3	0.01	0.1
tax and social insurance	15.8	19.4	20.5	21.9	22.8	23.5	24.5	26.7	26.5	27.5	23.4

2. Social transfers in decile groups (employees): Share of decile groups in total social transfers per capita of all households

Year 1989

DECILE	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	total
total net disposable income	5.4	6.6	7.3	8.1	8.8	9.7	10.8	12.1	13.7	17.5	100
social transfers	9.2	8.6	8.3	8.7	8.4	8.4	9.6	10.0	12.0	16.8	100
pensions	0.9	1.1	1.0	3.4	4.9	7.3	12.3	15.6	21.9	31.6	100
statutory sick pay	5.5	7.4	9.4	10.2	9.9	9.7	11.7	11.0	10.8	14.4	100
child benefit	19.0	17.5	16.3	14.0	11.8	9.3	5.6	3.4	1.7	1.4	100
SCP											
unemployment benefit											
social assistance											
other social transfers	33.9	17.2	11.8	10.0	9.0	5.1	4.8	2.5	2.2	3.5	100
tax and social insurance	4.0	5.3	6.4	7.3	8.1	9.5	11.2	13.5	16.2	18.5	100
members of household	3.9	3.9	3.8	3.6	3.2	2.9	2.5	2.1	2.0	1.9	3.00
economically active	1.7	1.7	1.8	1.9	1.8	1.8	1.8	1.7	1.8	1.7	1.74
dependent children	2.0	2.0	1.9	1.6	1.3	0.9	0.5	0.3	0.1	0.1	1.08

Year 1992

DECILE	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	total
total net disposable income	5.2	6.4	7.3	8.0	8.9	9.7	10.7	11.9	13.6	18.3	100
social transfers	11.9	10.4	9.6	9.5	10.0	10.6	10.2	10.2	9.8	7.8	100
pensions	1.2	2.0	3.1	5.5	7.9	14.9	16.8	18.8	16.6	13.2	100
statutory sick pay	6.7	5.9	7.8	7.4	12.3	10.7	8.7	12.0	15.0	13.5	100
child benefit	19.9	17.1	14.9	13.5	11.1	7.7	6.4	4.0	3.2	2.2	100
SCP	15.3	14.1	13.0	12.1	10.8	9.2	8.8	6.7	5.6	4.4	100
unemployment benefit	16.6	13.0	9.9	22.6	17.3	3.8	5.5	6.4	4.0	0.9	100
social assistance	56.5	14.5	1.8	1.8	3.6	21.8					100
other social transfers	27.8	20.6	13.2	8.4	6.6	7.3	4.8	2.6	5.5	3.2	100
tax and social insurance	3.3	5.1	6.2	7.4	8.1	9.6	11.0	13.0	15.8	20.4	100
members of household	4.1	3.8	3.6	3.3	3.1	2.8	2.5	2.1	2.0	1.9	2.92
economically active	1.4	1.6	1.7	1.7	1.8	1.9	1.7	1.7	1.7	1.7	1.70
dependent children	2.2	1.9	1.6	1.4	1.1	0.7	0.5	0.3	0.2	0.1	1.01

Year 1996

DECILE	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	total
total net disposable income	4.9	6.1	6.9	7.7	8.4	9.4	10.5	12.1	14.2	19.8	100
social transfers											
pensions	12.1	10.3	9.9	8.4	9.6	9.2	10.8	10.3	10.6	8.8	100
statutory sick pay	1.3	2.8	5.8	5.3	8.8	10.2	11.9	16.3	19.0	18.7	100
child attendance benefit	6.2	6.0	7.9	7.2	11.0	13.4	15.2	12.8	11.0	9.2	100
maternity leave	10.3	16.1	14.7	15.0	11.7	9.7	12.2	5.4	3.7	1.3	100
parental benefit	37.1	27.3	13.4	6.9	4.8	2.5	2.6	4.1	1.3		100
child benefit	20.1	17.7	15.6	15.1	12.1	8.2	6.2	2.7	1.6	0.6	100
SCP	43.0	21.7	14.7	7.9	3.9	1.9	3.6	0.9	2.3	0	100
other social support	19.2	14.6	15.0	10.6	13.5	9.3	10.6	3.6	2.4	1.1	100
unemployment benefit	6.8	13.7	19.9	12.7	14.7	5.1	6.6	7.0	11.9	1.6	100
social assistance (means test)	13.0	11.5	6.1	3.1	20.6		2.7	40.8	2.3		100
other - social care	2.5	0.8	5.6	0.1	1.2	0.8	46.8		40.2	2.0	100
tax and social insurance	3.2	4.9	5.8	7	8	9.1	10.7	13.3	15.5	22.4	100
members of household	4.01	3.65	3.38	3.37	2.99	2.68	2.51	2.24	1.99	1.81	2.86
economically active	1.43	1.55	1.65	1.77	1.71	1.73	1.79	1.77	1.73	1.67	1.68
dependent children	2.11	1.76	1.47	1.46	1.11	0.81	0.61	0.36	0.19	0.10	1.00

3. Share of quartile groups in total social income per capita of all households (pensioners)

Year 1989

Quartiles	1.	2.	3.	4.	total
total net disposable income	18.1	22.2	25.9	33.8	100
social transfers in total	18.2	22.5	26.6	32.7	100
pensions	18.2	22.5	26.5	32.8	100
statutory sick pay					
child benefit	44.8	55.2			100
SCP					
unemployment benefit					
social assistance benefits					
other social transfers	13.1	14.8	62.3	9.8	100

Year 1992

Quartiles	1.	2.	3.	4.	total
total net cash income	19.8	23.1	25.7	31.3	100
social transfers in total	20.3	24.1	26.4	29.8	100
pensions	19.9	23.1	25.7	31.3	100
statutory sick pay					
child benefit	46.4	53.6			100
SCP	24.9	25.1	25.0	25.0	100
unemployment benefit					
social assistance benefits	44.4			55.6	100
other social transfers		56.9	17.1	26.1	100

Year 1996

	1.	2.	3.	4.	total
Quartiles	20.3	23.3	25.8	30.6	100
total net cash income					
	21.0	24.0	26.3	28.5	100
social transfers in total	21.0	24.1	26.4	28.5	100
pensions	100				100
statutory sick pay		100			100
child benefit	5	95			100
SCP	37.2	12.8	12.8	37.2	100
unemployment benefit					
social assistance benefits	82.5	17.5			100
other social transfers	11.9	17.2	30.2	40.7	100

THE TAX SYSTEM AND THE SOCIAL SECURITY SYSTEM OF THE CZECH REPUBLIC

*Leoš Víttek**

This paper investigates the effects of the Czech tax system on the Czech social security system and the relationship between income tax and social benefits. The first part of the paper discusses the role of government in transition economies and describes tax reform in the Czech Republic. An almost completely new tax system was created which came into force on the same day on which the independent Czech Republic was established, the 1st January 1993. The following paper deals with possible changes in a “social” tax relief (for example basic allowance and child allowance) and discusses the elimination of these reliefs from the tax system.

The Tax System of the Czech Republic and the System of Social Security: Is it possible to find an effective and “fair” system of redistribution?

This paper contains the following issues:

- General description of the possible role of governments in a transition economy;
- The tax reforms in the former Czech and Slovak Federal Republic and in the Czech Republic in 1990 - 1993 and description of the present Czech tax system;
- Problem of “unfair” tax deductions and tax relief

The intention of this analysis is to show the influence these issues have on the possible future development of the tax system (especially personal income tax) and its implications for the social security system.

The role of government in transition economies

The role of government under democratic conditions is the effect brought about by many factors: historical traditions, economic environment, cultural influences, and, not least of all, political consensus.

Some schools of economic theory see the basic function of a democratic government operating under market conditions only as a need to secure a

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legal framework for a wide range of activities, including economic. To other schools it is a fair system of sharing wealth and incomes and an effective means of allocating decisions. Reality does not necessarily correspond to these theoretical postulates, even when defining the general role of government (in standard market economies) under the conditions of a transitional economy. Nevertheless, theoretical concepts influence reality: the tax systems are, in the long term, affected by general economics.

The transformation process currently underway in Central and Eastern European countries allows for the examination of a specific alignment by government during transition from a centrally planned economy to a market economy. The transformation of the whole society makes it possible for governments to change the tax systems more effectively and fairly.

“The transition of centrally planned economies to a market-oriented system based on private ownership is probably the most important economic phenomenon of the second half of the twentieth century. It attracts the attention of economists, political scientists and entrepreneurs from around the world and is the subject of heightened awareness of the mass media. The feeling that reigns among the observers of this process is one that there is a lack of deeper understanding of what is actually happening in these nations.” (Svejnar, 1997)

The goal of this paper is to show what happened during the Czech transformation to public budgets income tax revenue, and to define possible ways for the government to change personal income tax during transition. One major concern is to investigate the occurrence of possible new trends in both the personal tax and social security systems up until the end of the century.

Tax Reform in The Czech Republic

On the 1st January 1993 the basic Acts of the tax law in the Czech Republic came into force. This new law represents one of the basic components of the transition of the Czech economy. By accepting this new tax system the tax reform came into being. Although it was actually launched in 1990 - a system which was incompatible with the multi-sector economy - by accepting the new system, the tax reform was responsible for the gradual privatization of the economy.

Until the “Velvet Revolution” in November 1989, the system of budgetary revenues was based mainly on the state enterprises’ transfers to the national

budget, but the centrally planned investments were, for the most part, covered by budgetary subsidies. Income taxes were combined with payroll taxes. For non-governmental organizations, common income taxes were replaced by complicated special income taxes.

Taxes paid by citizens were merely a complementary income to the government budget. The most important was the tax on salaries which differed from standard individual income tax. Its progression ended way below the level of an average salary and for that reason, the average tax rate took into consideration the taxpayer's age and number of dependents, based on the social position of the taxpayer rather than on his income level. Salaries were taxed separately, which resulted in several parallel small incomes being taxed less than one income equal to the sum of the smaller incomes. Tax payments were the employer's responsibility.

Other kinds of incomes were subject to further taxes but their total revenue was low. An indirect turnover tax which had thousands of different tax rates and which should have ensured a separation between wholesale and retail prices rather than budgetary revenue was very confusing. The tariff of turnover tax rates was, even with a reduction in the number of rates since the sixties, a very thick book. This was a lump sum on consumer goods prices which was further complicated by the existence of the "negative turnover tax" which was a form of a subsidy on selected products such as basic foodstuffs, energy for households, and for many years, on children's clothes and footwear etc.

Tax reform was divided into three consecutive stages. In the first stage, the reform concentrated basically on "cosmetic" alterations to the existing system of budgetary revenues in order to better meet the changing conditions in the economy. These changes should have promoted the emerging private undertakings. At the beginning of 1991 the turnover tax rates were unified by introducing three basic rates. The second stage was the preparation for the new tax system. When developing this tax, the following main goals were set to (Kubatova, 1998):

- improve the level of tax fairness with a unified approach to all taxpayers regardless of their legal status and sources of income;
- increase the proportion of consumer tax (while simultaneously decreasing the amount of products with higher consumer taxation). Consumer taxation was equivalent to value added tax, common in the European Union countries;

- increase the significance of individual income tax while simultaneously unifying taxation of the majority of taxable incomes; unifying (and gradually decreasing) legal income tax;
- create space for the utilization of the fiscal system as an instrument for macroeconomic regulation;
- prepare for integration of the tax system with the European countries' systems and for eventual membership of the European Union;
- divide the insurance system into general health and social security insurance and contribute to the government employment policy so that individuals assume responsibility for their own social security and the efforts required to ensure this.

The third stage of the tax reform was launched by introducing a newly outlined tax system in 1993. It should be noted that the new system was not simply new names and conceptions of taxes, but also meant a brand new tax administration. Training was necessary for thousands of new financial and tax clerks in the many tax offices. They also required new material and technical equipment in order to carry out their jobs.

Table 1
Revenue Forecast Collections in the Czech Republic in 1998
(central government budget)

Revenue	Budget revenue (CZK, bill.)	Proportion in total tax revenue (%)
Value added tax	128	25
Excise duties	74	14
Individual income tax ¹	33	6
Corporate income tax ²	35	7
Road tax	6	1
Tax on inheritance, tax on gifts, real estate-transfer tax	4	1
Customs	15	3
Social security + govern. employment. policy contributions	209	41
Others	8	2
Total	512	100

Source: Outline of budget sums for 1998 and own calculation.

¹ Approximately 66% of individual income tax revenues go towards the local budget and the remainder goes to the central budget

² Approximately 20% of corporate income tax goes towards the local budget with the remainder going to the central budget

Individual Income Tax

Using individual income tax as a tool for social policy is a frequently discussed issue. The reason is simple: there is an unsophisticated way, through tax allowances, to make it possible to use the tax system as a social policy instrument. This is the reason why for the social security system, personal taxation construction is so important.

The individual income tax in the Czech Republic is a universal tax which almost all taxable individual incomes are subject to and by which the payroll tax and other taxes paid from individuals' incomes, have been replaced. Its share in the budgetary revenues has increased over the last few years. Placing more importance on the individual income tax was a deliberate measure of the tax reform. Much emphasis was placed on not increasing the tax burden of those with low incomes even if the two newly introduced insurances were included. The share of the individual's tax in the overall budgetary and tax revenues is, however, growing from year to year. This is caused by inflation (approximately 10%) with the absence of a tax chart index on the one hand and by the increase in real salaries on the other. The subject of tax is understood by each individual and splitting is not allowed, with the only exception being the possibility of dividing incomes (in a limited way) between husband and wife. The main principles for tax calculation are demonstrated in the following chart:

In the Czech Republic there is no law regarding inflation adjustment of tax rates, tax bases etc. The tax system is adjusted *ad hoc*. Personal income tax roughly follows inflation and corporate income tax is not at all linked to inflation.

Relations between the tax system and the social policy

The tax system can be (and is) widely used in social policy. There are various rates for value added tax which depend on the income from different goods and services. There is also tax relief on property taxes when immovable or movable property is exempt from taxation. There is the influence of the social policy when health insurance is paid - the government pays contributions for people in need. There are also social aspects to corporate income tax - employers who employ disabled people receive tax credits.

Personal income tax is probably the most important tax tool used in social policy. There are two areas where personal income tax influences the level of social protection:

- Social benefits are not taxed, even though social insurance contributions are deductible from the personal income tax base. For example, retirement pension is exempt from personal taxation. At the same time, retirement insurance contributions are deductible items. This is a provision which benefits recipients of retirement pensions.
- Personal income tax is designed to be a social policy tool (e.g. basic tax relief or tax relief for children).

Tax relief can be unfair. It is easy to demonstrate that effective tax savings (as a result of tax relief existence) is higher for the rich than for the poor. The logic in providing social transfers lies with giving a higher social rate to the poor than to the rich. The tax credit system weakens this issue but does not provide a solution. The rich benefit less than the poor (comparing tax relief and zero-rate first level) but social transfers are still provided for the rich (through tax savings schemes).

In theory, the solution is fairly simple. Standard tax allowances should be eliminated. At the same time, increased tax revenue could be used for providing direct social transfers. A tax revenue increase could also be used to decrease personal income tax progression (flat tax proposal) or for total labor costs and lowering corporate income tax. This choice is a matter of political priorities.

There are several aspects which complicate enforcing these proposals. There are traditions to keep the tax system stable and limit any radical changes. The rich taxpayers who would lose could protest against these changes. However, in the case of reducing the highest marginal tax rates (financed by tax revenue increased by the elimination of tax allowances) the rich should not oppose this suggestion. Another argument against this proposal is the administrative and compliance costs connected with direct social payments. Considering that there is already a tested social benefits system working in the Czech Republic, this should not be too costly.

Table 2
Individual Income Tax

All of taxpayer's income				
- separate tax bases				
- exempt incomes				
Payroll incomes minus social security and general health insurance premium.	Incomes from undertaking and from other gainful employment minus recognized expenditures necessary for attaining profits	Incomes from possession of capital property	Lease incomes minus recognized expenditures necessary for attaining profits	Other incomes minus limited circle of expenditures
= Tax base				
- Deductible items				
Loss on undertaking and/or property lease	Proportion on input price of the select property in the year of acquisition		Donations for purposes beneficial to the public (max. 10% of the tax base)	
- Personal, non-taxable amounts (tax relieves)				
per taxpayer	Per his dependents (children)	per his dependents (wife without her own income)	per his disability	special deduction for students
= Tax base after deduction				
* progressive tax rate				
- Tax reduction for the employers employing disabled people				
= Tax after reduction				

Source: Vancurova, 1998

Since 1996, the tax bands have been extended and for the first time, one of them has been cancelled leaving five bands. The rates are shown in the following table:

Table 3
Marginal Individual Income Tax Rates in 1998

Annual Taxable Income (in CZK)		Marginal Rates
From	To	
0	91 440	15%
91 441	183 000	20%
183 001	274 200	25%
274 201	822 600	32%
822 601	-	40%

Table 4
Some Economical, Social and Political Issues Connected with the Elimination of “Social” Relief from Individual Income Tax

	Advantages	Disadvantages
Economical aspects	<ul style="list-style-type: none"> • simple and more transparent tax system → → less administrative and compliance costs of taxation • more tax revenue • less distortion in taxation of income 	<ul style="list-style-type: none"> • probably higher administrative costs on social transfers • more tax revenue (higher overall tax ratio)
Social aspects	<ul style="list-style-type: none"> • extremely poor taxpayers' gain • more tax revenue for direct social transfers • more fair taxation 	<ul style="list-style-type: none"> • probably higher taxation of rich taxpayers • stimulation of creation of long term non-working groups
Political aspects	<ul style="list-style-type: none"> • more transparent costs for social security system • stronger pressure on volume of direct social transfers • possibility to use additional tax revenue to restructure tax system 	<ul style="list-style-type: none"> • problems with quantification of present volume of tax relief • rich people lose • all developed countries use some type of personal income tax relief

Table 5
Survey of Social Tax Relief in the Czech Tax System

Tax	Type of Tax Relief	Amount of Relief
Personal Income Tax	<ul style="list-style-type: none"> • basic tax allowance per taxpayer • tax allowance per children • tax allowance per wife without own income • tax allowance for disabled taxpayers • tax allowance for students • tax deductible gifts for social programs and activities • tax credit per disabled employee 	<ul style="list-style-type: none"> • 32 040 CZK • 18 000 CZK • 18 240 CZK • 6 000 - 42 000 CZK • 9 600 CZK • max. 10% of tax base • 9 000 - 32 000 CZK
Corporation Income Tax	<ul style="list-style-type: none"> • tax deductible gifts for social programs and activities • tax credit per disabled employee 	<ul style="list-style-type: none"> • max 2% of tax base • 9 000 - 32 000 CZK and 50% tax rate reduction in special case
Value Added Tax	<ul style="list-style-type: none"> • tax exemption for social activities • tax relief for disable persons' aid 	<ul style="list-style-type: none"> • lowered rate 5%
Inheritance Tax	<ul style="list-style-type: none"> • tax deductible cost of funeral 	
Gift Tax	<ul style="list-style-type: none"> • transfers from government budgets are not taxed 	
Tax on immovable property	<ul style="list-style-type: none"> • land tax is not imposed on land used for buildings for social care • disabled housing is exempt from buildings tax 	

Source: The Czech Tax Law

Conclusions

There are many social aspects in the tax system. When we concentrate only on personal income tax, the most important social tool is personal deductible items - tax relief reducing the tax base. In our opinion, this is unfair because it favours the rich. To switch to the tax credit system might partially solve this injustice, but not completely.

The best way would be to eliminate tax relief completely and substitute it with tested direct social transfers. To make such tax reform acceptable, it should probably be followed by a reduction in the top personal income tax and corporate tax rates.

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Appendix

Table 6
Central Government Tax Revenues Development in the Czech Republic from 1993-1996 (CZK in billions)

Tax	1993	1994	1995	1996
Personal income tax ¹	1,5	5,8	8,5	29,7
Corporation income tax ²	70,9	64,4	64,2	48,6
Taxes on property ³				
individual wealth tax	x	x	x	x
business wealth tax	x	x	x	x
tax on sale and exchange of property	x	x	x	x
recurrent taxes on immovable property	x	x	x	x
road tax	4,3	4,1	3,9	4,3
Inheritance and gift taxes, real estate transfer tax	0,8	2,1	3,2	3,9
Taxes on goods and services				
VAT	77,1	85,8	94,8	109,3
general sales taxes	x	x	x	x
excises	40,0	46,4	56,6	61,2
customs	15,2	17,4	17,4	19,7
Social security contributions	109,0	130,0	154,3	174,3
Other taxes ⁴	14,8	4,1	6,7	6,4
TOTAL TAX REVENUES	333,6	360,1	409,7	457,4

Source: Ministry of Finance of the Czech Republic

¹ Incl. capital gain tax. Since 1996, 66% of payroll tax goes to the local budgets. Prior to 1996 with the exception of capital gain tax revenues, the whole amount of personal income tax revenues went to the local budgets.

² Since 1996, 20% of revenues corporation income tax goes to the local budgets and the remainder to the central government budget. Prior to 1996 almost the whole amount of corporate income tax revenue went to the central budget.

³ Revenues from real estate tax are assigned to the local government budgets.

⁴ Some fees and revenues from the previous tax system.

Table 7
Local Government Tax Revenues Development
in the Czech Republic from 1993-1996 (CZK in billions)

Tax	1993	1994	1995	1996
Personal income tax	36,1	48,7	59,0	50,9
payroll tax	27,1	35,6	45,2	35,1
non-corporate taxes	9,0	13,1	14,8	15,8
Corporation income tax	0	0,1	3,1	14,1
Real estate tax	2,9	3,8	3,8	4,0
Other taxes ⁵	4,8	0,6	0,3	0,2

Source: Ministry of Finance of the Czech Republic

⁵ Some fees and revenues from the previous tax system.

SOCIAL WELFARE FOR THE ENTIRE POPULATION BY UNIVERSAL OR EMPLOYMENT-RELATED SYSTEMS

*Karl Woerister**

The present contribution deals with the question, “how can everyone in a given country be covered by a social security system?” The basis for this contribution is my own studies of social benefit systems in the industrial nations (OECD countries) and a study of the systems in Austria and its neighbouring states.¹

The growing problem of unemployment, which is a new phenomenon in the formerly socialist countries, together with the associated problems for financing the social benefit systems, has led to more or less large reforms. This reform process is not yet complete. With the recent development in the formerly socialist states, there is a strong orientation towards the traditions of the previous system which guaranteed a comparatively high standard of social security with little means. On the other hand, it would appear that by the abolition of the National Health Services, steps were taken which are not conform with historical development.

An important aspect of the various social security systems is the range of population they cover. This question is discussed in the distinction between the Bismarck and Beveridge systems and between universal and employment-related systems. It also played an important role in the recent changes in Central and Eastern Europe whereby formerly socialist countries transferred from a National Health Services system to an employment-related national insurance system.

The difference between universal and employment-related systems was of great importance, especially during the start-up phase of national systems in the areas of health and pensions. During this phase, certain countries decided on universal systems early on, whilst others did this gradually.

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¹ Published 1998, Vienna. Talos, Emmerich [ed] : *Social protection in change : Austria and its neighbour states - a comparison.*

The socialist countries offer social welfare to the entire population through employment-related pension and family allowance systems by means of almost full employment (“unit of economic and social policy”).

In my opinion, the differences between universal and employment-related systems are often over-rated, since in reality, these differences are no longer important. A certain convergence of the systems can be observed, although national traditions still influence development.

It is common to both systems that income-tested benefits are supplementary. With these benefits, which are either an integral part of a general minimum-income system or of the different benefit systems (for instance, pensions, health service, family benefit systems), the gaps are closed. If we consider the latter, then the systems of social protection in all industrial nations can be referred to as universal. Such a wide term is not customary, however, and is not used here. It is obvious with this meaning of the term that differences within the range of systems are of a qualitative nature. To a large extent, women are affected by this quality difference, since the minimum income is based on the family income. This problem will be dealt with separately.

It is not important whether the systems are funded or pay-as-you-earn. The quality of both depends very much on the social policy arrangements and the entire social security system in which they are embedded. The crucial question when choosing one of these procedures is probably their economic function, in particular during the start-up phase. This particularly applies to the area of pension systems.

The basic characteristic in the start-up phase of a funded system is that many people pay contributions, but then they gradually claim social security benefits. In the extreme case, to begin with all inhabitants are covered, but no-one can claim the appropriate social security benefits. The pay-as-you-earn system is different. This covers the entire population immediately and also guarantees benefits after the collapse of a funded system. In countries with high savings quotas - for example, Austria - a funded system is unnecessary.

We will look at the following:

- how people are included in social security systems
- mode of inclusion
- a total evaluation of universal and employment-related systems

How are People Included in the Social Security System?

Range of population covered

Without going into detail, it can be stressed that groups of people are included in the respective systems on the basis of statutory regulations. In universal systems the entire resident population is included more or less automatically and in employment-related systems, primarily through paid employment.

This does not mean, however, that all employed people are covered within the earnings-related systems. Employees with high or very low incomes can be excluded and/or certain groups of self-employed or employed persons. Other groups, for instance, children, other relatives and recipients of social benefits etc. who are clearly defined in these systems, are covered automatically.

The possibility of optional insurance within the framework of the social security system can be available to unemployed people with similar conditions to those in employment.

Optional insurances exist with collective insurance for groups through industrial or company agreements. This option is important (for instance in some countries for the second tier).

On this basis, the entire population can be included in employment-related systems. However, optional insurances are used differently. It is obvious that a health insurance is used rather than a pension insurance, which presupposes long-term orientation. There are therefore gaps in the old-age pensions system, particularly in connection with pensions for survivors, but to a certain extent, these gaps can be closed. However, this form of benefit can have its drawbacks for women e.g. loss of claims after divorce and financial lifetime dependence on a partner.

Mode of Inclusion

Coverage by the respective systems can be different. The following points are important:

- whether own contribution must be proved;
- whether it concerns own claims or claims for relatives.

These options are closely linked to the financing system. The following three options differ according to universality/earnings-relation and according to financing.

a) Inclusion by contribution within the framework of insurance systems

The proof of contributions to employment-related systems is the basic condition for claims. However, there can be exceptions for larger groups; in particular relatives can be co-insured on the basis of the contributions of a family member. This includes the majority of the population.

b) Inclusion without proof of contributions

Earning-related systems can also guarantee social protection to people without proof of contributions. In the former socialist states, proof of periods worked was sufficient. This is similar to the old-age pension of Austrian civil servants. Confidence in the contribution performance of employers can thus replace the examination of individually paid contributions.

This can also apply to National Health Services and universal pension schemes. Contributions by the employers and/or taxes paid by the inhabitants of a state can be the basis for financing these systems. Here it is sufficient proof that someone has his/her domicile in the respective state (health service) and/or had it for certain periods (pension system).

In addition, regulations and/or subsystems in individual employment-related systems exist, which ensure non-contributory social protection to certain groups. Within these regulations, certain factors are taken into consideration (for instance coverage of those who have dangerous infectious diseases) or political considerations such as during a war or where there are military victims.

c) Universal systems with obligation to contribute and systems with subsidized contributions and/or performances

Universal systems are also possible which are based on a general obligation to contribute and/or which require proof of contributions. One example is Switzerland, which has had for many years, corresponding regulations for old-age pensions and since 1996, a general health insurance obligation.

One problem associated with such systems is that certain inhabitants are unable to pay the appropriate contributions. However, there is a solution to this problem. The contributions for these groups can be financed from public means (partially or completely). The systems can also be wholly co-

financed globally through public means (e.g. additional health insurance in Switzerland).

This is also possible with optional insurances in employment-related systems. These systems can be limited for the needy to a low minimum contribution and/or the contributions can be paid by public means into the national insurance system (e.g. Austria, Slovenia and the Czech Republic).

To summarize, inclusion in the social security system can be achieved by:

a) Universal systems:

- Entire resident population
- General obligation to contribute but possibly with subsidizing of contributions and/or benefits

b) Employment-related systems:

- Gainfully employed persons (all or some groups)
- Non-contributory social protection for certain groups (dependents, special groups)
- Optional insurance - possibly with a progressive rate of contributions or subsidies
- Possible collective optional insurances.

Every effort is made to include as many people as possible. Development can differ within the sub-systems of the individual states.

Distribution of Benefits in Universal and Employment-Related Systems

In the initial stages of the social benefits systems, these were often only granted to the needy, so that many people could not expect to receive benefits. On the other hand, some groups financed their own systems of social protection based on their economic possibilities. Those who did not belong to these groups were therefore excluded.

Without going into the historical details, the different developments show that social security systems concentrate on either the economically weaker or stronger groups.

The higher standard systems guarantee their members but are limited to the higher-income groups. On the other hand, sometimes those systems are regarded as better because they target benefits to the poor, for instance

within the framework of a general minimum income system. In this case, the higher-income groups are excluded. They pay the social benefits to help the socially weak.

It is evident that the distribution aspects of the social policy are of great importance and can bring about conflicts.

The agreement of high-income groups for the expansion of the social welfare therefore usually has a price in that their wishes must also be taken into account. Last but not least, on the basis of the politico-economic logics, limits are also fixed on redistribution. Fees which are too high tend to favour tax and/or contribution evasions and thereby undermine the financing basis for the social security system.

There are therefore in both employment-related and universal systems, tendencies to limit the extent of redistribution. These tendencies are as follows:

a) Methods for limiting redistribution

In employment-related systems the possibilities for limiting redistribution are obvious. These systems can exclude unemployed people or the poorer paid and/or be restrictive. Since this concerns insurance systems, the limitation of the redistribution lies already within the nature of the system. Those who pay high contributions can expect high benefits and those who pay little, can expect only small benefits. Those who pay no contributions (or too little), cannot claim benefits.

In universal systems, however, cash-benefits are usually fixed amounts. Although these benefits can reach a high level, (e.g. the pension systems in the Netherlands and in Denmark), there is a tendency to limit the redistribution. This is done through a breakdown of the system into several "tiers". Thus the universal benefits ("first tier") are supplemented by insurance systems for employed persons ("second tier"). This can result in a political classification of the tiers. A "third tier" completes the system. Because of additional tiers, most of these systems have a universal basic benefits level, which is not sufficient for subsistence protection. The minimum income is guaranteed via supplementary income-tested benefits.

This limit can extend to the entire basic benefits being subject to a means test (for instance the pension systems in Finland and in Australia and the new pension system in Sweden). However, there are separate

regulations which are applied to the appropriate income tests and which can be generously developed.

There is a tendency to grant universal benefits only to the needy. Examples are Hungary and the Czech Republic where family allowances were taken out of the social insurance to become universal benefits. Soon after, means tests were introduced. In Austria, there are always demands for attributing the appropriate family allowance (universal) to those in need.

Basic benefits based on family status are also customary. In the case of married couples, the universal benefits are usually lower per person than for single people.

One might say that employment-related systems offer better protection against state interventions. As has been shown in the last few years, the high costs of benefit systems linked with increasing unemployment have led to reductions in benefits and even to the abolition of certain social benefits. Income-tested benefits have therefore become more important.

If inflation is very high, this can lead to a reduction in the real value of cash benefits during the phase of radical changes in central and eastern European countries. In both the National Health Services and insurance systems, redistribution is limited by prescription charges and by medical treatment costs. The private medicine sector is expanding and the higher income groups are only too happy to adopt this system.

b) Similar redistribution with universal and employment-related systems possible

It has already been pointed out that employment-related systems usually include the entire population. In addition, there are also numerous regulations drawing together the universal systems with the typical unit benefits. This applies particularly to the health service in these systems which differs only very slightly to the National Health Services with some exceptions (for instance, the USA).

With cash benefits, the differences are usually minimal. Thus, individual systems provide for firm basic benefits. However, in the Austrian and German systems, redistribution is very small.

Redistribution Between the Sexes

An important aspect of the range of systems is that regarding unemployed women. At present, particularly in employment-related systems, the extent to which they are covered depends on derived rights. These women are therefore included in the system. However, because of the increasing instability of marriages, frequent problems arise in the case of supply.

Data from Austria and Hungary show room for concern in the area of pension systems. Thus, in the first half of the 1990s, approximately 40% of women over 60 years of age were not eligible for a pension. They relied on their partner and/or widows' pension. In Austria, the absence of a minimum pension does not guarantee economic independence. Many women with their own pension still rely during their partner's lifetime on maintenance by him and only after his death, are they entitled to their own minimum income.

The supply deficits are a consequence of a male-dominated social policy but they are also partially a result of social changes. Where the traditional role of social security during a marriage was previously accepted by the majority of women and regarded as being normal, changes are now being demanded due to women's increasing self-confidence. The socio-political demands lie in an adjustment of the female role to that of men, whilst maintaining existing social benefit systems and a stronger recognition of family work. These demands aim at closing the gaps.

In universal pension systems, no more gaps exist as regards the ranges. All women have independent requirements. Problems result with the pension level, since the low base amount normally results in a low pension based on benefits in the second tier. For instance, in Sweden, women's old-age pensions are, on average, around 40% below those of men. In Austria, many women have no pension at all, not even a widow's pension. In principle, certain employment-related pension systems encompass a woman's need for a pension by means of a very short qualifying insurance period. In Germany, this period was determined as five years' contributions and even the years of child care are taken into account. However, only very small pensions are paid and these are far removed from a level which guarantees economic independence.

"Social Pensions" in Italy and Czechoslovakia which have since been abolished, guaranteed women, in certain cases a certain amount of self-sufficiency.

In Switzerland, contributions to the pension system (basic system) are divided during the marriage giving a 50:50 share to both partners, but this is limited to the first tier.

Time spent on taking care of children is taken into account but does not make a big difference to the pension calculation.

The difference between universal and employment-related systems in the health care is less important. On the basis of co-insurance with a partner, almost all women are also insured through an employment-related system. The difference is psychological as the insurance is associated with dependence.

A major problem for women is the very limited unemployment benefit which is only granted after a means test, i. e. the majority of long-term unemployed women are supposed to be maintained by their partner.

In this case, only state aid for reintegration into the job market can help, regardless of whether a system is employment-related or universal. The inefficiency of such measures means, however, that those concerned often accumulate no insurance periods for pension insurance, which again affects the old-age pension. However, with the universal pension system, part of the risk is covered.

Summary and Conclusions

The choice between universal and employment-related systems was made during the start-up phase of social security systems. On the basis of efforts being made to include as many people as possible in the systems and to guarantee them amounts above the subsistence level, the differences were minimized. What remains, however, is an inequality between women and men.

The actual problems of the health service are in the areas of the accounting system, the organization of the hospital system, the coordination of the different offers and last, but not least, in traditional medicine itself where the psycho-social aspects are given little consideration.

The main differences between the universal and employment-related systems are still in the area of pensions. Affected most are women who withdraw from the job market to take care of children or dependents, or who only work part-time, thereby acquiring smaller rights. Growing unemployment has also resulted in an increasing number of people falling from the system.

In employment-related systems, it is possible to close the gaps by a wider obligation to contribute and by an intensified redistribution for those who do unpaid care work.

Both in the universal and employment-related systems, the financing and supply level depend very much on how the problem of unemployment is overcome.

Section 3
Health Care Reform and
Health Care Management

HEALTH CARE REFORM AND HEALTH CARE MANAGEMENT

*Juraj Nemec**

Introduction

The working session on “Health Care Reform and Health Care Management” brought together health care experts both from transitional and developed western countries. As a main topic, case studies on national health care reforms in central and eastern European countries were presented (Czech Republic, Estonia, Hungary, Lithuania, Poland, Slovak Republic and Ukraine). These seven papers described many important features of health reforms in transitional countries including both the positive and negative results.

One specific paper on the management of epidemics (AIDS) was presented, relating to both western and eastern conditions. This paper clearly identified the decreasing quality of public health in selected eastern countries, especially in Russia. AIDS is a “time bomb” in some of the transitional countries, for the following reasons:

- the low standard of living of a high proportion of citizens;
- a hazardous style of living; “vacuum of values” after the break away from an authoritarian regulation of behavior and a growing uncertainty of the individual’s place in society;
- insufficient scope of preventive activities organized by the state and the “third sector”.

The presentation of seven national case studies (in more or less analytical form) was extremely efficient. In spite of the impossibility to discuss every detail and aspect of health reforms in selected transitional countries, many important conclusions were arrived at. It is apparent that a successful national health reform strategy for any transitional country cannot be based on purely “western” experience. An exchange of experience between countries in transition can provide national reformers with important knowledge concerning the expected outcomes of models used. This exchange should be totally supported in order to provide unavoidable input going into the national reforms.

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The most important conclusions arrived at by the participants may be summed up as follows:

1. It is apparent that there is no single model of health reform suitable for all or most of the transitional countries. Each country must find its own solutions, based on concrete national conditions (especially with regard to the country's economic, social and political sectors). There is no existing functional "western model" which could be transferred in the same form and with the same results, as exists in developed countries.

2. The necessity to develop specific national reform models for each country is the result of the existence of largely specific environment and health reforms in each transitional country, as illustrated by the comparative AIDS case. Many specific internal factors have to be taken into account, as follows:

The quality of civil society in each country (roles and attitudes of citizens, scope and quality of the non-governmental sector, and the scope and quality of public control, especially by the media, etc.).

The life style in each country. This includes at least the quality and level of education of citizens, the level of education of politicians and bureaucrats, the values of all players in the health reforms — politicians, bureaucrats, medical personnel, patients, and the risk behaviour of citizens. It must be stressed that values and motivation of health reform players have to be carefully examined. The Czech Republic may be taken as a good example of a situation where health reform is dominated by the doctors' and pharmaceutical lobby (resulting in an apparent increase of health expenditures per capita and unrelated to the increase in the quality of care). An analysis of the contents of a specific reform may highlight many existing developments in the respective countries.

The existence of a general non-competitive environment in all transitional countries, including most of the fully competitive industries. In this situation, models based on competitive forces cannot achieve the same results as in western countries. This situation is described in the examples of both the Czech and Slovak Republics, which introduced pluralistic models of health insurance, but did not achieve the expected results from competition between insurance companies. This model increased the transaction costs of a system with very low benefits and the process is now reversed in both countries (the number of insurance companies is continuously decreasing).

The instability of governments in some of transitional countries. To create effective models of health reform, at least some continuity in public policy is necessary. Frequent changes of government cannot guarantee this.

3. The medical model of health reforms is being implemented in all transitional countries. Health reforms in all transitional countries were previously limited to the “medical model”. In most aspects, reforms try to cope with allocative and technical efficiency problems, maintain some scope of equality and increase the quality of technical medical care. Public health issues, on the contrary, do not form a comprehensive part of the reform design in any of the transitional countries. The level to which public health issues are incorporated into health reform is different. Resources are used predominantly for medical treatment and not for more effective actions in the form of health promotion and preventive activities. Successful health reforms should be a balance of comprehensive health policy (promotion, prevention, public health, needs analysis, policy analysis) and of technical reforms (allocative and technical efficiency, equity and quality).

There are many issues which have to be discussed in preparing the “technical part” of health care reforms. Amongst others, the following were discussed in our working session:

Allocative and Technical Efficiency Issues:

- a. Possible forms of demand and supply regulation (for example by an effective number of hospital beds, gate-keeper model of general practitioner, move from in-patient to out-patient care and decisions on effective systems of reimbursement to providers at all levels).
- b. Public/private mix in health care provision (relations between public and private finance in health care, level of competition — expected and achieved and role of ownership changes).
- c. Impact of health insurance — it is apparent that most of the expectations linked to the introduction of financing of a health care insurance system were not fulfilled.
- d. Self-governing status of providers.
- e. Quality and extent of health statistics and health information systems and their effective use.

Equality:

- a. Level of corruption between doctors and other medical personnel.
- b. Problems in rural areas.

Quality:

- a. Accreditation of hospitals and other providers.
- b. National programmes on health care quality.

To develop and implement an efficient and successful health reform network between experts from all parts of the world is of extreme importance. Networks of experts can support reform designers with existing experience in all aspects of reforms in many specific environments. This support (if expected, used and maintained) could help to prevent many reform failures, apparent from others' experience with outcomes of health reforms in transitional countries.

HEALTH CARE REFORM: THE CASE OF THE SLOVAK REPUBLIC

Colin Lawson and Juraj Nemec***

Introduction

In our paper we shall examine the most important changes in Slovak health care during the process of its reform after 1989. We try to establish why this reform fails in its performance and why the quality, efficiency and equity of health care do not increase but probably decrease.

In the first part of our paper we will describe very briefly the old “communist” system of Slovak health care and the changes resulting from the reform processes.

Health Care in Slovakia under the Old Regime

We describe the old system to provide a benchmark against which to judge the changes. This system provided universal coverage through state funded institutions. There was no private sector. Funding for all facilities and for social security payments relating to medical problems came from general taxation.

The objective of the system was to provide a comprehensive system of health care for all members of society. The decisions on medical care provision were made by the Federal Government and the national Czech and Slovak Ministries of Health and were generally made on political or administrative grounds. The only accountability in the old system was to the Communist Party.

Under the old system, both services and medicines were free to the patient, but until 1987 there was no individual choice of practitioner. From 1987 onwards, patients could choose their primary health care provider, optician and dentist. In addition, as an experiment, a small number of hospitals were given self-governing status. The supply of services was constrained by an overall plan. Economic resource allocation played no part in determining services whose level and distribution, influenced by social, medical and administrative considerations, were determined by

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political decisions. No cost-benefit calculations were undertaken. There were no economic incentives, either for individuals or for the system, to improve performance and there was chronic and sometimes acute, excess demand for services.

However when transition began, the Slovak system was far from the crisis state of the Polish (Millard, 1994) and Soviet systems (Davis, 1993). If necessary everyone was able to receive appropriate health care at a relatively high international medical standard. Equality was achieved (however there also existed special medical institutions which provided higher quality care for high-ranking officials). The old system is often described as obsolete and inefficient, but with health care expenditures representing approximately 5% of GDP most of the demand was met without long waiting lists. Relatively high quality care existed, in spite of insufficient quantity and quality of equipment.

Nevertheless many felt on the eve of transition, that much more could be done with a more economically rationally organised, decentralised and responsible system and the opportunity for improvement certainly existed. The old regime did, however, recognise some of these weaknesses. In 1987, it introduced an experiment in patient choice and encouraged improved efficiency experiments in selected hospitals.

Health Care Reform and Current System of Slovak Health Care

Overall objectives of health care reform have remained the same for all post-1989 administrations. The second Meciar government's statement is representative: "Government activities in the field of health care shall be based on urgent requirements to stop the impairment of the state of health of the population. Based on the 'health for all' principle, the essential element in our policy of public health is to afford health care to every citizen of our republic as required by his state of health, financially based on the principle of mandatory health insurance, with the state providing for this obligation in the case of economically inactive citizens. The insurance system shall result in radical changes, not only in the health care financing field but will also positively influence the physician/patient relationship." (Programmatic Declaration of the Government of the Slovak Republic 1992).

To achieve such objectives, broad organisational, control, finance and delivery reforms have been undertaken.

Organisational Changes and Privatisation

The initial post-revolutionary organisational regime was straightforward. The old management structures were replaced during the period 1990-92 by a simple two-level system (Ministry of Health - providers).

During the first years of the reform, the transfer of state property to the private sector was very limited and was confined to only a small number of pharmacies. At the same time, there was a growth in new private pharmacies and by early 1993 these, and a few dentists who had become private, made up the bulk of the private sector. This trend continued in 1993 and 1994, with the number of state pharmacies falling from 483 to 322 and the number of private pharmacies increasing from 75 to 261. By the end of 1994 approximately half of all dentists were in the private sector (*Vybrane ukazovatele zo zdravotnictva v Slovenskej Republike za rok 1994*).

The period 1995-1996 may be characterised by massive privatisation in primary care (including privatisation of assets) and of specific forms of privatisation in specialised ambulatory care. At the end of 1996, more than 90% of general practitioners belonged to the private sector and owned their own facilities. A large proportion of specialised ambulatory doctors owned private taxis, but many remained in ambulances in state owned hospitals and polyclinics.

Privatisation of large assets did not start till the end of 1997, excluding spas and some new established polyclinics and one privatised hospital. In the late autumn of 1997 there was a deadline to submit privatisation projects for selected establishments. However, further developments in this area remain unclear.

Financing of Health Care

Many of the most important changes since 1989 in Slovak health care have taken place in the finance area. From 1989 to the end of 1992, the old control system of centrally planned services and budgets was in operation. From 1st of January 1993 a system of performance funding was introduced. State owned primary care was reimbursed on a per capita basis and secondary care (polyclinics) was funded by a formula involving the numbers of treatments multiplied by the treatment cost. Total income was capped by controlling the maximum number of treatments allowed. Hospital in-patient care was funded by a cost per day scheme.

The formula of reimbursement was frequently changed resulting in the current situation with the following principles of reimbursement by the insurance companies (with a defined maximum):

- primary care: combination of per capita and fee for service elements (with limits of maximum number of registered patients and maximum scope of services provided);
- secondary out-patient care: fee for service in the form of the adopted German points system where the maximum number of points is limited (Ham *et al*: 1990);
- hospital in-patient care: treatment per day payment with different maximum prices per department and type of hospital (covering most of the total hospital expenses excluding medicine, laboratory costs, patient's transportation, construction works and other specific costs).

The money which is earmarked for health care comes from a special mandatory insurance premium collected through the direct tax system. The state pays into this fund for economically inactive citizens on the basis of a yearly Parliament Legislation.

The current public health insurance body in Slovakia (*Vseobecna zdravotna poistovna*) was created at the start of 1995 by splitting the previous 1993 unitary insurance body into four parts, covering unemployment, health care, sickness and retirement insurance. New insurance companies have started to enter the market in recent months and in early 1996, twelve were already operational. Later it became apparent that the total number of health insurance companies (13) was too high for a country such as Slovakia and led to exhaustive transaction costs. Several measures to influence this situation were adopted. Since January 1996, to set up an insurance company requires at least 300,000 registered patients and 30 million Sk in a deposit account as a safety measure for expenses. Any opportunities for skimming are reduced due to the existence of a common insurance fund, serving as a redistributive instrument according to the structure of insurers between insurance companies. However, the proportion of redistribution via a common insurance fund is a very sensitive matter and the subject of discussions and permanent lobbying. The necessity to have such a fund is apparent from Table 1 - the structure of insured persons varies between insurance companies.

Financing became an important issue of the Slovak health care system, especially in 1997. Because of low state payment for economically inactive citizens, increasing costs (especially costs of drugs – see Table 2) and other

Table 1
The Structure of Insured Persons in Insurance Companies
as at 31 December 1996

Insurance company (ZP)	% in ZP						60 +
	Economic active	Economic Inactive ₁₎	State pays	Within			
				Childre	Pensioners	Others	
ZP total	38,6	1,7	59,7	32,7	18,2	8,8	13,8
1. VŠZP	30,8	1,8	67,4	34,4	22,4	10,6	17,8
2. Garant	60,0	0,2	39,8	25,4	11,0	3,4	7,1
3. PMV SR	58,5	0,8	40,7	29,8	5,9	5,0	4,1
4. Vojenská ZP	47,6	0,9	51,5	26,5	9,2	15,8	6,6
5. Apollo	51,9	0,9	47,2	30,6	14,7	1,9	8,4
6. ZP - VŽP	53,8	2,1	44,1	30,7	10,1	3,3	7,1
7. Istota	19,5	3,7	76,8	35,1	24,2	17,5	18,4
8. ZP Sideria	41,9	1,3	56,8	35,1	14,1	7,6	9,1
9. Druzap	45,3	1,5	53,2	30,1	18,7	4,4	14,2
10. Perspektíva	33,0	3,5	63,5	31,8	23,3	8,4	18,3
11. Prvá vsl. ZP	20,8	1,7	77,5	39,1	28,2	10,2	22,5
12. Medifarma	28,4	3,4	68,2	29,0	27,3	11,9	19,6

1) Specific group of unemployed persons

important factors, the “hidden debt” of the health care system reached the sum of between 20 and 50 billion Slovak crowns, resulting in a negative impact on all aspects of health care delivery. Most hospitals run up large debts and do not pay their suppliers’ bills (the Roosevelt Hospital in Banská Bystrica has the largest debt - more than 500 mil. Sk). Insurance companies’ debts to hospitals, private doctors and pharmacies are also large. The delay of some insurance companies in reimbursing private doctors is frequently longer than six months. In spite of the expected merge of insurance companies (there may only be six insurance companies by the summer of 1998) the financial situation of the Slovak health care system in 1998 will be complicated, especially because of the inability to increase health care resources to overcome existing debts and to limit the large growth in expenditures.

Table 2
Expenditures for drugs

	1991	1992	1993	1994	1995	1996
Total expenditures (bil. Sk)	3,3	4,5	6,3	6,3	8,6	10,0
Expenditures as % of GDP	1,17	1,46	1,85	1,58	1,66	
Expenditures per capita Sk	618	853	1189	1174	1603	1861

Outcomes of the Reform

The current Slovak health care system has most of the features of modern health care systems in Europe and is orientated towards the creation of internal market conditions (Le Grand, 1991) with a split between the purchaser and the provider, the consumers' choice of provider and insurer and a performance-based financing system.

In theory, such a system should at least lead to efficiency improvements and an increase in the quality of care and the provider/patient relationship. Most importantly, equity considerations are also protected by special regulations. However, those expectations have not been met. Most citizens feel that the reform fails in all aspects - efficiency, equality and quality. We examine some of the reasons for its failure in the final part of this paper.

Indicators of the Impact of the Reform

The most important problem when evaluating programmes in the public sector in Slovenia is the lack of appropriate results indicators. This also applies to the Slovak health care reform. There is no official data concerning either improvements or failures of the reform. Published statistics contain only a few quantitative figures on numbers of establishments, beds, doctors, on mortality and morbidity. No official research on the reform results has been carried out in Slovakia.

For this reason, we must accept that our evaluation will be, in many respects, based on an attempt to summarise the general meaning of the citizens.

Using the contents of the Programmatic Declaration of the Slovak Government, we can define the main targets of the reform as follows:

- efficiency improvements - of the system and of all establishments
- equity - free access for required medical care for all citizens
- improving provider/patient relationships

On the basis of general public opinion we are able to argue that none of those targets was achieved as a result of the Slovak health care reform, the opposite is closer to the current reality of our health care system. One might argue that it is only a temporary result with improving expectations for the future. However, the analysis of the most important failures in the next part of this paper will highlight that additional changes are necessary in order to see an improvement in the situation in the near future.

The Impact of Changing the Financing System

As we mentioned at the beginning of this paper, the current system of financing the Slovak health care system contains many features of those systems used in developed European countries. However, the expected impacts have not been achieved. There are certain specific features incorporated into the Slovak health care reform which may explain this.

With a formula-based reimbursement insurance system, the government's intention is not to lose control over the distribution of health care funds. There are other kinds of direct government interference in the system of the creation and distribution of resources which are inconsistent with the transparency and efficiency principles. The switch from general taxation to insurance in Slovakia was mainly supported by the argument that the new body will be separate from the main government administration and that this independence would improve the quality and efficiency of the administration. However, as Parliament prescribes the level of insurance payments and the amount paid by the state for inactive citizens and the Ministry of Finance sets the reimbursement rates, this independence is largely illusory.

In spite of the existence of effective measures to limit the growth of health expenditures, the gap between available resources and real costs of the system is widening. A typical feature of the Slovak health care is the limited budget and relatively "open end" concerning the scope of services provided. During the period of competition between insurance companies to attract more clients (from 1995-1997), in general, each provider's bill has been accepted. This created large internal debts in the system and the change in behaviour of insurance companies in late 1997 came too late to reverse the existing development trend (see Table 3). Payments by the state for economically inactive citizens are insufficient and many large companies in trouble do not pay the amounts they should to the health insurance funds.

It is apparent that the growth of health care services provided and of the costs of the system have an unsustainable character. This trend cannot be reversed, but under certain circumstances it may be slowed down. Because of the economic situation a sufficiently important growth in income within the insurance system cannot be expected (both incomes from the state and from the private sector). This brings us to a specific political and economic problem. The Government (especially now with elections being very close) does not wish to realise apparent changes in

the system of reimbursement of health care expenditures (e.g. some forms of co-payment and decreasing the scope of “free” services) because of the expected negative reaction of most of its citizens. However, how it will manage to continue with large internal debts both inside and outside the system, is unclear. Higher citizens’ involvement seems to be appropriate from the economic theory point of view and also necessary with regard to the current health care situation. This could be achieved with no major decrease in equality.

Table 3
Health care expenditures in the Slovak Republic

	1991	1992	1993	1994	1995
Total expenditures (bil.Sk)	18,2	19,2	17,9	21,7	31,5
% GDP	6,4	6,4	5,3	5,5	6,1
Expenditure per capita Sk	3406	3618	3356	4229	5864

The overall adequacy of health care spending is hard to assess. Assessing adequacy by the share of GDP spent on health care can be equally misleading. However, it is clear that in recent years Slovak health care has been under-financed resulting in a negative impact on all aspects of health care. The comparison between the Czech and Slovak Republic contains a degree of support for the argument of under-financing. The current GDP ratio in the Czech Republic is roughly 9 to 10% and in the Slovak Republic approximately 5%. This is very apparent at the providers’ level. For the same activity, the Slovak provider receives (officially, excluding “shadow” payments) only about 30% of his/her Czech colleague’s reimbursement (with the conditions of a smaller private health care expenditures market). This situation has a number of impacts on the health care system in Slovakia.

At the hospital and polyclinic level, some internal efficiency improvements would help to limit the rising debt of the organisation. However, there are incentives to work better and harder, especially in the larger hospitals. Managers’ and doctors’ salaries are strictly regulated by central rules. Doctors cannot expect an increase in salary if their efficiency and quality improves. The internal economic and financial management of hospitals is not of an adequate quality. The system of cost-centres is still in the early stages of development. The system of organisational audit based on foreign experience (King’s Fund, U.K.) is in the early stages of implementation.

The income of private contractual providers is also directly limited by government regulation. The level of reimbursement and upper limit of services provided are prescribed by the Ministry of Finance. There are more calculations of maximum level of net income of the private contractual provider - the results of which show that this income is not adequate when compared to the responsibilities they have and their level of education and cannot create sufficiently effective incentives to increase the quality of care.

The use of several different financing schemes over a short period of time (such as three reimbursement systems for hospitals in 1994) increases adjusted costs in the system, diverts attention of managers away from long-term strategic decisions and consumes the already scarce management and financial resources in the process.

Generally, a formula-based reimbursement insurance system should create incentives. However under Slovakian conditions where there are insufficient financial flows, frequent changes and direct central interventions, such results cannot be achieved.

The Impact of the Political Environment

There exists an apparent inconsistency in the Slovak health care policy - strong nominal support for change and only very limited implementation of change. In this process of evolution with minimal change and no efficiency gains from the reform measures in place, a model of social policy change under transition can be discerned. The actors are politicians who prefer central control, either from conviction or habit; a bureaucracy which was always politicised and naturally opposes decentralisation and competition and an electorate which initially embraced change more through expectations not being met than through a commitment to its inherent desirability. Reeling under the impact of initial large output drops and the uncertainty of job prospects in a market system, electors displayed not only unstable voting patterns, but a preference for retaining some predictable welfare anchors. Politicians were thus able to accommodate the initial impetus for change by minor, though generally, not purely cosmetic changes. The later electoral reaction and disappointment could then be used as a rationale to limit change with this solution meeting the demands of all three parties in the process.

All changes in health care have taken and continue to take place without any significant public discussion on the issues and alternatives and with no obvious careful assessment of the costs and benefits of the

competing plans. This is especially important because there was also no substantial debate in the scientific and professional community and because of the controversial nature of some of the changes. Many government decisions are purely political, simply representing a desire to improve health and therefore to change and to be seen to be signalling change.

A very important political influence on health care has been the instability of post-1989 Slovak politics. Although Slovakia has only existed as an independent country since January 1993, health care issues have been determined on a national level, without Federal Czechoslovak intervention, since 1990. In the period since, there have been six Slovak governments, all coalitions, and most of them obviously unstable almost from their inception. This has lent the process of transition a fragmented and uncertain air, as administrators have differed in their views on both the speed and the extent of the introduction of market forces. The impact of these differences on the health care sector was significant.

Conclusions

According to the general public, the Slovak health care reform is an apparent failure, at least from the point of view of its short-term achievements. The system which emerged is, although different from its predecessor, still one where central control and regulation is dominant.

Most of the partial changes in the Slovak health care have successfully followed patterns from developed countries, but have failed to achieve the expected results in all areas - efficiency, equity, quality and the patient/provider relationship, because of the reaction of all participating actors (politicians, bureaucrats, insurers, doctors and patients) and the non-competitive environment in Slovakia generally, and in health care, in particular. This situation is an apparent example of the impossibility of a successful general transfer of "good public sector practices" into societies with highly differing conditions as exist in the transition societies in Central and Eastern Europe. The social policy changes in transitional economies will be a mostly slow and limited process. This is probably a result of the persisting centralist feeling of politicians and risk-averse strategy by the electorate, prevailing in most, if not all, transitional societies in our area.

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CURRENT PROBLEMS AND A POSSIBLE FUTURE OF THE CZECH HEALTH CARE REFORM

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1. Introduction

The extent to which one country can learn from the experience of another is limited. However, a comparison of the various systems and forms of health services provision and financing can be considered as a practical and useful tool for finding new ways to improve a given system despite numerous difficulties. This appears to be true, especially in the case of any comparison between the countries of Central and Eastern Europe which at the outset were very similar.

This paper addresses mainly the economic aspects of Health Care Reform in the Czech Republic. The original principles of the reform dating from 1990 are compared to the situation today. The current financing system and its basic behavioural incentives are described, but the paper does not intend to make a detailed and comprehensive study of the system. Data is used for the sake of illustration. There are many information resources available for those who are interested in comparative studies (e.g. WHO Copenhagen European Office's Web Pages, etc.).

To begin with, there is a brief description of the past Health Care System which was basically similar to many others in Central and Eastern Europe. We then look at original principles of the reform and its development, followed by discussion of some of the major problems of the reform. The final part presents some potential for future development.

2. The Model Prior to 1990

Czechoslovakia's Health Care system prior to 1990 was a hierarchically organized centralized service paid for through government budgets. There was virtually no link between the performance of health facilities and their budget assets, nor were there appropriate income and expenditure control mechanisms. There was a state monopoly in providing, financing and managing the health services. Private practice was prohibited. Health care workers were state employees. Health care managerial structures were a

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part of the state administration. Special health institutions were used, grouping all health facilities in an area at regional and district levels. Patients were allocated to a general practitioner and hospital, according to their residence and/or occupation and there was no free choice of a provider. In theory, Czechoslovakia's national health service offered free treatment on an equal basis to all citizens, regardless of their income or rank¹. Health care services were financed basically through general taxation. Almost all health services (except certain cosmetic surgery etc.) were free of charge for all citizens. Prescribed drugs were also free.

The capacity of the Czechoslovak health care system seemed to be relatively high in terms of the number of hospital beds per 10,000 population (110.8 in 1989) or the number of physicians per 10,000 population (27.2 in 1989). Paradoxically, these relatively high numbers did not seem to be sufficient in practice. There was excessive demand for many health care services. There were long waiting lists, especially for certain surgical interventions and for the use of certain modern diagnostic equipment. This relatively high health care capacity was financed by remarkably low funds. The percentage of GNP spent on health care in 1985 was 4.20 and 4.82 in 1988. The health care sector was deeply under-financed and there was a general complaint that public funds for health care were inadequate. This low level of health expenditure was possible partly due to the low level of remuneration of health workers, especially qualified nurses, but also physicians and partly due to a long-term lack of investment in the health sector. The latter manifested itself, for example, by obsolete medical and non-medical equipment, by an insufficient renewal of health facilities' buildings, and by an almost critical lack of certain drugs. In addition, the system had a number of characteristics resulting in the inefficient use of those inadequate resources.

The population of the Czech and Slovak Federal Republic had a significantly lower health status than other European nations at that time. In the early sixties, Czechoslovakia was 10th out of 27 European countries; from 1970 to 1974 it dropped to 22nd place, and in the 1980's to 27th. The main reason was the decrease in the average life span (with a specific increase in male mortality above the age of 35), and the increase in the

¹ The theoretically equal access to health care services was distorted by the existence of so called "privileged" patients. But more serious distortion was a result of extended corruption. It became almost common for some people to pay extra "black" money to medical workers (not only to doctors) to ensure better quality of care for themselves or their families.

level of partial and total disability². The standardized mortality rate for diseases of the circulatory system was significantly higher than the European average, especially from ischemic heart disease which is amongst the highest in the region.

3. Basic Concepts of the Czech Reform — Objectives and Principles

There was a strong need within the medical community to implement fundamental reforms of health care after 1989. Certain of the materials produced by the Czech health ministry characterized the situation as a chronic and expanding crisis of health and health services. Three mutually correlated global aims of transformation were formulated in a government reform proposal from 1990:

- a. democratization, humanization and a higher standard of care;
- b. to create additional funds to finance health services and to achieve a higher level of economic efficiency by adopting an appropriate financing model;
- c. to increase the prestige and standard of living of health care professionals.

Original principles of the Czech Health Care Reform in 1990 included:

- the introduction of the obligatory health insurance system³;
- adopting free choice of a provider;
- increased responsibility of the people themselves for their own health;
- incomes of physicians and/or the health service facilities should depend on their performance in terms of quantity and quality;
- decentralization, privatization and competition should be introduced in the health services;
- equal access to “adequate” levels of services (guaranteed by the government) should remain regardless of the social and financial position of patients. This guarantee should not be applied to the so-called “above-standard” services;

² For example, in 1987 life expectancy at birth remained at around 71 years (67.4 years for men and 74.0 years for women). Both at that age and at subsequent age intervals, life expectancy figures are lower than the average for the countries of the WHO European Region.

³ Health insurance was characterised as “the best of the hitherto known ways of health service financing, which protects the interest of the citizen in the most efficient way, stimulates him to pay more attention to his own health and stimulates the health service facilities as well as their workers render effective services”.

- plurality; (the prevailing source of health care should still be the public health service, but there will be plurality within the service i.e. state, municipal, church, and private sector);
- the basic component of the public health service should be the independent health service facility as an independent legal and economic entity. Institutes of National Health should be abolished.

4. Comments on the Reform Proposal

A large percentage of reformers, especially physicians, partly underestimate the economic issues involved. Their major aim was to solve the under-financing of the current system, so the reform was originally oriented at seeking available new resources. The part of the reform linked to the use of funds and to incentives for more efficient behaviour was less elaborated upon. There was strong political interest to present a “fundamental” and “rapid” reform which would correspond with other, also fundamental, reform steps in the economy as a whole. There is no doubt that the announcement of this kind of reform in such an important and sensitive part of public life was more popular than the careful steering towards improvements which could take longer and require a lot of unpopular work before any significant results were achieved.

5. Reform Steps and Issues

The most important changes were made between 1992 and 1994. A Comprehensive Health Insurance Act was passed in 1992 and the first insurance company (VZP) was established at the same time. Since 1993, other smaller insurance companies have been founded meaning that there were many players (up to 27) who started to compete for clients by offering extra benefits.

The insurance premium is paid by employees, employers and the government and the amounts are based on gross income. A fee-for-services relative scale system with a cap on the total health care expenses was introduced in 1993 and was applied to all kinds of services. The immediate reaction was a massive increase of services produced and this was called “inflation of a point”. Its value was calculated as a ratio of the total revenue from insurance premiums and the quarterly summarized number of “billed” points. This ex-post information did not allow providers any efficient financial or strategic planning. They complained heavily and demanded the introduction of a “guaranteed minimum value of the point” which was

adopted soon afterwards. The cap was replaced and a deficit development of the total Health Insurance Fund commenced.

Health facilities became independent legal bodies operating in a decentralized manner. A plural ownership structure was developed. The vast majority of out-patient services is provided by private practitioners. In-patient services have remained mainly public (state and community) but there were also several private hospitals. In the first years, insurance companies had to make contracts with existing and new health care facilities. This obligation was later abolished and there is now the opportunity for insurance companies to ascertain and choose a provider.

The volume of provided care increased significantly, as did the amount of hi-tech equipment (See tables 1 and 2 respectively). These facts seem to support a hypothesis that the quality of care also rose. An increase in the life expectancy can be observed between 1990 and 1996. However it is still lower than in western countries (77.5 for female, 70.5 for male in 1996).

The current development is connected to rising costs. Total expenditure on health care increased from 4.5 per cent of GDP to 7.5 per cent. The amount of this increase may have been more depending on the method of measurement used. However, this dynamic development does not seem to be rapid enough. The more money that floats into the system, the more money there seems to be missing. Providers complain of rising prices for inputs which are not followed up by an increase in their revenues. Physicians do not like the “unsatisfactory” salaries they receive. (There have already been some health professionals’ strikes in the Czech Republic). The whole system has fallen into deficit — insurance premiums payers owe to insurance companies, they owe to providers, and providers owe to their suppliers.

The government has proposed several steps to deal with this unpleasant situation:

- It tried to reduce the administrative costs of insurance companies by more rigorous regulation. Annual balance sheets were subject to government approval. Health insurance company operating rules were tightened which resulted in the reduction in the number of companies on the market. There are now only eleven insurance companies in the country.
- Ministry of Health Care tried to propose an increase in out-of-pocket payments but failed.

- Individual patient's accounts were announced in 1995 but the proposal was again unsuccessful.
- The supply side of the health care markets is to be reduced by the accreditation process started in 1997. The process of a “public providers selection” has begun. The government announced the planned number of hospital beds in the different medical specializations in the regions and asked local providers to compete for them. Insurance companies should normally only sign contracts with “winners”.

Table 1
Number of Complicated Medical Treatment Procedures

	1991	1992	1993	1994	1995	1996
Transplants :						
Heart	9	19	34	51	60	75
Kidney	178	190	313	406	390	393
Liver	2	2	2	11	30	42
Pancreas	0	0	2	8	13	19
Open heart surgery	1.657	1.825	2.456	3.443	4.008	5.045
Dialysis (per 100.000 population)	1.711	2.118	2.700	3.290	3.806	4.282

Source: *Ekonom* 5/1997 p.37.

Table 2
Number of Selected Types of Medical Equipment

	1991	1992	1993	1994	1995	1996
Equipment						
CT	22	48	59	64	69	73
Mammography	39	44	56	68	87	106
Lithotripter	6	11	22	25	25	29
MRI	2	4	6	7	10	11
Lasers	67	86	111	156	515	1020
Lung ventilators	760	843	988	980	983	1188

Dealing with the major problem of scarce resources is the responsibility of the insurance companies. The biggest company (*Všeobecná zdravotní pojišťovna* — VZP) has become a leader in cost containment regulation. It has used the following methods:

Encourage providers to decrease the number of “billed” services by offering a better price for a unit of service to those who would not exceed volume limits.

A reimbursement method based on DRG was adopted experimentally in several hospitals and is to be tested amongst VZP's partners since the fee-for-service system was considered to be the cause of many problems.

A capitalization model has been introduced for primary care providers, and fixed prospective payments, similar to a global budget, derived from historical costs during a relevant timeframe are now presented for hospitals.

6. The Future

The future development of the Czech Health Care system is unclear. It will depend very much on the results of the 1998 elections. The leftist Social-democratic Party is expected to win. Its view of health care is totally different from that of the current government. It is based more on the co-operation than competition and believes in the "wise" rationality of government decision-making. Strict regulation of pharmacy prices can be expected, as well as a further reduction in the number of insurance companies. A single payer model might seem reasonable to potential new decision-makers.

There may also be another expected systematic change which is unrelated to the results of elections. A remarkable effort in creating education programmes for health care managers which has been carried out during the last two years (often as a result of international co-operation) in the Czech Republic, should bear its fruits. More competent managers will hopefully be able to set up the appropriate strategies for their institutions to meet the public's needs and preferences.

7. Conclusions

As most current health care systems face similar problems and are trying to address similar objectives, i.e. higher efficiency, equity, accessibility, and cost containment etc., one can (at least as a hypothesis) assume that there exists some common strategies applicable to most systems, regardless of their partial or even substantial differences. Implementation of managed care or internal market which can be seen in many health care reforms all over the world, can serve as a good example of such a strategy. An introduction of prospective payment methods to replace the classical fee-for-service system and placing a larger part of the burden of dealing with scarce resources on the providers are other examples.

Learning from the experience of different countries helps to avoid many potential mistakes and problems.

THE RESPONSE TO AIDS IN EASTERN AND WESTERN EUROPE

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The political and economic transition in central and eastern European countries has led to profound changes in their social policies and social security systems.

Their previous social security system was based on central State regulation and a universal approach for service distribution, with a predominant part of employment-related access and management built into the universalistic system. The representation of the beneficiaries' interest was low or completely lacking, and this explains the tolerance of the low quality standards of the services¹.

Reforms introduced since 1990, under the influence of international agencies and partners, aimed at the introduction of the Western European model of *social insurance*. The real outcome, however, in most of the former communist countries, has been more a preservation of a "residual welfare state"², in the sense used by Richard Titmus. This model is characterised by two trends: a minimal provision of basic health and social services with benefits according to individual resources, and an increasing tendency to move from the previous dependence on finance from enterprises towards the use of revenue generation through public taxes to finance the system. Insufficient capacity to raise or collect taxes as well as administrative shortcomings, however, have led to the now well-known *impasse*. The gap is widening between social deprivation, risk cumulation and limited benefits. Whilst governments try to cut social expenditure, growing numbers of the population experience growing needs for social security and health protection in order to counterbalance the social and public health effects of the political and economic changes.

This article focuses on one particular new case in the health care sector: the AIDS epidemic and its management. It is a good example to illustrate

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¹ Guy STANDING, "Social Protection in Central and Eastern Europe: A Tale of Slipping Anchors and Torn Safety Nets", in Gosta ESPING-ANDERSON (ed.), *Welfare States in Transition, National Adaptations in Global Economics*, Sage Publications, London, 1996, pp. 225-255.

² *Ibid* p. 225.

the problems of public health management and governance. The comparison of several European countries reveals the central relationships between social development, welfare policies and public health management. I shall compare first, the political and institutional conditions of AIDS management in different national environments: France, Great Britain, Italy and Germany³. The analysis covers the three policy areas concerned by the epidemic and its prevention: drug abuse, sexual transmission, and iatrogenic accidents. I shall then look at the specific dimensions of the epidemic in former communist countries, where the continuing social and economic changes provide an extremely favourable ground for rapid expansion of the epidemic while prevention and provision of adequate medical care have become neglected in the new policies. The contrast between public health management in Western Europe and the situation in Eastern countries indicates why the importing of institutional solutions proves difficult and often meets with failure, especially in the health sector⁴. These arguments provide the basis for discussion of the international transfer of national models in the field of policy making and institution building.

The Welfare State Underlying the Response to HIV/AIDS

A new disease – AIDS - was clinically identified for the first time in the United States in early 1981. The first European cases were diagnosed in the summer of the same year. The causative virus (HIV) was identified in March 1983 by a research team at the Pasteur Institute of Paris. The discovery of a viral agent supported the routes of transmission and confirmed the epidemic nature of the disease. AIDS emerged at the same time in the four countries under review, presenting similar problems. Today, however, the extension and the profile of the epidemic show important national differences despite the fact that these countries share a similar level of economic, social and cultural development. Therefore, the striking differences in the effectiveness of public health policies need to be linked with national characteristics in policy making and implementation of these Western European countries.

³ For a detailed analysis, cf. Steffen, Monika, *The Fight against AIDS. An international public policy comparison between four European countries: France, Great Britain, Germany, Italy*, Presses Universitaires de Grenoble, France, 1996.

⁴ Jobert, Bruno et Monika Steffen (eds.), *Les politiques de santé en France et en Allemagne, Observatoire Européen de la Protection Sociale (Revue Espace Social Européen)*, Paris, 1994, pp. 15-19.

Table 1
Extension of the AIDS Epidemic — 30 June 1997

	France	Italy	Germany	United Kingdom
Reported AIDS cases, cumulated and adjusted*:	47.135	40.354	17.234	15.122
Estimation of HIV-infected persons, alive:				
Total number:	120.000	95.000	42-52.000	20.000
Per million inhabitants:	2.030	1.645	520 to 640	330

* Mortality rate approximately 63% for all countries.

Sources: WHO-EU Collaborating Centre on AIDS, Paris, for declared cases; Estimations of HIV-infected: AIDS-Zentrum, Berlin; Public Health Laboratory Service, London; Centro Operativo Aids, Rome; Ministry of Health, Paris.

The public AIDS policies in the four countries followed similar principles based on solidarity with the victims. Without exception, it was decided not to apply to AIDS the traditional public health approaches: mandatory testing, named notification, partner tracing and isolation. The reason for this divergence from traditional approaches was that the collaboration of those infected with the virus was needed to reduce transmission. Social minorities with particular high risk behaviour, notably homosexual men, injecting drug users (IDUs), ethnic minorities and prostitutes therefore had to be protected from the risk of social stigmatisation and were entitled to be cared for when they were in medical or social need. Efficient AIDS policies thus depended on the capacity of the public policy system, in each country, to respond to new unexpected challenges and to promote private participation at the level of both policy elaboration and implementation.

During the 1980s, the first AIDS decade, gay activists and representatives played a major part in the elaboration of policy, advocating the “respect for private life” and the promotion of anti-discriminatory strategies as central policy goals. Consequently, it was generally concluded that AIDS policies depended on the organisation and lobbying capacity of the gay community⁵. The explanation, however, does not correspond to the situation in several Western European countries, which were considered as atypical cases in these analyses. In Germany and the United Kingdom (and also in Switzerland), the gay community did not enjoy any political recognition or access to the national policy system. Private AIDS associations, initiated

⁵ Altman, Dennis, “Legitimation through Disaster: AIDS and the Gay Movement”, in FEE and FOX, *AIDS, The Burden of History*, University of California Press, Berkeley, 1988, pp. 301-315.

and directed by gay representatives, nevertheless succeeded in gaining a central role in AIDS prevention and management in these countries. During the 1990s, as the epidemic came under control in most Western countries, public health experts reasserted their professional competence over the issue. AIDS policies were “normalised”⁶, through their integration into the existing networks, agendas and priorities of health and social policies⁷. National AIDS policies were thereby diversified, according to the functioning of welfare systems and public health care sectors in each country. Differences emerged between countries that possessed comprehensive and compulsory social security schemes and health insurance funds (Western Europe, Canada) and those that lacked sufficient coverage (United States, Brazil, former communist countries). I therefore propose to link the management of AIDS with national welfare policies and their institutional background.

In advanced democracies, AIDS benefited from substantial financial resource allocation for research, medical care, prevention and support for non-governmental organisations (NGOs), despite the general trend towards neoliberal policies aiming at reducing public spending and rolling back the State. In Western Europe, the health sector resisted privatisation attempts. Neoliberal policies, however, led to severe cost control strategies. Yet, these countries engaged in similar policies of solidarity with people with AIDS. They provided free medical care including hospital costs, social support and invalidity allowances. In France, all those known to be infected with HIV and who can tolerate the new combination therapy, receive this very expensive treatment. AIDS was treated as a special case. It is the only illness not subjected to any of the cost restrictions introduced by the recent reform of the French health insurance. Compulsory screening without individual consent and isolation of HIV carriers were forbidden. Furthermore, discrimination with regard to employment, schools, housing,

⁶ On AIDS “exceptionalism” and “normalisation”, cf. the work of Ronald Bayer: “Public Health Policy and the AIDS Epidemic. An end to HIV Exceptionalism?”, *New England Journal of Medicine*, 1991, 324, (May 23), 1550-1504. *Private Acts, Social Consequences: AIDS and the Politics of Public Health*, Rutgers University Press, New Brunswick, 1989 (reprint with a New Afterword).

⁷ Steffen, Monika, “The Normalisation of AIDS Policies in Europe: Phases, Levels and Perspectives”, Second European Conference, *AIDS in Europe. New Challenges for Social and Behavioral Sciences*, Paris, January 1998. In press.

insurance, public and private services (sport, leisure activities, transport or travelling) became subject to prosecution through various legal provisions⁸.

The major differences between the four countries under review are to be found in the timing and implementation of policy on the one hand, and in the style and efficiency of prevention on the other. The discrepancies reflect the construction of the European welfare state model which focuses on free access to high quality medical care, collective financing and financial redistribution in favour of those in need. These functions form the central part of social security systems. Conversely, prevention, public health, risk reduction strategies, sexuality, community based intervention and comprehensive services for the chronically ill traditionally form the weak periphery of official welfare systems. They constitute marginal policy fields situated on the border of public and private intervention systems. Successful AIDS management therefore depends, in every country, on the capacity to develop public intervention in weakly structured policy sectors.

National Policy Processes in Western Europe

Public intervention response did not match the urgency of the epidemic. The less afflicted countries (United Kingdom and Germany) engaged relatively early in appropriate prevention strategies whilst the most affected countries (France and Italy) procrastinated and allowed resistance to the necessary changes to become entrenched. In the first two countries, the government took up the issue, whilst in France and Italy politicians refused to become involved. At the same time, the attitudes and risk awareness in professional circles and in public administrations also varied.

In France, until the mid and even late 1980s, a wide consensus prevailed on minimising the public health risk. The medical elite, the government, intellectual circles, and to a large extent the gay community too, shared a political perception that was based on social exclusion and stigmatisation of people with HIV and for those with major risk behaviour. As a response to the anti-AIDS crusade of the extreme right wing party (National Front), risk minimisation became an official policy. The first AIDS specialists remained isolated. They carried little weight in the decision-making networks because public health experts had little influence in general on French

⁸ France added the cause of illness and state of health or handicap to its anti-discrimination law. Italy included protection against discrimination into its 1990 AIDS law. The United Kingdom and Germany recalled the general provisions of their constitutional law which was considered sufficient to protect HIV carriers from social exclusion.

health policies. This was illustrated through the blood transfusion system. Blood collection in prisons increased up until 1985, despite the high level of risk. The practice was completely stopped only in 1990⁹. Risk reduction strategies for IDUs were blocked by politicians as well as by professionals in the drug sector. Both maintained their belief in the philosophy of abstinence and drug eradication, the drug professionals because of their corporatist interest and opposition to an increase of medical influence, the politicians of all parties alike for electoral reasons.

A nation-wide public prevention policy was finally launched from 1988-89 onwards, by a newly elected left-wing government, with the active support of voluntary associations dominated by gay activists. The subsequent policy, conducted by an ad-hoc agency for AIDS prevention, was directed towards the general public. Targeting specific risk groups and behaviours was considered as politically undesirable. Public prevention messages focused on the promotion of condom use for everyone, and carefully dissociated condoms from AIDS. Messages on condoms focused on a joyful image of sexuality, without constraints and norms¹⁰ (“Condoms wish you a happy holiday”). AIDS messages insisted on solidarity with the victims (“If I am HIV-positive, will you still love me?”). The French prevention policy carefully avoided directly addressing the public health risk and the fatal issue of AIDS.

The failure of these policies was recognised from 1992 onwards. The turning point was the discovery of the high level of infection in blood transfusion recipients and haemophiliacs. This resulted in an unprecedented political scandal, followed by a costly public compensation scheme for the victims. Subsequently, public health objectives became a policy priority. The blood transfusion system and the management of the safety of medicines were entirely reformed. Targeted prevention campaigns for safer sexual behaviour and specific risk reduction strategies for IDUs were launched. The new concept of health safety (*sécurité sanitaire*) entered the vocabulary of public policy, and was exported into the food production sector. The Ministry of Health gained reinforced responsibilities. The French case can be summarised as a two-step process, characterised first by politicisation

⁹ Joint Report Ministry of Health/Ministry of Justice, IGASS/IGSJ, *Rapport d'enquête sur les collectes de sang en milieu pénitentiaire*, (report IGASS n° SA 07 92 119, n° IGSJ RMT 12 92), Paris, 1992.

¹⁰ Mossuz-Lavau, Janine, *Les lois de l'amour. Les politiques de la sexualité en France (1950—1990)*, Payot, Paris, 1991.

and lack of government co-ordination and risk awareness, and in the second stage — following a major crisis — by an important upgrading of public health expertise and management.

In the United Kingdom in contrast, public health experts and executives of the National Health Service (NHS) pushed reluctant politicians into action, by exaggerating the public health risk. High medical expenditure would threaten the NHS budget if no early action stopped the epidemic in time¹¹. Policy co-ordination and consensus were obtained at top level by a cabinet committee and two parliamentary commissions, one on AIDS and the other on drug addiction. The NHS also provided the infrastructure for the implementation of prevention policies. The selection of blood donors was severely reinforced when the AIDS risk became known. Needle exchange and methadone programmes were launched in collaboration with volunteer organisations already active in the drug sector. Public condom campaigns started with a clear and very explicit language (“Keep to one partner or take a condom”). Gay associations served as relays in targeted community based campaigns. The institutional strength of the NHS favoured this pragmatic approach, and proved efficient in obtaining financial resources from a morally conservative and economically liberal government. As a result, the epidemic was kept within the initial risk group (nearly three quarters of the reported cases in 1997 are homosexual men). Transfusion recipients and IDUs were largely protected from HIV infection (900 cases of IDU transmission by June 1997, compared with nearly 25.000 in Italy; a hundred transfusion recipients infected against an estimated 4.000 in France). The favourable political, professional and institutional conditions in Britain were, to a large extent, the legacy of the pre-AIDS period¹².

In Germany, politicians played a major innovative role, especially at the regional and even local levels. Responsibility for health policies lies with the regions (*Länder*) which have their own health ministries on which

¹¹ Street, John and Albert Weale (1992), “Britain: Policy-Making in a Hermetically Sealed System”, in Bayer, R. and David L. Kirp (ed.), *AIDS in the Industrialized Democracies, Passions, Politics and Policies*, Rutgers University Press, United States, pp. 185-220.

¹² On policies towards drug addiction, cf. Berridge, Virginia, “AIDS and British Drug Policy: Continuity or Change?”, in Berridge, V. and P. Strong (editors) (1993), *AIDS and Contemporary History*, Cambridge University Press, London, pp. 135-156; On policies aiming at the prevention of sexually transmissible disease, cf. Porter, Dorothy and Roy, “The Enforcement of Health: The British Debate”, in Fee, Elizabeth and Daniel M. Fox (editors) (1988), *AIDS, The Burden of History*, University of California Press, Berkeley, pp. 97-120.

depend the network of local Public Health Offices. The political consensus was elaborated at the federal level, in Parliament, which was entrusted — as in Britain — with the evaluation of AIDS policies, and via a national consultative commission where all concerned interest groups, including gay men, were represented. The extensive regional autonomy in health and social policies had two consequences. It engendered different approaches (Bavaria partly maintained its traditional public health legislation over AIDS). At the same time, it favoured innovation and fostered experimentation. The fierce opposition to the distribution of methadone to addicts, originating mainly from the national medical organisations, was overturned at the end of the 1980s, as a result of numerous field experiences launched at *Länder* and municipal level. The compulsory health insurance funds played an important role. Conscious of the fact that methadone treatment was less expensive than the financial consequences of a growing number of new cases of HIV/AIDS, they recognised addicts as “normal patients” entitled to the prescription of all available medication. The national federation of sickness funds also mediated in the conflict over the compensation scheme for HIV infected haemophiliacs which contributed to the avoidance of a major political issue. The very active engagement of private organisations, under the umbrella of the *Deutsche AIDS Hilfe*, developed as a normal part of public policy practice in the fields of prevention, chronic disease and social self-support. These institutionalised characteristics of the German health and welfare system — co-management, participation and decentralisation — contributed to bringing the epidemic under control.

In Italy, AIDS policies were introduced late and were poorly implemented. Shortcomings at the stage of implementation have been analysed as one of the main characteristics of the Italian health system¹³. In contrast to Germany, decentralisation here led to a waste of money (diversion of use, corruption) and to a lack of consensus and co-ordination between the major policy actors. Early initiatives arose from gay activists in Northern metropolitan cities, introducing community based information and preventive actions, and from various public health administrations which initiated compulsory testing. It was the public health administration that identified, relatively early, the dominant role of IDUs in the Italian epidemic. At the end of the 1980s, a group of medical professors succeeded, by means of a national

¹³ Ferrera, Maurizio (1996), “The Southern Model of Welfare in Social Europe”, *Journal of European Social Policy*, Vol. 6, No. 11.

AIDS commission reporting directly to the health minister, in promoting a national policy orientating towards voluntary testing, condom promotion and the amelioration of hospital services. The national anti-AIDS scheme, voted through in parliament in 1990, was bound to be met with the opposition of major actors in the policy field. The regions opposed national decision-making in which they saw a danger to their autonomy over service planning. The private associations, which occupy an important part in the care system for IDUs, opposed the dominant hospital and medical orientation of the national policy. Successful co-ordinated strategies to fight the epidemic developed mainly in favourable *local* contexts providing adequate political conditions for the public-private sector collaboration¹⁴. However, the medical elite succeeded in legitimising public intervention in the field of sexuality, against the moral claims of the Church.

Conservative professional and political attitudes in France, the lack of political interest in Italy, and corporatist conflicts in both countries were not sufficiently counterbalanced by *powerful and respected institutions*. In the United Kingdom and Germany, institutional networks provided the grounds for conducting prevention policies and building up political consensus. These differences in institutional capacities indicate the different position of public health in the scale of collective values in each country.

Societal and Institutional Conditions for Public Health Management

In the four countries, the epidemic is now considered to be stabilized. In Germany and the United Kingdom, the less affected countries, public subsidies to private associations active in the AIDS field are generally being reduced. The example of AIDS, with its confrontation of policy networks and tools in socially and politically comparable countries, reveals the different levels involved in efficient public health management:

At the global societal level, advanced democracies developed new modes of social control over deviant behavior (homosexuality, drug abuse). Authoritarian and moralistic approaches were abandoned in favor of *soft intervention strategies*, based on tolerance and the participation of the beneficiaries in the conduct of the policies directed towards them. This in

¹⁴ Cattacin, Sandro, Barbara Lucas and Sandra Vetter (1996), *Modèle de politique en matière de drogue. Une comparaison de six réalités européennes*, L'Harmattan, Paris; Cattacin, Sandro, Christine Panchaud (1997), *Les politiques de lutte contre le VIH/SIDA en Europe de l'Ouest*, L'Harmattan, Paris.

turn supposes a widely spread organisational capacity within the civil society, and efficient upward channels in the political structure.

At the level of the political system, the capacity of government to co-ordinate is essential to respond to the cross-cutting nature of public health issues, in particular the wide ranging AIDS issue. Simultaneously, *local intervention capacity* is essential to foster grass-root interventions, taking into account the variability of local situations and conditions.

At the level of the health policy system, public health management depends on the institutional strength of the welfare system and administration, which also conditions the consensus for financial resource allocation. It depends furthermore on the innovative capacities inside the service delivery system, particularly on the level of *professional practices*.

The underlying cultural level determines the *social acceptability* of the proposed policies and intervention strategies. Traditional moral conceptions (on sexuality or drug addiction for example) as well as predominantly political risk perceptions (refusal to target interventions, exclusive focus on the ethics of the individual) indicate a low esteem for public health as a common good.

Prevention of sexually transmittable disease proved easier to develop where sexuality was already recognised as an issue and the responsibility of educational authorities, schools, youth organisations, social centres, public health institutions and the family. Where this was the case, it was possible to mobilise available professional and institutional responsibilities for prevention strategies. Sweden, where campaigns for “a healthy and happy sexuality” were developed with focus on the personal responsibility for a partner’s health, together with Norway and Finland have the lowest HIV incidences of Western Europe. The blood transfusion and haemophilic issue led to important changes in legal responsibilities, a reorientation aimed at the protection and rights of the patient. All this illustrates the growing integration of public and private dimensions of health issues, with a new share of collective and individual responsibility for health and social well being.

Political, Economic and Institutional Conditions in Transition Countries

Communist countries benefited from a late introduction and initially, sparse diffusion of the epidemic. The first cases in the USSR were diagnosed only in 1987. In March 1994, the countries of Central and Eastern Europe

and the Newly Independent States (NIS) still accounted for less than 3 per cent of the reported AIDS cases in Europe. In Russia, the total number of HIV infected people then was only 748, and there is little chance that the policy of systematic testing, which is considered to have been efficient¹⁵, missed many cases: more than 120 million people were HIV tested between 1987 and 1994. Today, the former communist countries have at least 100.000 cases of HIV infection, and are viewed as being “at the first rank of the pandemic” by the World Health Organisation¹⁶.

The unprecedented explosions which occurred in 1996 and 1997 are attributed to growing poverty, population mobility, drug abuse and prostitution (local and international sex trade as well as male sex tourism to the East), and to the declining public health services and budgets. The situation of the epidemic and the strategies to contain it, naturally show notable differences between the countries and regions. However, national and local details cannot be described here. I shall focus instead on the major trends that contribute to the understanding of public health management in different welfare systems. Data and information used here originate from personal interviews, and from a variety of sources which cannot be quoted in each detail¹⁷. The sudden epidemiological outbreak and its public health management must be placed in the broader context, which comprises three levels.

¹⁵ By the national and international experts as well as in the international literature.

¹⁶ Dr. Jo Asvall, Director of the WHO-European Region, Interview in *Le Monde*, 12 February 1998.

¹⁷ Our major sources for the epidemic: The communications to the three European Congresses on AIDS and Social Sciences in St Petersburg (March 1994), in Berlin (September 1994) and in Paris (January 1998); The publications and working papers of the St. Petersburg Pasteur Institute (in particular of Dr. Chaika and Dr. Smolskaya); Williams, C. (1995), *AIDS in Post-Communist Russia and its Successor States*, Avebury, Ashgate Publishers, Aldershot, Great Britain. For the Social security systems in transitions: *La gestion des conséquences sociales du changement structurel* (1996), Colloquium, 28-29 November 1996, Paris (Ministries of Social Affairs, of Economy and Finance, of Foreign Affairs, the Commissariat Général du Plan and INSEE), conference publication, Paris; Rajvska, Felician, *Towards Reform of Health Care Policy in Latvia*, Paper presented at the European Consortium of Political Research Workshop “Beyond the Health Care State. New Dimensions in Health Politics in Europe”, Oslo, Norway, 29 March-3 April 1996; *The Four Pillars*, Research Programme on Social Security, Insurance, Savings and Employment, Review of the Geneva Association, Geneva, Switzerland, No. 22, January 1998, (notably: Editorial by Jens Bastian).

First, the transition process had a price in terms of health. Life expectancy has dropped, fertility has decreased and morbidity incidence rates have risen everywhere, as if the adaptation to a market economy has absorbed the human health capital. A survey in St Petersburg, by no means the worst affected city in the Commonwealth of Independent States (CIS), revealed that in 1996 food continued to absorb 70 per cent of the total income of average households. The real income, taking into account that wages are paid irregularly, amounted to an average of 487.000 rubles¹⁸ per adult. This corresponded to a level of “poverty” defined by the respondents (at 488.000 rubles per person), while the “normal standard of living” was defined at 1.420.000 rubles, e.g. three times above the average income¹⁹.

Life Expectancy — 1995 (in years)

Geographical region	Females	Males
European Community	80.6	73.8
Central and Eastern Europe	75.3	67.3
Commonwealth of Independent States	71.9	60.6
Russia	71.7	57.4
		1991= 65.5

Source: WHO

Latvia: Demographic Data Per 1,000 Inhabitants

	1989	1994
Births	14.6	9.5
Deaths	12.2	16.4
Population, annual natural growth rate	+ 2.4	- 6.9
Infant mortality	11.1	15.5
Suicides per 100.000 inhabitants	25.7	40.5
Life expectancy:		
• females:	74.9	72.9
• males:	66.3	60.7

Source: F. Rajevska, Oslo, 1996.

¹⁸ Equivalent to 100 US\$ in 1996.

¹⁹ Protassenko, Tatiana (1997), “Dynamics of the standard of living in St Petersburg during five years of economic reform”, *International Journal of Urban and Regional Research*, 21, 3, pp. 445-466.

The major causes of the increase in mortality are heart disease, malignant tumours — especially lung cancer — and cirrhosis of the liver. In Hungary, the incidence of cardio-vascular disease is three times higher and that of cirrhosis of the liver *fourteen times* higher than in France²⁰. WHO experts consider that the drastic deterioration in health is the cumulative effect of several factors: the lack of adequate medical care and medication, high levels of stress, polluted environment, unhealthy food, increasing alcoholism and smoking which is being encouraged by the aggressive marketing strategies of the multinational firms conquering new markets. Infectious diseases have re-emerged as a major problem. Incidence of tuberculosis has increased in all countries with economies in transition. All the former communist countries — ranging from Romania with 101.9 cases per 100.000 inhabitants in 1995 to the Czech Republic with 19.3 — outrank the countries of Western Europe where the rates range from 17.4 for Austria to 2.7 for Malta²¹. Russian metropolitan cities are struck by epidemics of dysentery, particularly in summer, because of defective water supplies²² and failures in food hygiene, especially refrigeration²³.

Secondly, the social consequences of economic and social change in the East have been neglected. It was taken for granted that society would manage and that social development would naturally follow economic modernisation. In the European Union too, “the undisputed success of social protection” in combating poverty, unemployment and health hazards “is now regarded as insufficient”²⁴. However, a broad social and political consensus to maintain and improve social protection, as shown in all

²⁰ Data from the World Bank and the WHO.

²¹ Schwoebel, Valérie and Jap Veen, *Eurosurveillance — Bulletin européen sur les maladies transmissibles*. Study in collaboration with the European WHO Centre for AIDS surveillance, *Le Monde*, Paris, 12 February 1998. The only exception in Western Europe is Spain with 22.1 cases.

²² A polemic broke out between Russian and French public health authorities in 1997, after samples from the St Peterburg water supply were apparently analysed by French officials. The press reported that 20 per cent of the samples contained hepatitis A virus, and that levels of heavy metals exceeded up to three times the international safety standards, *The St Petersburg Times*, 4 July 1997.

²³ *La Gazette de Moscou*, 27 June–4 July 1997.

²⁴ Chassard, Yves, “Social protection in the European Union: recent trends and prospects”, paper presented at the Conference *La gestion des conséquences sociales du changement structurel*, Paris, November 1996, *op.cit.*

opinion polls, prevails in Western Europe²⁵. In contrast in the Eastern countries, the transition process has severely weakened social cohesion and the emerging middle class is weak and unstable, and does not constitute a stabilising political majority. In Western Europe, social security is considered a State responsibility, in spite of necessary and much debated reforms concerning financing and management, in order to respond to the ageing population, technological progress and international competition. Expenses for social security in the EU countries represent on average 29 per cent of the GDP, ranging from nearly 34 per cent in Denmark to 16 per cent in Greece. The proportion of health expenditure of GDP is 12 per cent in France. By comparison, in the Czech Republic which is considered to be the most successful case of reorganisation of the health system²⁶, health expenditure grew from 5 per cent of the GDP in 1991 to 8 per cent in 1995. It is the only country, together with Slovenia, where life expectancy has slightly improved. In these two countries structural reforms and partial privatisation were combined with the effective goal of maintaining public access to services.

In most Eastern countries, real income and social benefits have fallen for most people. The many redistributive functions of the communist state, such as subsidies for basic consumer goods and services, have vanished. Solidarity was imposed by the state and not, as in the European Union, the result of a social contract and negotiation, which explains the “low tax consciousness²⁷” in countries in economic transition. If convergence exists above the national differences, “it has been towards an era of social insecurity²⁸”. Payment (partial or complete) has been introduced for formerly free services, and a large black or grey health market has developed. Although debates on the new shape of health care systems started immediately after the political changes, many governments have progressed little towards implementation. Uncertainty continues as to the overall responsibility for social and health protection and the respective role of government or social partners, local or central agencies, the public or

²⁵ *Ibid.*

²⁶ The Czech Republic has a longstanding tradition, back to the XIXth century, of social insurance systems. Stanind, Guy, “Social protection ...” in Esping-Anderson, *op.cit.*, p. 247.

²⁷ Hagemeyer, Krzysztof, “Financing social protection during transition”, Paris conference, November 1996, *op.cit.*

²⁸ Standing, Guy (1996), “Social Protection in Central and Eastern Europe, a Tale of Slipping Anchors and Torn Safety Nets”, in Esping-Anderson, *op.cit.*

private sector, commercial or non-profit organisations. Latvia illustrates this case. Health reforms officially under way since 1992 were still not implemented in 1997. The German Bismarckian and the Danish all-state model are competing whilst the governing elite has no precise strategy, opinions being equally distributed between a “half-market/half-state” model and a “mainly state” perspective²⁹.

Common features of the former health systems render difficult the reforms aiming at social and economic efficiency. The socialist systems were regulated by an authoritarian state and were labor intensive with high ratios of beds, doctors and other health staff to the general population. They were efficient in mass vaccination and routine tasks, but not in reducing the risks of non-communicable disease. They had no cost or price structure and ignored regulation from the demand side³⁰. The new systems are shaped to fit the market economy and focus on finance and technological development. Prevention is therefore marginalised.

Third, the end of authoritarian state regulation over society modified policies of sexuality and drug abuse, and left a vacuum in society concerning values. Liberalisation of individual behaviour, together with diminishing public health intervention, led to rapidly growing incident rates of sexually transmitted and drug related diseases. Russia experienced an enormous growth of syphilis incidence, from 4.3 cases per 100.000 inhabitants in 1989 to 254.2 in 1996. The origin of infection was identified for 50 per cent of the cases in 1989, but only 28 per cent in 1996³¹. In Belarus, fewer than 30 cases were registered in 1989, more than 21.000 in 1996, and the same figure in 1997³². Hepatitis B incidence has increased in Russia since 1993 in all regions, passing from 18 cases per 100 000 inhabitants to 36 in 1996. The rise was important in the north-west, and particularly rapid in Moscow, Povolzhsky and West Siberia during the past two years. According to the regions, injecting drug use accounted for 10 per cent up to 70 per cent of

²⁹ Rajevska, Feliciana (1996), Oslo, *op.cit.*

³⁰ Albrecht, Vladimir, “Reforms of the health care systems in countries in transition”, Paris conference, November 1996, *op.cit.*

³¹ *Sexually transmitted disease in Border areas: North-Western Russia and Finland* (1997), St Peterburg, Pasteur Institute.

³² Pimenov, Alexander and Valery Lavochkin, “Aids Situation in the Republic of Belarus”, Paper presented at the European AIDS Conference in Paris, January 1998.

the identified transmission routes of hepatitis B³³. Agreement for a nation-wide vaccination programme was reached in June 1996 but less than a third of the region started it during the year.

Public Health Management in the East

The AIDS epidemic is part of this broader dynamic where public policies, institutional resources and social risk perceptions³⁴ interact. The Russian case provides an instructive example. The third AIDS legislation was passed in 1995. It made sex education in schools compulsory and abolished mandatory screening, except for blood donors, professionals at risk of occupational infection, prisoners and foreigners under certain conditions. The law was coupled with a 4-year plan for educational and targeted prevention campaigns (1996-2000). Homosexual activity ceased to be a criminal offence in 1993, but the draft law designed to exempt personal drug consumption from prosecution was still not signed by the President in August 1997³⁵.

The first AIDS policy steps were taken in 1987 after the first cases had been discovered. Information campaigns were launched in the media, collaboration was engaged with the WHO and sex information was planned for schools, but apparently with little success. A public health infrastructure was built up, comprising 350 testing and advice centres. The former Soviet legislation mandated compulsory screening for twelve specific groups, ranging from blood donors and pregnant woman to people returning from abroad, hospital patients, STD patients, gay men and drug addicts. The policy, linked with police surveillance and criticised abroad for its unethical approach, was effective in giving a precise picture of the epidemic. In early years, heterosexual transmission clearly prevailed (60 per cent of cases in Ukraine, 80 per cent in Belarus until 1994), often linked with foreigners or work in foreign countries. In St Petersburg, foreigners and Russians returning from abroad accounted for 40 per cent of the identified HIV cases up to June 1994. While most infected women in this city reported foreigners among their sexual partners, few homosexual men reported that they had

³³ Mukomolov, Serge and Lidia Shliakhtenko, *Viral Hepatitis B and C in Russia in 1996*, St Petersburg, Pasteur Institute.

³⁴ The concept of "social risk perception" was analysed by Constance A. Nathanson, "Disease Prevention as Social Change: Towards a Theory of Public Health", *Population and Development Review*, Vol. 22, No. 4, December 1996, pp. 609-637.

³⁵ *Time*, 11 August 1997.

had foreign sexual partners³⁶. Homosexual transmission as well as the later outbreak in IDUs were domestic phenomena.

The perception of AIDS changed, from that of a “Western” disease towards a picture of “innocent victims” and “guilty professionals” when nearly 250 children were infected in 1989 through the use of insufficiently sterilised syringes in several hospitals in the south of Russia. The central government’s plan in 1991 was in response to this. Its major result was, according to Williams³⁷, to pass overall responsibility for AIDS to scientific authorities with the expansion of research and epidemiological expertise. It also introduced training programmes in diagnosis and clinical treatment for more than a thousand doctors, guaranteed support for people infected nosocomially and increased the production of single-use injection equipment for medical use. In 1991, the Ministry of Health lost part of its responsibility over the issue. The newly created State Committee for Sanitary and Epidemiological Surveillance was entrusted with the primary prevention strategies. Policies evolved towards a more educative approach and voluntary testing. The 1991 law granted protection of employment, housing and social benefits to those infected with HIV. Even so, discrimination and inhumane treatment of people with HIV were still reported— from prisons, from medical institutions that refused to treat AIDS patients and collective apartments³⁸. Such behaviour reflects the difficult living conditions (shared flats, poor hygiene, bad quality of public services) and insufficient information on the routes of transmission coupled with the authoritarian legacy of collective attitudes. The influence of international agencies, as well as Western non-governmental organisations active in former communist countries, contributed to the shift. The latter focused on human rights, antidiscrimination issues and community identity as part of prevention, especially in respect to gay men. However, homosexuality faded away as a strategic issue.

HIV/AIDS has turned into a mass epidemic since 1996, through injecting drug use. Until 1995, no single case of drug related infection had been identified in Russia. Now experts estimate that drug injection accounts for

³⁶ Smolskaya, Tatyana and Nicolai Chaika, *HIV/AIDS Surveillance in North-Western Russia*, St. Petersburg, Pasteur Institut, p. 12.

³⁷ *Op.cit.*, pp 62-65.

³⁸ Steffen, Monika and David W. Fitzsimons, “AIDS in the former USSR and Russia”, *AIDS Newsletter*, 1994, 9 (10), pp. 2-5.

70 per cent of the real number of HIV infected (40-50,000 as compared to the 7,000 identified cases). In the territory of Kaliningrad, which although isolated, is still a major port for Russia and a garrison town, HIV cases jumped from eight in 1995 to 1,350 in 1997 mostly in drug addicts. In the Rostov region, the number of annual cases multiplied by 8 in 1996 and by further 20-fold in 1997, with 96 per cent of these cases in IDUs. In Ukraine, the total number of registered cases rose from 1,490 in 1995 to 24,000 in 1997 of which 70 per cent are drug related. In Belarus, 87 per cent of cases identified during the past two years were in drug addicts. The outbreak was concentrated in Svetlogorsk, an industrial town, founded in 1961, whose industries disappeared in the transition process. The regional distribution of HIV infection across Russia indicates a strong link between economic decline and the IDU related HIV outbreak.

Major international agencies (WHO, UNDP, the World Bank and since 1996 UNAIDS³⁹) have provided expertise and funds to unprepared Eastern institutions. Attempts to diversify prevention campaigns, since 1994, to address specific risk groups and behaviors were confronted with a total lack of expertise. Sexuality and drug abuse had been “top secret, never analysed in relation with public health⁴⁰”. Social knowledge on the subjects was poor⁴¹, even families had little to transmit to protect their children⁴². The medical institutions had no experience with drug abuse: out of the hundred HIV-positive drug addicts who participated in a Rostov inquiry, NONE had ever attended a medical service for his drug related symptoms⁴³.

Those in charge of risk reduction strategies discovered totally unexpected new risks and the widespread use⁴⁴ of drugs. Every fourth teenager in

³⁹ Most of the experiments from transition countries presented at the Paris Conference, in January 1998, were conducted with international funding, technical assistance and organizational collaboration.

⁴⁰ Smolskaya, Tatyana, *International Co-Operation in Behavioural Studies as a Tool to Increase the Effectiveness of HIV/AIDS Prevention*, paper presented at the Paris AIDS Conference, January 1998, p. 3.

⁴¹ Williams, Christopher, “Sex Education and the AIDS Epidemic in the Former Soviet Union”, *Sociology of Health and Illness*, 16 (1), pp. 8-102.

⁴² Smolskaya, T., *op. cit.*

⁴³ Saukhat, Alexander et al., *Factors of Activation of HIV-Infection Among IVDU in South Russia*, Paper presented at the AIDS Conference, Berlin, January 1988, p. 3.

⁴⁴ For details: cf the papers presented in the workshops for IDU related risk behavior, Paris conference, January 1998, publication forthcoming.

St Petersburg had already experimented with drugs, at least once. Pleasure, fashion and stress were the most frequently quoted motivations. Almost all surveys revealed the high proportions of addicts who were engaged at the same time in unsafe sex. Many HIV-positive addicts regularly had unprotected sex with numerous partners. Many female addicts were engaged in the sex trade, but not using condoms. These women resorted to prostitution generally due to the lack of other means of earning money. Injected drugs were mostly home produced and used at risk (in some cases producers even use their own blood to test the quality of the drug concoction): syringes are filled or refilled from a common receptacle; if cleaned, they were washed with cold water in common vessels utilised by all users; private flats served as injecting places for up to one hundred people daily; dealers provided filled syringes for re-use by later clients. Certain of these particular risk practices should be linked with the particular economic conditions in poor countries where condoms, syringes, methadone and disinfecting kits are difficult to access or are unaffordable for individual addicts as well as for public health budgets.

Such local surveys formed part of the counselling initiatives aimed at psychological support and behavioural change. In Belarus, which had already abolished the prosecution of addicts, these initiatives were linked with training for addicts and volunteers for safer behavior, with free distribution of condoms and syringes and with the organisation of parents as a social support structure and a political pressure group. Also in Belarus, international collaboration initiated a bottom-upwards policy process. International experts, volunteer organisations and local public health professionals obtained the collaboration of the local and regional authorities. Together they engaged in a national lobbying process at government level for a national risk reduction policy.

Conclusion

The evolution of the AIDS epidemic in Central and Eastern Europe raises questions about the limits and possibilities of the international transfer of policy solutions. Specific risk patterns require specific approaches, but common principles of solidarity with victims can be implemented as part of the democratisation of society. Public health management requires well organised medical intervention and institutional structures. However, as far as individual and group behaviour is concerned, it depends equally on private initiative and political engagement. Our general assumption was that AIDS management depends on the shape and functioning of the

welfare system. The AIDS case suggests that the process of internationalisation is not exclusively limited to the expansion of market economies and reduction of social expenditure. It also fosters new ways of risk control, governance and public action.

REFORM OF THE HEALTH CARE SYSTEM IN ESTONIA: THE PRESENT SITUATION AND PERSPECTIVES

*Elo Tuppits**

Introduction

Since the beginning of 1992, the Estonian health care system has undergone radical changes. Over a short period of time the Soviet health care system was reformed in line with the demand of a market economy. The basis of this development has been the adoption of three important legal acts — the Health Insurance Act (1992), the Health Organization Act (1994) and the Public Health Act (1995).

Brief History

The Estonian health care system has gone through three different stages over the last decade:

1989-1991: Preparation stage of the reform, which had already begun under the Soviet rule. The reason for planning the changes was because of insufficient funding from the state budget on one hand and inadequate network of the health care establishments in light of existing possibilities and waste of resources on the other. The priority was to increase resources for health care. The main issues during this period were:

- The beginning of decentralization;
- The autonomy of deliveries of services;
- The rebirth of professional organizations;
- The work of the Centre of Health Care Development (preparation of reform);
- Preparation of the Health Insurance Act based on Bismarck's sickness insurance principles.

1992-1996: Big leap to market economy: if in 1992, the priority was the development of the sick fund system and decentralization, by 1994 it had changed to self-government and budget discipline. The licensing of health care establishments was also considered important. The main issues in this stage were:

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- The Health Insurance Act (1992), which separated financing for health care from the state budget and the decentralized system of sick funds at county and town level was established;
- Wide decentralization (the changing of the health care institutions' responsibility from state to municipalities);
- The beginning of privatization (the process is still ongoing);
- Patients are able to choose their doctors (greater choice for the patient);
- The beginning of training for GP's;
- Recentralization of the health insurance system by establishing the Central Sick Fund for reducing the great inequality between the financial basis of regional sick funds and that of political causes;
- The Health Care Organization Act (1994) was adopted. This law determines the organization of health care, the legal status of medical establishments and the basis of the financing of the health care system. Besides the Ministry of Social Affairs, the main organizer of health care became local government (based on the Scandinavian model);
- The Public Health Act (1995), which determines the functions of institutions in the field of health protection, sickness anticipation and health promotion.

1997: The third stage of the reform. The development of primary care, quality management and financial planning became priorities.

- Clear priority was given to primary care;
- Work regulations established for GP's;
- The beginning of *per capita* financing of primary health care;
- The beginning of market relations between the primary and special health services (GP pays for medical examinations and specialist consultations for his patient);
- Massive privatization of primary health care;
- Free movement of patients between sick funds (a patient can be a member of the regional sick fund which is most suitable for him);
- The system of patients' lists attached to one GP enhance the professional responsibility of GP's;
- Working out of the Estonian strategy of health care quality;
- Working out of the new Health Care Organization Act and several other legislative acts, including the act concerning the protection of both patient and doctor.

In conclusion, it can be said that there has been no clear direction in the transition from the Soviet health care system to the one based on

market economy. Priorities have changed and are often obscure due to the changes in leadership of a particular ministry and the accompanying new political orientations.

The Structure of the Health Care System in Estonia: Controversies between Statutory and Real Functions of Health Care Institutions

According to the Health Care Organization Act (1994), medical aid in Estonia is organized at state and local government levels in three stages:

- a. Medical aid given by general practitioners organized at local government level (primary care);
- b. Specialized medical aid organized at the level of self government (secondary care);
- c. Specialized medical aid organized at state level (tertiary care).

At state level the health care organizer is the government, either directly or through the Ministry of Social Affairs and county doctors. At the local government level, the health care organizer is the municipal government, the union of municipal units and a municipal doctor (see Figure 1).

As an advisory body to government in matters concerning health care, the State Health Care Council and the County Health Care Council were established as an advisory organ to the county governor.

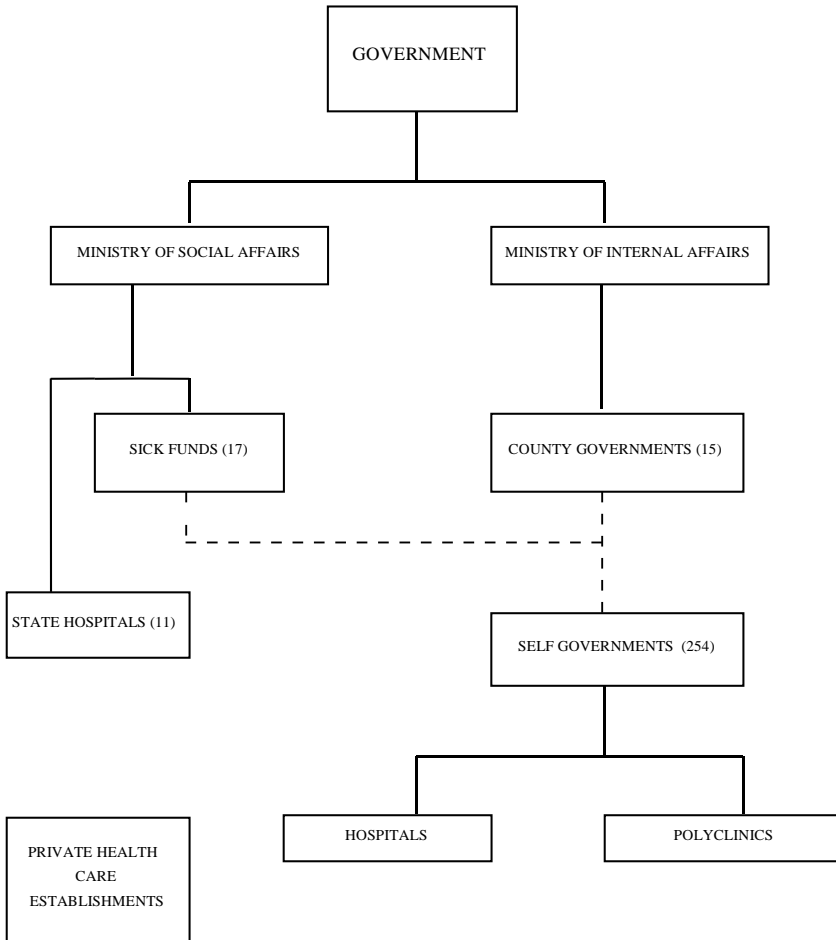
The function of the Ministry is general management and supervision, except in the case of the provision of health care in the defence forces and prisons.

Medical establishments can be under either state, municipal or private ownership. The financing of medical establishments is laid down according to the terms of the Health Insurance Act (contracts for the rendering of services are concluded with sick funds) and the Health Organization Act (communal, building and repair costs are to be reimbursed by the owner). The county doctor monitors and reports on private medical establishments and private doctors. These latter can fulfill functions according to contracts including those given by local governments.

In the new legislation under discussion in Parliament, only two stages of medical aid are distinguished since there is no significant difference between secondary and tertiary care — both are considered as special medical aid.

With the implementation of the GP-system in 1998, the importance of primary care will grow considerably. However, this constitutes only one

Figure 1



part of primary care, which also includes work in the field of health promotion and disease prevention at both the individual and population level. The work is organized according to legislation covering the work of GPs and the Public Health Act.

The GP has a contract with the local government, he is self-employed and has a contract with the local sick fund. Primary care is financed by the

sick funds on the basis of *per capita* funding. Promoting health and anticipating disease is also mainly financed by the sick funds (from the Health Protection Foundation).

For specialized medical treatment, the GP has the role of a *gatekeeper*. This means that the patient who goes to see a specialist without a referral from his GP has to pay the treatment himself. However, this does not apply to emergency aid, dental treatment, or visits to a gynecologist, dermatologist or oculist. This system provides the GP with an overview of the treatment provided for his registered patients and ensures continuity of treatment.

At the population level the situation is much more complicated. The Public Health Act states that health promotion should be organized by county governments, but there are no resources allocated for this function. Although county governments come under the Ministry of Internal Affairs, they are the only institutions through which the national health policy can be implemented. Appropriate sums for primary care are included in local government expenses and local government can use them according to their needs. However, in reality there is often a lack of competency where spending is concerned.

Municipal doctors are also responsible for the co-ordination of health promotion in educational establishments. They have many responsibilities but do not have the means to carry them out. This is another example of deficiency in the legislation.

One of the solutions for improving work at local government level might be the financing of specific projects. According to the Health Care Organization Act and the Health Insurance Act, finances are available for health insurance, but the responsibility and care facility are the functions of self-government. This contradiction is caused by the lack of a concise strategy for health care development that would be accepted by society. The above mentioned Acts have been put together by various task-groups who have neither followed the same aims nor taken into account local cultural background. For example, the Health Insurance Act is based on a German model, but does not take into account the fact that in Estonia there was no hundred-year tradition of sick funds. Likewise, the Health Care Organization Act was based on the Scandinavian autonomous local government model with no thought given to the fact that there is a lack of experience at local government level in Estonia with regard to decisions to be made in this field (with the exception perhaps of the bigger cities). Neither was the varying size or economic potential of local government

units considered. (Local government units include Tallinn, with a population of approximately 450,000 together with small municipalities with populations of approximately 1,000). In addition to inconsistencies in the content of the legislation, there are also many terminological contradictions.

According to the Act on Health Care Organization, the communal building and repair costs of health care establishments must be covered by their owners which means that several large county hospitals, built in the Soviet period, have become a burden on city governments. Two large hospitals, for example, could not be municipalised as the city governments simply refused, due to a lack of resources. At the same time, the state does not wish to fulfill its "owner-related" responsibilities and therefore no resources are allocated for these expenses from the state budget. Hence, an absurd situation exists, whereby certain decisions are made in contradiction to the legislation, with the excuse that the new Health Organization Act is soon to be adopted.

Contradictions within the legislation are especially evident in the management of health care in Tallinn. While, according to the Health Care Organization Act, the functions of local governments and the state are mainly divided into stages of medical aid, in Tallinn the various stages of care in health care establishments are intertwined, which means that all three stages of medical care can be provided under one roof.

Since they have no connection with the main financing body, the only means the Tallinn City Government has in the organization of health care is in their administrative power which is often difficult to use. In contrast to opinions expressed by officials in the ministry, the management of health care (including implementation of the reform) in Tallinn should not solely be the concern of the city government but that of all three players. The city of Tallinn should be considered as a county and not a municipality in the Estonian administrative structure and health care system.

According to the new Law on Business which came into force on 1 September 1997, state and municipal enterprises no longer exist. For example, poverty can be owned by the municipality but be privately operated. In order that the system is not mainly profit-oriented, the Ministry has proposed the establishment of foundations and non-profit organizations. Since these are in the early stages, it is difficult to comment on this kind of ownership. It would seem that the proposal has not been well thought out as the foundation is a form of private entrepreneurship with no members or owners. Since health care is a public service, the ownership

and accountability issues need to be clarified. As with many previous decisions, again, no economic calculations have been made.

Financing of Health Care

According to the current Health Insurance Act, the sick fund finances any special medical treatment in line with the contracts in force. Emergency medical aid not covered by insurance is paid by the local government units and any additional costs incurred have to be paid by the patients themselves. The sick fund therefore has the right to check up on the necessity of the services provided.

In 1992, an obligatory health insurance scheme was established in Estonia, which means that employers now have to pay health insurance taxes totaling 13 per cent of salary. For a real and effective insurance system to operate, the sick fund must have an overview of the state of the health, the age and sex of those insured, plus the frequency and structure of sickness. This data is essential to evaluate how frequently and what kind of medical care people actually need. Unfortunately, up until now the functions of sick funds have only been to collect taxes, reallocate finances and arrange clearance of the accounts between the suppliers of health services.

The consultants of the EC Phare Program of the Health Sector Reform Project note in their consultation document that "...generally there have been no arrangements for the assessment of the health needs of the population leading to the production of purchasing plans. As a result, most contracts are historically based and there are only limited negotiations between the regional sick funds and the health care provider institutions."

Hence, the commissioning and purchasing functions of the Central Sick Fund and the Regional Sick Funds will be strengthened. The process has already begun, which means that contracting according to the real health needs of the population can commence in 1999.

Up until now, the contracting process with health care service providers has been based on the general number of services within the limit of a given amount of money. This was first and foremost a budgetary system which resulted in "adding" services to the list. The new provisions should ideally come into force in the year 1999, whereby the sick fund purchases a "specific amount of specific services to be provided". This new development is possible thanks to the commissioning, whereby the service providers will already have listed the choice and capacity of their services.

However, this brings us to another issue. In order to win the better contracts, service providers are competing to purchase the appropriate technological and professional basis. This is a costly exercise where, as a result of being a small country in which the market for health care services is limited, expensive technology is inadequately deployed and becomes rapidly out-of-date. In order to compensate for this expense, unnecessary services are often provided. One solution to this problem might lie in recruiting more “trustee” doctors to monitor the necessity of the services provided. This could be beneficial if the low administrative costs (1.5 per cent of total expenses) are taken into account.

As health insurance funds are limited, then we should also consider creating a rational and effective system for providing expensive facilities, the application of new technologies, and the investment in new structures. It might be worthwhile establishing a cost limit from which health care establishments should reconcile their actions with the ministry.

In addition, the ministry and relevant specialist organizations should work out priorities i.e. what kind of high technology services can be considered as cost-efficient in Estonia. However, resources are limited since the amount of health service funds is directly dependent on the relatively low average income in Estonia. At the same time, the equipment necessary for the provision of those services has to be purchased at world market prices.

The cost of the health care services can primarily be reduced at the expense of the low pay of health care workers, but this path has its limits. In the autumn of 1997, the Union of Doctors and the Union of Nurses threatened to strike. They demanded a salary increase to be achieved by raising the cost of “bed days” (i.e. cost per in-patient/day). However, this method cannot be considered as a solution since we should gradually be moving towards a more effective system of contracting, based either on the different stages of treatment or on the cost per case/per volume. The present system of “bed days” encourages patients to prolong their stay in hospital and leads to maintaining an excessive number of beds.

Also suffering from a general lack of financing, the pension reform in Estonia should see some improvement. Instead of the current “pay-as-you-go” system, an insurance system will be implemented which will take into consideration length of employment and amount of salary. As a result, the practice whereby those in the private sector — in agreement with their employer — were not obliged to declare their total salary, will diminish since it will become important to make a total declaration of income.

Injecting more money into the system is not the answer. It is evident that both the way the service is organized and the way it is delivered must be reformed. Therefore, with the problem of financing, comes the problem of efficiency. The joint involvement of the municipal and county governments in supporting health institutions means that inefficient and uneconomic hospitals are kept open. At local government level there is a lack of competence to scrutinize the performance or the effectiveness of the health care institutions. Likewise, the financial monitoring of health care providers through county doctors is ineffective and the ministry has currently no way of reviewing the financial sustainability of the health service, or to give advice on the financial management, standard accounting or costing procedures.

Problems of inefficiency at the medical establishment level arise because a strong emphasis on the management of hospitals by doctors produces a system that is oriented towards a traditional medical model of health care. This results in high cost interventions which are often inappropriate for a patient, but convenient to both the doctor providing the care and the hospital. The solution could be to free doctors from any involvement in management thus allowing them to concentrate on their professional responsibilities. The managers of health care establishments should first and foremost be general managers who are professionally qualified in health care service issues. The removal of hospitals from the direct influence of local and county governments should also be considered, so that “market-like” models of management could operate, thus contributing to an improved financial sustainability in the health care sector.

For the service-buyer it is important to evaluate the services available on the market. Similar conditions also apply in the case of health services. However, there are no general criteria for evaluating the quality of the treatment and the work of the health service institutions in Estonia. This problem also applies to health care systems in the developed countries. The level of quality in health care is confronted daily by the health care managers, providers and purchasers of services, as well as patients.

In 1996, a working group was formed at the Ministry of Social Affairs. They initiated development of a quality policy in Estonian health care within the framework of the Estonian Health Care Project. A draft of the quality policy is now ready. This document explains the need for a national policy and identifies ways to assure quality in health care. The mere fact that we have reached the stage of solving quality problems (and

also the question of the protection of a patient) in the health care sector, clearly shows that health care reform in Estonia has progressed to the next stage of development, where instead of financing problems being at the fore, the issue of quality has become the most important.

Reform Prospects

At present, several stages within the reform process can be identified.

Since 1992, several attempts have been made to distinguish the service provider from the state as payer. At present, the state practically concludes the contract with itself. However, some private clinics have now been established. In 1997 the number of in-patient beds in private hospitals constituted only 2.16 per cent of the total number. The relatively small number of private hospitals is due to the difficulty in obtaining a licence for in-patient care and creating the necessary conditions is extremely expensive.

If, in 1992, almost 100 per cent of health services were free for those insured, at present the exclusion of several services (cosmetic surgery, electrical physiotherapy, dental treatment etc.) from the basic package has taken place. This basic package is still defined in general terms and there is no consensus in society on the issue as to which services should be free or not. In addition, the relationship between private insurance and state-organized insurance should be regulated, since in the case of private insurance it would be possible to offer services not contained in the basic package.

During the last years, defining a quality policy has become a priority in the health care domain. However, we still have a long way to go at the society level, because of the limited perception of the problem both on the side of the services provider and the patient. The results of polls on the level of satisfaction with health care do not mirror the real situation. In 1997 a poll was conducted on behalf of the Central Sick Fund. The results showed that 75 per cent of those questioned were satisfied with the provision of health services. However, this number does not necessarily reflect a high level of health service provision but more an ignorance on behalf of the consumer of services as a whole.

If in 1995 and 1996 there were no significant changes in health care legislation, in 1997 the situation began to change. The main problem in carrying out the reform has been the fact that there is no consensus, even among physicians, on the aims of the reform. Professional organizations do

not have sufficient motivation and resources for collaboration on the questions of regulation of medical aid. This means that only a small number of civil servants in the Ministry plan the aims of the reform and work out its implementation. The conception may be good but without consensus in society, implementation is almost impossible. In the present situation, even political parties do not have a clear position on health care questions. It is therefore impossible to adopt new legal acts covering health care organization.

Conclusions

As there has been no scientific research in the area of health care reform, the management of the reform process is eclectic. The lack of specialists is common and information on the health of the population is still imperfect.

Competition has been the main motive so far but without rules, it will become expensive and even dangerous because of a lack of an ideal market in the health care sector.

The main tasks for health management systems in Estonia in the near future could be:

- to co-ordinate legislation, including the co-ordination of Estonian legislation with EU legislation;
- to make the Ministry of Social Affairs more responsive to the needs of the population and to enable decisions to be made quickly and appropriately;
- to solve the problems concerning the financing of health care and relations between the public and private systems;
- financial planning (notably distribution between regions);
- planning of the numbers of hospitals and physicians;
- planning of the remuneration to hospitals and physicians.

A condition for fulfilling the four latter tasks is the existence of meaningful data concerning the performance of the health care service as well as financial data. But first of all — the most important condition for successful changes is the achievement of a consensus in society on the aims to be pursued.

Section 4
Using Public Opinion
Surveys
in Public Administration

USING PUBLIC OPINION SURVEYS IN PUBLIC ADMINISTRATION

*Michal Illner**

Public opinion surveys should be of interest to public administration as a powerful source of organizational intelligence. Using well-tested techniques, developed and refined during the last sixty years, they provide information which can be used in multiple ways in administrative decision-making, particularly where social policy is concerned.

As the phrase suggests, public opinion surveys monitor opinion, i.e. the attitudes of different areas of the public on various issues. Knowledge of public opinion is useful feedback which can be relevant in all stages of the policy cycle. For example, prior to designing a policy measure, surveys can tell the policy-maker what the perceived needs are which have to be addressed; after implementing a policy, they provide information on how the respective measure has been accepted by the target group. Both kinds of intelligence can be used to steer the policy process and make it more effective.

Besides enhancing the effectiveness of public policy - a function relevant for policy-making of any government, whether democratic or totalitarian - knowledge of public opinion and respect for it, is of added importance for a democratic government. In a democracy, public administration should not only be effective, but also responsive to what citizens expect of it. Apart from elections, media, demands of interest groups, contacts with individual citizens etc., opinion surveys are a means for citizens to express their preferences, satisfaction or dissatisfaction with public policy and from which policy-makers can learn these facts and act upon them.

In public administration there are many contexts within which surveys can be applied, an indefinite number of issues they can address, as well as different areas of the public they can approach. Some basic distinctions, however, can be made. Viewed from the perspective of public administration as an institution, surveys can be carried out to solicit opinions of those external to it (citizens at large, certain sub-groups, users of particular services and those experiencing the impact of policy measures, those involved in the implementation of certain policies etc.) and those surveys

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which monitor the opinion of those on the inside of public administration i.e. public servants themselves. The latter, dealing with job satisfaction, career expectations, innovative proposals etc., provide internal feedback for the public administration agencies, generating stimuli for their human resources policies and organizational innovation.

Viewed from the policy cycle perspective, opinion surveys can be used at different stages, fulfilling different functions at each. At the outset of policy-making, they can help identify problems, i.e. the policy issues which must be addressed. During the preparatory stage, when policies are being designed, they can identify different interests linked to the policy issues and test acceptance of the policy measures under consideration. In the implementation stage of policy-making, opinion surveys monitor the impact of policy measures as perceived by the target groups and by other groups of the population including their acceptance etc.

As a rule, opinion research uses sample surveys, meaning that data is collected mainly through distributed questionnaires or face-to-face interviews, from only a fraction of the group of those whose opinion is being sought. If properly performed (which usually means involving a professional survey research organization), opinion surveys produce valid data that can be - with a margin of error - generalized from the sample as pertaining to the whole group. The critical elements in the process are the way the sample is chosen (the sampling procedure), the way information is collected from the individuals composing the sample, as well as the way the resulting information is interpreted and used. While the former two tasks are usually dealt with by survey research professionals, interpretation and the use of opinion data are in the hands of the policy makers. They should be aware that opinion surveys report on how people feel about things and how they perceive them and not on how things are in reality (usually, there are other, more direct ways to learn about this). They should also pay due respect to the probabilistic nature of survey results which means *inter alia* that within a certain range, numerical differences in survey data can be irrelevant. Finally, they should follow the “golden rule” of organizational intelligence requiring that information be drawn from different sources which validate each other. In practical terms: in administrative decision-making, opinion surveys should not be the only source of information. It is worthwhile to mention these limitations of opinion survey results as their users only too often tend to neglect them.

The former communist regimes in Central and Eastern Europe were not entirely ignorant of public opinion in the respective countries and they used their own means to find out through a network of informers located within the Communist Party cells, through the secret police, from reports of local and regional party functionaries and bureaucrats, from administrators and complaints from citizens but rarely, from opinion surveys. As for public opinion surveys, their use was restricted to issues that were not politically risky and to smaller and specific sections of the public. Also, their results were not publicized, being considered as insider information of the political or administrative bodies. In some countries under communist jurisdiction (for example Czechoslovakia) since the '60s, polling institutions did exist, but they operated as intelligence arms of the Communist Party headquarters and their data were generally not accessible. Opinion surveys were not part of the modus operandi of the administrative bodies and the official ideology regarded public opinion not as something to be acted upon, but rather as something which had to be shaped to comply with the expected socialist pattern. The public had to be "educated" to acquire the proper attitudes. Under such conditions, the mood of society was not at all conducive to giving earnest answers to any questions concerning political, or otherwise risky, subject matters and results of surveys which, quite exceptionally, touched upon such issues were, therefore, scarcely valid.

In the new democracies of Central and Eastern Europe, employing public opinion surveys as a legitimate and useful tool of public administration is a new and challenging task. Surveys can contribute to better performance of public administration as well as to its democratization. The aims of Working Group 1 were to discuss the different uses of opinion surveys in public administration from the substantive, methodological and organizational perspectives, and to identify ways which could contribute to an effective application of this type of administrative intelligence. Participants from six countries presented nine papers. They established the more general methodological, organizational and tactical issues as well as concrete cases of opinion surveys in public administration. The latter concerned the political culture of young adepts of public administration in Ukraine, systematic use of opinion data in the Polish Prime Minister's Office, attitudes of public servants in the regional administration in Romania, application of marketing approaches in city administration in the Czech Republic, corruption of officials in four central and eastern European countries, together with the uses of opinion surveys in the implementation and transformation of social policy in the St. Petersburg region.

In general, the programme leaned more towards presenting results of actual surveys rather than discussing methodological issues and organizational prerequisites of the uses of surveys, as had been the original intention. However, participants were able to suggest practical steps which would enhance an effective administrative use of opinion research:

1. In many central and eastern European countries it is difficult, if not impossible, to conduct representative opinion surveys among public servants as there are no basic statistical data available on public service - either on numbers, age structure, sex, education or qualifications of its personnel - which is the necessary background information for any analysis and prerequisite for constructing random samples of public servants. Governments should undertake regular censuses of public servants and publish their results; the case of Greece was mentioned as a positive example.
2. The cognitive value of opinion surveys is greatly enhanced if, over time, data are available, showing how opinions change. To obtain time-series of opinion data, surveys must be re-run in a standardized form. This, in turn, requires a systematic use and analysis of opinion surveys by public administration agencies. Institutionalization of opinion surveys as an integral component of administrative intelligence is a goal worth pursuing in the countries of Central and Eastern Europe. The Department of Analysis and Prognosis at the Polish Prime Minister's office is an inspiring example.
3. Clearing-houses should be established in these countries to keep evidence of existing opinion surveys relevant to public administration and to facilitate the exchange of data, research methods and instruments.
4. Manuals of good practices concerning organization, methods and uses of public opinion surveys in administration should be compiled and published.
5. The participative potential of public opinion surveys as one of the ways in which citizens can express their views on public issues should be given credit and fully exploited. This implies publishing results of the surveys and informing citizens about how they were acted upon. The still frequently occurring secrecy is an inheritance from the totalitarian administrative culture.
6. The nature of opinion survey data - their potential and limitations - is often misunderstood by their users, resulting in distorted reporting and interpretation or in unwarranted distrust. Cooperation between those

who produce the data and their users is, therefore, a basic requirement. Users of opinion survey data - public servants, media and the general public, should be patiently educated to understand and handle the survey data appropriately. The necessary instructions should be part of the curricula for journalists, lawyers, economists and other professions working in the public service as well as programmes for on-the-job training.

7. The self-fulfilling effect of opinion survey results, once they have been published, cannot be ignored by public administration, but the fear of this is not an acceptable excuse for avoiding opinion research altogether or for hiding its results from the public.

PUBLIC OPINION RESEARCH AS COMMUNICATION WITH THE PUBLIC

Věra Foretová and Miroslav Foret***

An interest in public opinions and views is manifested periodically through opinion polls which serve as a basis for the development of a public relations strategy. Its effects are subsequently monitored by applied research in a way that should provide the most beneficial communication between the municipality and the public. Their purpose is, on the one hand, to improve mutual relations so that the public becomes more satisfied with the work of elected and administrative bodies and, on the other hand, to allow representatives to retire from their term of office feeling they have done a good job.

Public opinions are usually conveyed to local administrations in a random and non-systematic way either by letters of complaint, petitions or applications. These can be either by oral or written means. It is a well known fact that only certain groups of people do this - mainly those who have time to visit an office, attend public meetings or to write and mail official letters. Generally speaking, the more a group strives to put forward its opinion, the smaller the portion of local inhabitants it represents.

The overwhelming majority, namely the young, disinterested or inexperienced, are unwilling to spend time and energy on voicing their concerns and lag behind even although, as citizens, the local bodies should be interested in their opinions.

Public opinion polls are, therefore, the most efficient method for elected and executive bodies to obtain unbiased and systematic information. The polls, using structured and systematic principles, should provide data on at least three problem areas as follows:

1. the degree of citizens' satisfaction or dissatisfaction with councils' and authorities' activities; whether they are aware of the activities, realize the benefits, know their representatives and understand how useful these representatives can be. At the very beginning of our surveys in the autumn of 1994, it transpired that a significant number of Brno citizens

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could not assess the performance of their local councils and authorities because they knew nothing about them. For this reason, citizens could not decide whether they were satisfied or not.

2. What are the current problems which should be dealt with by the councils and boards? For example, what annoys the inhabitants and what makes their everyday life unpleasant? Citizens cite problems which are more directly concerned with everyday life than topics to be dealt with by the elected bodies. This can be seen from the 1994 pre-election polls in Brno when the following list of most crucial problems was made. The items are in order of frequency:

- municipal public transport and transportation generally	19%
- crime, homeless people, Gypsies, disturbance	17%
- lighting, sanitation, environment, dogs	7%
- unspecified	11%
- housing policy, rents water utilities and supply	5%
- city council, bureaucracy	5%
- road and parking policy, buildings and repairs	5%

3. Citizens' views on particular problems, basic information required for decision-making, verification of arguments used in negotiations. Prior to making decisions regarding priority questions such as large city development projects, particularly those which will influence the life of future generations, councillors must be aware of and respect the public's opinions and establish whether those are the opinions of the majority or simply those of some pressure group.

Opinion polls as an important prerequisite for successful communication with the public is defined as a "systematic and objective collection and evaluation" of information on people's views, experience, wishes, suggestions, etc. but it also includes their appraisals of living and environmental conditions and other aspects of everyday life.

This process consists of researchers in public opinions first analyzing the initial situation, then evaluating it and finally, providing a basis for regulation and monitoring activities and changes to be implemented as a result of the survey.

Similar to feedback, opinion polls are manifestations of understanding and active interest by municipal authorities in matters of the public and their views.

Information on public views, from opinion polls, became known through the mass media in the '90s. As in any other democratic society, it is presented daily on TV, radio and in newspapers and magazines. It is assumed that the public is interested and follows it regularly. In western countries, opinion polls are often initiated and funded by the media.

Public opinions and the mass media are closely associated because of the influence the media has on people's views. Reporters have always been keen to find out the opinions of the population, at first to establish their political views (i.e. how citizens will vote) but then later, commercial surveys were carried out (i.e. what people buy).

The quality of public opinions vary greatly - from vague ideas, feelings, thoughts and perceptions of general or specific phenomena in everyday life, to refined, clear and concrete views leading to firm, conscious and well thought-out attitudes and, consequently, appropriate behaviour.

In instances when we refer to public opinions both generally or more precisely, we should distinguish between a firm, consistent and constant state and a varying, yielding one.

One of the problems in carrying out opinion surveys is the reliability of the findings. It is a well-known fact, particularly in an interview, that people, for various reasons, do not always give truthful answers.

We must try to ensure that the respondent is ready to give truthful answers and that interviews are based on voluntary and open action. Secondly, the respondent must understand what we ask him. Not only must the language be clear, but also appropriate terms must be selected to ensure that their exact meaning is understood by both parties (respondent and interviewer). Thirdly, the respondent has to be able to formulate the answer clearly or to pick out the relevant reply from the choice offered.

However, we can never be 100% sure that respondents say what they really think or that their answer is complete. This is not necessarily intentional. Often the question asked may be either so complex or limited, as in multiple choice systems, that their responses cannot include all aspects of their opinions. An issue can have both aspects we like and dislike and this can put the respondent in a dilemma difficult to resolve. Election surveys are classical examples and all pre-election answers are finally weighed against the results of the election.

An important issue is the appropriate or inappropriate wording of the question. To be able to formulate these questions correctly, it is necessary

to know the general guidelines for the inquiry and the particular situation. There are no absolutely right or wrong questions. In each case there are several possibilities and the choice should be related to the object of investigation, i.e., what we are seeking and for what purpose. Sometimes the use of a less comprehensible question is a compromise for the sake of maintaining comparability.

It is evident that public opinion polls are important sources of information for decision making. It is always worthwhile to know how a certain issue or proposal is viewed and perceived by the public. This, of course, does not mean implementation of only those measures which are supported by the public. For unpopular issues it is better to learn the views and reactions of the public beforehand in order to be ready to meet the opposing arguments rather than be caught unprepared by unexpected public reactions, such as demonstrations.

No wonder that, if the results of public opinion research cannot be rejected completely, they are often made to appear dubious. Discrepancies found between the results of pre-election surveys and those of the election itself are often taken as an excuse to negate the whole research process, therefore concluding that opinion surveys are not reliable and thus generally serve no purpose.

It must be remembered that people can change their point of view literally overnight. When results of past public opinion polls are used to predict some future behaviour, the forecast is not necessarily 100% accurate.

Reliability of results

A number of institutions engaged in public opinion research and marketing came into existence in the Czech Republic in the 1990s. Some have been better than others. Their standards can be compared and evaluated only if their results are published. As regards political issues (voting preferences, preferred political parties or politicians, etc.), the results can be regarded as “independent” in the sense that each institution follows its own procedure.

If the results of opinion polls by these institutions are made public, the public's response to them creates effective pressure thus making the public aware of the quality of performance by these institutions. Established companies obviously have more experience but their results may be subject to bias due to the influence of procedures used in the past. Nevertheless, they can benefit from the fact that they have been carrying

out investigations for quite some time and therefore are in a position to observe changes and follow developments.

An expert approach to public opinion surveys can be recognized by an ability to explain the reasons for the variation in results. To be able to do this, the whole procedure (from designing questions, collecting answers and then processing them) should be fully under control.

The potential and limitation of public opinion research can be illustrated by the following example. We asked two top Prague agencies (A and B) to perform public opinion surveys on the administrative (autonomous) policy in Moravia and Silesia, the existence of a Moravian political party striving after the independence of Moravia and Silesia together with a few related issues. To be able to compare their results we set up several conditions and ensured they were observed:

- both agencies worked independently without being aware of having an identical task;
- both surveys were performed at the same time in the same areas (September/October 1993 in 24 selected Moravian and Bohemian regions);
- the method of respondent selection was identical, i.e., quota sampling based on the population aged over 18 years, with 3,000 subjects interviewed according to identical lists of questions (see below).

In these conditions, one could expect to achieve very similar results even though each agency had its own interviewers. However, there were some interesting findings and differences worthy of note.

The major difference was in the number of respondents involved. Agency A processed a sample of 2,905 and Agency B worked with 4,120 subjects (units).

The key issue to be investigated was public opinion on the statutory position of Moravia and Silesia in the Czech Republic. Four choices were possible. The responses were as follows:

	A	B
- Common Moravian-Silesian land	64%	56%
- Two separate, historically based regions (i.e., Moravia Land and Silesia Land)	5%	10%
- Another settlement	25%	25%
- No opinion/no response	6%	9%

Only “another settlement” gave the same response in both groups. The biggest difference in responses between the groups was with answer 1.

It can be seen that in both groups, the general opinions were structured in a similar way - highest support for one Moravian-Silesian land and lowest for two separate administration regions.

The issues which showed a high degree of agreement in both agencies concerned communal matters. For instance, views on electing the mayor by direct vote were:

	A	B
- Yes	81%	74%
- No	10%	10%
- No decision/no response	9%	16%

Although the results of public opinion polls can never be 100% accurate, they are very useful in showing the relationship between the various aspects of society.

It has also been said that the results of opinion polls and their subsequent relevance may be influenced by the source which has analyzed them. This depends on the professional standard of the organization involved. The procedures used in developed societies are based on strict adherence to the rules common to all public opinion research and marketing and presentation of the results obtained.

If any party involved in this research (contractor or surveying agency) was biased for any reason, it would be acting against its own interests. In a market-oriented, competitive society, public opinion polls cannot be monopolized. Companies should produce only high quality and objective conclusions. Any error, even inadvertent, in one company could become a welcome excuse for competing companies to gain superiority.

Although the results of public opinion polls may sometimes be included in advertisements and propaganda, their principal contribution to society is to acquire information and knowledge on the various aspects of life. If the outcome is unfavourable, it is better to question the subject investigated rather than the research procedure itself.

Each opinion survey is usually carried out under contract and the contractor should arrange for the appropriate utilization of the results, including publishing.

Public opinion polls can also be an indication of taking notice of, and interest in, the public. Even if the information obtained was not being processed or utilized, the primary effect would be achieved simply by addressing and contacting citizens and customers, etc. The survey company presents itself as a body interested in people's opinions. The effect is multiplied if the results of the research are published and appropriate follow-up measures subsequently taken.

In western industrialized countries, public opinion research is often associated with marketing. It means that this demanding and expensive activity can earn enough money to support itself and thus forego state funding. It is usually run by private companies. In addition, if certain economic or social issues reach political level, the fact that they are investigated and voiced by independent-state bodies means that the results are unbiased instruments in any effort leading to their improvement.

It is obvious that the results of public opinion research can also be misused. Information on general views of a particular problem, critique, suggestions, wishes, likes and dislikes, etc. can be of general benefit but can also be used for purely personal gain. This is where misuse can occur. The consequences of this can range from mild to severe, from manipulating consumers' behaviour and attitudes to even criminal acts. The increase in interest in public opinion investigation and its growing usage in this country since 1990, has also brought about a form of opinion research which is performed under false pretences. Its goal is not to learn public opinion but rather to get in touch with individuals, gain their confidence, acquire their addresses or telephone numbers and then get paid in advance for luxury services or goods never delivered or even to commit a criminal offence (theft, fraud, etc.).

The public, unfortunately, are not sufficiently informed as to how to protect themselves against such "research". Every citizen should be made aware that when he/she is asked to participate in public opinion research, proof of its authenticity (identity card of the interviewer, an official written communication from an established agency, etc.) should be demanded.

As already mentioned, investigation into public opinions can focus on any aspect of life. The research subjects can be recruited from any class or group of the population, such as potential or real customers, voters, people who attend social, sports or cultural events, etc. or employees, personnel or staff of various companies, institutions or organizations.

The methods of conducting public opinion polls are generally more varied than the still prevailing demoscopic type dealt with in this paper. In certain situations it is better to use qualitative interviews, including focus groups, analyses of written presentations (content analysis) or observations (by direct participants or mediated by observers).

The various methods offer a large scope for systematic research into public opinions. This continues into market research and marketing activities. In order to make the results more resourceful, informative, effective and applicable, the contractors who commission the study should be able to correctly use and work with the data provided by investigators. Only good co-operation between contractors and investigators can result in full effectiveness and relevance of the outcome of public opinion polls.

THE PERCEPTION OF CURRENT SOCIAL PROBLEMS: THE ROLE OF LOCAL GOVERNMENT AND CITIZENS' PARTICIPATION DURING THE TRANSITION PERIOD IN POLAND

*Dorota Krzemionka-Brózda and Janina Kowalik**

The Importance Of Sociological Research Within The “Dialog” Programme

“Dialog” is an American programme for social integration carried out by means of focusing collective community activities on solving the problems encountered by the local population.

A few years ago, this method, which has been successfully applied in the USA since the 1970's, was transferred to central and eastern European countries, including Poland. At the beginning of 1995 the “Dialog” methods were introduced by Kielce Foundations in Support of Local Democracy (FSLD). Since the integration of communities within the “Dialog” Programme focuses on stimulating community members' behaviour to serve their own interests, it is necessary to carry out sociological research both in the initial, as well as later stages of the implementation of the programme. The objective of this research is to define a problem or problems together with their public perception. This should help us to collect information on the knowledge, attitudes, beliefs and the potential related to the reality which we intend to utilize in building up community spirit.

We had planned and designed a general sociological survey to be carried out to help determine the current state of social consciousness with regard to the various aspects of social life. We were concerned mainly with revealing the most important problems as perceived by the local population which could be solved without substantial financial resources or the necessity to break up the existing normative structures. Another objective of the research was to determine the level of knowledge amongst the local population, their attitudes and readiness to act as well as revealing their views on the possible solutions to some of the current social problems.

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The Concept of Research, Survey Sample and Research Technique

We have concluded that the above mentioned objectives would be achieved more easily through a relatively expensive, but already tested method, i.e. surveying a representative sample of the local population by means of a questionnaire-interview. This method of surveying the scientific value of data collected by means of a questionnaire-interview is much more efficient than that of information acquired through the use of other techniques. Another factor determining the choice of methodology was that our research on the social problems of the Kielce population was a first attempt to carry out such a survey in the region. We believed that the data collected during our research should serve, not only the purposes of the "Dialog" programme, but also satisfy the cognitive needs of other organizations.

Before initiating the research, a decision was taken as to the type and size of the sample. The random sampling technique with proportional allocation of demographic characteristics (sex and age) was applied. A sample of 1,066 citizens was chosen from amongst the adult population of Kielce. This number of respondents guaranteed an acceptable level of reliability of the data collected and made it statistically justifiable to generalize the conclusions with regard to the whole adult population given an error margin of no more than $\pm 3\%$.

The research instrument consisted of a questionnaire designed by Janina Kowalik, M.A., a researcher at the Department of Sociology of the Higher School of Pedagogy in Kielce. The questionnaire consisted of 70 questions (open and closed) divided into six subject categories and, additionally, a group of personal data questions.

Processing of the Research Material

In the first stage of data analysis, the closed questions were coded and then included in a computer data base¹. A qualitative analysis then followed, during which a semantic analysis of respondents' answers to open questions was applied. All open questions were categorized and added to the existing data base. The coded and categorized material was finally computed and underwent statistical analysis carried out by means of the SPSS/PC+ package.

¹ At this stage, the authors received significant help from the employees of DAC: Dorota Krzemionka, PhD, Agnieszka Migoń, Renata Kądziała, Katarzyna Grzegorzewska, M.A. and Andrzej Wiśniewski to all of whom grateful thanks are due.

Characteristics of the Sample Surveyed

From the collected questionnaires, 818 were analyzed. Women constituted 53% of respondents. Middle-aged respondents of both sexes, i.e. aged from 35-50, were the largest proportion within the selected sample (39.6%). Those below 35 years of age accounted for 34.7% of respondents. Most (45%) were people with a secondary education. Twenty per cent had some kind of vocational training and 16% had university degrees. What can be perceived as a rather regular feature amongst the surveyed population is the fact that women appeared to be relatively better educated than men. More than one-third of respondents were employed in the state sector while one-tenth of them worked for private companies. Craftsmen and self-employed accounted for slightly more than 5% of the selected sample. Ten per cent were unemployed. No substantial gender related differentiation of proportions amongst the unemployed was perceived. Pensioners account for 23.1% of the general population of Kielce. The survey also reflected an obvious association between the age of respondents and their educational status, i.e. the older the respondents, the lower their level of education.

The saddest discovery was that half of the unemployed respondents were below the age of 35. Equally sad was the fact that 25% of pensioners were between 35-50 years of age. We believe that this phenomenon might, to a large degree, be attributable to the very particular requirements of employers whose tendency is to employ people under 34. In most cases, having lost a job, a middle aged person has virtually no chance of finding another one².

The surveyed sample was designed in such a way as to proportionally represent all the housing districts in Kielce. Therefore, any generalizations about the attitudes of respondents and their opinions on the problems encountered by the Kielce population seem to be quite legitimate.

More than three-quarters of respondents were satisfied with living in Kielce. Only one-tenth of them expressed a different opinion and the same proportion of the surveyed population was unable to offer an opinion on the matter. Forty three per cent of respondents admitted that the warm feelings they had for their city came from its beautiful location, interesting landscapes, its charm, the momentum of its architectural development, but

² This conclusion was first presented in the research paper based on the results of a survey carried out jointly by the Department of Labour, Market Research and Analysis of the Regional Job Centre and the Faculty of Business Management of the Higher School of Pedagogy in Kielce.

most importantly all respondents stressed their sincere appreciation for a healthy natural environment in comparison to other regions in Poland. Based on the analysis of the questionnaires, it is possible to reach the conclusion that Kielce, to an equal degree, satisfied the totally contrasting needs of its inhabitants. For some, Kielce is a large enough city to provide a sense of anonymity and, at the same time, make it possible to take advantage of the concentration of various institutions. To others, the city was small enough to satisfy their need for a peaceful life and identify themselves with a community typical of the inhabitants of smaller towns.

The main reason for dissatisfaction with the living conditions in Kielce for 50% of those surveyed was the fact that the city could not satisfy their various needs for jobs, money, housing, entertainment and culture. Respondents very often expressed the opinion that the city lacked cultural institutions and that interpersonal relations on the job were dominated by subjective criteria. The majority of respondents raising these objections were young people who might be considered potential reformers and future decision makers.

Social Problems and Willingness to Act

One of the methods adopted for the “Dialog” Programme relies on stimulating and directing community activities towards the most crucial social problems. As it was virtually impossible to define the most severe social problems without incurring substantial costs, the evaluation of their intensity as perceived by the local population was eventually made by means of statistical methods.

We tried to make our respondents feel responsible for finding solutions to local problems and asked them to identify those areas to which they would allocate public money if they were in a position to do so. The notion of distribution of public resources was meant to be a form of guarantee that respondents would take financial decisions after careful consideration of the problems in question, just as they would do if it was their own money. The list of problems also covered those issues that would be impossible to solve in the nearest future either by the “Dialog” Programme itself, or by the local authorities. However, it was imperative that those problems considered to be vital to Polish society and issues that would constitute serious challenges to the authorities at all levels, including central government, should be covered by the survey.

The applied ranking technique required that respondents select the three most significant problems and arrange them in order of importance. During the processing of the data collected, the choices made by respondents were weighted. Each of the problems was assigned an appropriate number of points, determined by its respective position on the list. By adopting this approach, we arrived at the following apportioning of opinions.

The citizens of Kielce attribute paramount importance to crime prevention and improvement of security in the city. This issue scored 61.3 points and was raised by every third respondent. Unemployment was the second most important issue (37 points) and was recognized by every second respondent. It is a very serious issue in the region. However, any attempts at working out even partial solutions to the problem require profound and widespread legal and structural changes. The problem of the construction of inexpensive municipal flats scored 25.4 points and, as a result, has to be considered as the third most important issue. Problems concerning tidiness, appearance and protection of the natural environment in the city and its surroundings were also considered to be very important, scoring 24.3 and 18.6 points respectively.

Given the fact that these last two issues refer virtually to the same domain, it is possible to treat them collectively and draw the optimistic conclusion that the population of Kielce attach great importance to protection of the environment. This was confirmed by the fact that over 60% of respondents considered it a problem worth spending public money on. Ranking environmental protection amongst the most important issues reflects not only the intensity of the problem and negligence in this particular area, but also the growing awareness that environmental protection is a fundamental condition for the survival of the human race. What proportion of feelings on environmental protection expressed by respondents is finally translated into real action and pro-ecological behaviour, is very difficult to judge. However, the reasoning reflected in the survey leads us to be optimistic.

Next in order of importance were issues concerning free time entertainment for children and teenagers with 14.3 points (22.6%) and the provision of social help for the poor and unemployed (13.9) mentioned by every fifth respondent. The lack of organized and interesting activities offered to children and teenagers constitutes a problem which could be solved, at least partially, without incurring large expense. The use of voluntary workers could substantially improve this situation. As regards the

proportion of answers referring to social help, this reflects the unfavourable comparison between the extent of impoverishment among Kielce citizens, numerous pressing needs to be satisfied in that particular area and the limited possibilities of institutions supposed to be operating in this area.

Lowest ranking on the list were those issues generally considered to be distant from the harsh reality of everyday life and therefore perceived as being less important. Problems relating to the cultural development of the city scored 6.1 points and were cited by every tenth respondent. The need for activities aimed at integrating the adult population of Kielce and actions designed to help residents receive information about the city and the region, as well as the need for the promotion of the Kielce region as a tourist attraction, scored 2 points (3.5%) and 1.7 (2.8%) respectively. We can therefore conclude that as far as the local community is concerned, tourism is neither considered an industry, nor as a mechanism for improving the economic standing of the region. Respondents' ranking of specific problems reflects society's current preferences influenced by the conditions of the socio-economic transition in Poland. We can only hope that an acceleration of reforms will bring about significant social changes making it possible to satisfy at least the basic needs of the population, thus leading to a situation whereby the issues considered so far almost totally insignificant, will be perceived by respondents as top priorities to be dealt with urgently. We also believe that the political and economic transformations which are vital to the changes in the perception of various problems will not exert pernicious influence upon our national heritage and culture.

In their opinion, the willingness of the Kielce residents to become engaged in community actions does not differ from what is usually considered to be a general feeling and attitude in this respect. Almost 5% of respondents considered a willingness to participate in community work as being high. One-third of respondents believed that it was low. 50% expressed the view that only a few people would be willing to take any action, whilst 7.2% were of the opinion that residents were not at all prepared to take any community actions whatsoever.

Our respondents were more optimistic about residents' willingness to do community work in their own districts. Two-thirds believed that it would be possible to find people prepared to work for the public benefit. More than 40% of those who criticized the low level of activity of the residents of Kielce, believed that it originated from a common lack of interest in other people and their problems. The same proportion of

respondents attributed this phenomenon to a lack of individuals and institutions willing to lead and manage such actions and to a lack of information on what required to be done. One-fifth of those who could be classed as pessimists, justified the lack of community actions by the fact that often in the past, people's willingness to act was linked to a feeling of wasted energy while 5.5% of respondents were of the opinion that any readiness to participate was overshadowed by the negative image of "socialist activists" from the past.

The survey also offered an opportunity to review the attitudes towards community activists and determine the amount of work done for the public's good within a generally accepted system of values. Community work has not deteriorated to the extent one might have imagined from the opinions expressed. More than 40% of the population believed that community workers were, in most cases, dynamic and valuable individuals, ready to devote their time to others. Almost the same proportion of the population expressed a view that activists did act for the general good, but at the same time, took good care of their own interests. Less than 17% of respondents spoke unfavourably of the factors which motivated community activists to work. Such a perception of community work is almost identically reflected in the answers given by respondents to the question whether people working for the common cause should be presented in the mass media as examples to be followed. More than seventy per cent (71.7%) of respondents gave positive answers to this question, but more than 20% of the residents of Kielce were against propagating such attitudes in the mass media. We concluded that this was due to jealousy, especially given the fact that only one-third of those who spoke unfavourably about community workers, were against presenting them in the mass media. The remainder of the objections to promoting community work in the mass media was raised as often by those who recognized the value of community work, as by those to whom the intentions of volunteers were not always transparent.

Problems and Prospects for the Development of the Local Government

The turbulent political and social changes currently taking place in Poland led us to ask our respondents the following question: "Who in your city exerts the most powerful influence on decisions concerning the city and its residents?" Respondents were to indicate three decision-makers and rank them in order of importance. The results can be seen in Table 1.

Table 1

	Proportion in %	Importance in points
Governor of the Province	28.7	28.0
The Mayor of Kielce	35.0	33.0
The City Council	38.3	35.4
Political parties	9.2	8.5
The Church	18.9	16.4
The well off	17.1	15.0
Local entrepreneurs	5.5	4.7
Local administration	4.9	3.9
Local press, radio and TV	8.6	7.4
Others (who?)	4.2	3.9

When considering the importance attributed to those institutions, one-third of the residents of Kielce perceived the division of power and the extent of influence exerted by each of them in a manner that might be called “constitutional”. The remainder indicated that other institutions, organizations and social categories ranked well below the level of local and state authorities. I believe that the number of points scored, reflects the respondents’ perceptions and serves as an indication of the perceived level of influence and authority exercised by each of them.

The City Council, the Mayor of Kielce and the Governor of the Province constitute the three most influential institutions, which properly reflect the various stages in the decision-making process when the most important decisions on public issues are taken.

The next two most influential categories are the Church and the well-off. Although neither of them exercise a legal influence, they are considered to be more influential than political parties and the mass media. What is interesting is the fact that twice as many men as women perceived the Church as the institution exerting the strongest influence on the decision-making process, which may suggest that women are less inclined to see the Church as a political power. Contrary to our expectations, respondents did not include under the category “Others” such forces as trade unions or workers’ associations. This place was filled by those who believed that all forces participate in the decision-making process equally.

Next, we made an attempt to define the perceived degree of influence exerted by residents on decisions concerning public matters. More than one-quarter of the population believed that they had some influence in this area.

One in ten respondents believed that they exerted some influence on the decisions via representatives elected to the local authorities. In our opinion, the 10% reflects the level of confidence our respondents placed in their democratically elected representatives. The remaining 15% were of the opinion that they might exert some influence, but only if they took special actions to tackle a particular problem. These actions may take various forms, for example, attending a meeting with the participation of members of the City Council, writing petitions or admonitory letters to the local administration, or setting up special groups for the protection of their interests.

Almost two-thirds of the population expressed the view that residents of Kielce have no influence on the actions taken by the local authorities. Approximately 40% blamed this on abstract or imaginary “authorities” which were only prepared to show any interest in the opinions of citizens prior to elections. Many respondents considered “the authorities” to be arrogant towards their citizens and believed that in the decision-making process they seldom considered the opinions of those who would be directly affected by them. Opinions that “nobody listens to the voice of the common man” were filled with sorrow. These views are counterbalanced by self-criticism underlying the opinions expressed by 12% of those surveyed who believed that the lack of influence upon local affairs resulted from the low level of interest taken in community matters and the low level of activity of respondents themselves who were deprived of the right to influence decisions through their own choice.

Our survey confirmed a strong desire to constantly supervise and, if possible, approve the more important decisions taken by the local authorities. Residents of Kielce were critical of the City Council’s information policy. Only one-fifth of the population considered themselves sufficiently informed about the Council’s proceedings. Half of the residents considered the information presented by the council insufficient, and one-third openly admitted that they knew nothing at all about the Council. Some form of scheduled consultations with residents would certainly help to improve those unfavourable statistics.

Generally speaking, after six months in office, the City Council serving a second term met the expectations of 1.8% of the population, whilst 22.8% of respondents were at least partially satisfied with its effectiveness. Negative opinions were expressed by 17.2% of the population. More than 33% of inhabitants knew nothing about the City Council, whilst 25% of them were

incapable of forming any opinion. Those who knew nothing about the City Council represented two-thirds of the adult female and half of the adult male population. Fifty per cent were under thirty years of age. This correlation was confirmed by the participation rate registered in the local government elections in 1994 when it was observed that the older the voters, the lower the number who did not participate in the elections³. In brief, more than 50% of the adult population of Kielce assumed a non-involved attitude towards local government issues. The problem of cultivating such huge areas of human awareness as well as attempting to introduce such a large portion of the population to the local democracy problems, constitutes a major challenge both for the local government and other local institutions.

It is impossible not to notice the fact that the proportion of respondents declaring total ignorance or lack of interest in the local government related issues, or those who were incapable of voicing any opinions (which means virtually the same) is larger amongst younger respondents and is more noticeable in the lowest age group.

No doubt, this should be a challenge to all those who, for various reasons, attach importance to the idea of education in democracy and its promotion in local society. There appears to be much to do in that respect, especially amongst the younger generation, soon to become a decisive factor in shaping public opinion and decision-making in the future. It should be emphasized that there is not always a direct correlation between the level of political education and general education of respondents. Careful analysis of those who declared total ignorance and a lack of interest in local government matters revealed that as many as 45% were people with incomplete higher education and 35% with degrees. Registered attitudes towards local government issues appear to be correlated with variables such as "social status and occupational category". A lack of knowledge and interest in local political matters was declared by 65% of those employed in the private sector, 67% of those who did not work for reasons other than unemployment, and 61% of the unemployed. In this respect, the statistics appear to be most favourable amongst employees of the state sector and the sector financed from the state budget. The opinions expressed about the City Council seem to emerge from respondents' bitter disappointment at not being able to exert any influence upon the Council's

³ Information on participation in the local government elections in 1994 was provided by respondents while filling in the personal data section of the questionnaire.

decisions. The worse the opinions on local government, the higher the percentage of those who believe that residents have no influence on the important decisions concerning their lives.

From the replies given, we can conclude that residents would like to have some influence on the course of current events in their close surroundings, but it does not necessarily mean that they are ready to do anything about it. Replies to the question “Who is responsible for finding solutions to the problems encountered by residents of Kielce?” may throw some more light upon this issue. Twenty five per cent of our respondents were of the opinion that the city authorities and specialized institutions should be responsible for finding solutions to all the local problems. Seventy five per cent of the population believed that they themselves should assume some responsibility for solving problems. This confirms once more the old truth that it is always much easier to express popular views and values than to live up to them.

Kielce Citizens' Perceptions of Security

In the scale of problems recognized as being the most serious for the city and its inhabitants, the question of security was clearly given the highest priority; 80.9% of the population decided that Kielce is not a safe city and only 15.7% were relatively satisfied with the state of security. Despite the statistics published by the police, almost half (45.1%) of the citizens concluded that in the course of the previous year the state of security in the city had worsened; 13.2% of citizens indicated an improvement. This is hardly surprising when we consider that 30% of our respondents stated that they themselves or members of their families had been victims of a variety of crimes during the last year. Out of this number, one in every ten had been a victim of a criminal act on more than one occasion. Crime victims sought help from the police in slightly smaller numbers. Twenty per cent were not even reported and were therefore not included in police statistics. This “grey number” of non-reported crimes, in our view, displays a rising tendency as a result of considerably unfavorable perceptions of the effectiveness of efforts undertaken by the police and the City Guards. Out of those who were victims of crime last year and who sought police support, only 10% expressed positive views on their effectiveness. One in four admitted that although the police are very willing, their potential is limited, which would account for their lack of success in combating crime. A third of all victims, embittered, maintained that the police compile a

register of offences instead of eliminating them and 25% felt that the forces of law and order are ill-prepared for counteracting delinquency.

Data collected through our research makes it possible to compile crime rate statistics in the city. Last year, 11.7% of the population were victims of theft and 7.7% were victims of assault and robbery. A similar number were victims of break-ins to their homes, cars, garages, summer-houses etc; 4% had their vehicles stolen; 0.2% fell prey to different forms of fraud and 0.5% were victims of other forms of crime, including arson and rape.

We asked our respondents to indicate those offences which, according to the information they possessed, were the most frequent in their districts. The result is not so much a reflection of the statistics of crimes within a district, but more of the community's awareness in this area.

Collating the opinions from all districts resulted in the following type of crimes observed in the city; assault, battery and theft being the most frequent. These crimes are reported by more than half of the population. More than one third stated that the most widespread crimes are different forms of burglary; a similar per centage noted an epidemic of pickpocketing in shops, on buses and in the streets. Next came car theft (15.5%), car break-ins and damage (12.6%), alcohol influenced vandalism and rioting (6.7%). The list ends with extortion and swindling money from children and elderly citizens (1.8%). Only 2.6% of the population believe that their districts are secure.

A number of ambiguous and conflicting views can be seen in the community's awareness of the state of security in the city. On the one hand, a low level of trust in the competence of the police can be observed and on the other (which seems understandable) more than three-quarters of the population place the responsibility to improve security on the police (75.8% of responses - 74.9% weighted points). Other institutions responsible for citizens' security are the city government and the City Guards (25%). A percentage lay the responsibility at the jurisdiction's door; however, as many as 20% of citizens feel equally responsible in this matter. The feeling of declining security every year, a low opinion of police efforts to ameliorate the situation and wishful thinking on the part of the majority of citizens that the competent institutions should improve their efficiency - are in the forefront of citizens' thoughts. The results of our research led us to conclude that a significant part of our participants do realize that it is they who hold the balance in the struggle between criminals and the institutions designed to fight them. An overwhelming proportion of inhabitants (88.4%) expressed

the opinion that citizens should actively support the police in fighting crime. A slightly less optimistic statistic is apparent when the *a priori* declaration is transferred to declarations of personal involvement, whereby 40% of those willing to give their support, drop out, claiming that they are not prepared for the task. In spite of this, 28.2% give unconditional support and 23.2% give support on condition that it concerns their close neighbourhood security.

Opponents of any form of involvement amount to 12.3% of the population. More than half repeated this view when asked how citizens might participate in improving security. Those who were prepared to make suggestions fell into three categories. 41% of citizens believe that a significant change could be achieved by such simple means as changing citizens' attitudes towards the police and by providing them with full information and frequent telephone contacts with the forces of law and order in case of threat. However, a large proportion of those who support informing and testifying would only do so if there was a change in both the legal system concerning the protection of witnesses and the existing procedure which gives rise to suggestions that "the police, instead of chasing criminals, chase and harass witnesses". As a result, the witness, pestered by interrogations and lawsuits (and also penalized for absence), will avoid testifying in the future. On average, in all age groups, the same percentage of the population is willing to co-operate with the police (slightly more than one-third). A similar readiness is expressed three times more often by victims of crime and proportionately fewer females than males express such a willingness.

Opponents of the civil population becoming involved in any form of co-operation with the police and supporters of the view that the police alone should safeguard the security of the community were evenly distributed between the different age groups; 75% of respondents were educated to at least secondary school level.

Older citizens are proportionately more helpless in the face of crime and find it more difficult to express ways of counteracting this threat. At the same time, those of advanced age recognized comparatively more often the necessity to change people's attitudes towards one another and towards crime. A correlation can be found between indicating the necessity for a change in attitudes and education of respondents i.e. the need is expressed by more than half of those with a higher education.

One-third of the population included in this research expressed a valuable view of this situation, in that an improvement in the security in

the city would depend on a change in people's attitudes towards one another together with a collective change in citizens' attitudes towards crime. This group of citizens, which undoubtedly possesses a high level of understanding for the causes of the negative processes pervading society, stated that one of the reasons why crime spreads is because we ourselves allow it to foster indifference towards one another and accept an attitude of common consent for the domination of evil. This view culminates in the conviction that through an active approach we should force out evil instead of locking ourselves up in the shelter of our homes and thinking only of our own interests. In this group we find numerous voices calling for increased responsibility on behalf of parents for their children's upbringing and for greater control over their actions. Fourteen per cent of respondents proposed different forms of citizens' self-defence, e.g. patrols, self-defence groups, community car parks, etc. Although this will not immediately bring about the desired effect, if properly supported, it can play a significant role in the interim period and can tip the scale to the advantage of the citizen.

We asked respondents to indicate two causes of increased delinquency and to rate them in order of importance. Two-thirds of the surveyed population felt that the main reason for the increase in crime rates is rising unemployment and poverty. A bad upbringing of children and teenagers was rated second in the order of importance (38.3 pts.) and immediately following, with 30.8 points, was the low efficiency rate of those institutions responsible for public security. Also of high significance were excessively liberal laws (28.4 pts.).

The link between delinquency and badly brought-up children and teenagers was made more often by women while, on the whole, men assessed the efficiency of the police less favourably.

Slightly less significance (14.4 pts.) was attached to dubious life styles propagated by the mass media; more frequent violation of moral and religious standards in comparison with former years (10.1 pts.) and, lastly, weakening relationships with neighbours (8.3 pts.).

If all the causes for the unfavourable plight of security burdening the state, the institutions dependent on it and the legal structure, are summed up on one side and those factors dependent on the goodwill and activities of individuals on the other, the results would be a coefficient (140.3/56.7) which reflects the extent of the awareness of the citizen and expresses the self-assessment of their potential with reference to security. Unfortunately, the self-assessment is not very high, but this does not mean that the

potential of citizens' positive feelings should be underestimated. The readiness to educate themselves in crime prevention declared by 50% of citizens should be activated. Of course, this expectation is once again addressed to those institutions responsible for security.

Finally, we asked respondents which categories from the so called "crime-prone groups" pose the most serious threat. Almost half were afraid of organized gangs, and 20% stated that to them, teenagers left on their own without supervision were a threat. 10% were apprehensive of the unemployed with no source of livelihood and the same percentage associated persistent offenders and foreigners from eastern countries as a threat to their security.

The results present a certain picture of citizens' beliefs and attitudes. A lack of coherence is clearly visible. It transpires that we are not afraid of those problems we face most often. Citizens are afraid of mugging although their encounters are most often with hooligans and teenagers with drinking problems. Residents associate improvement in security with actions undertaken by the police but at the same time, few of them know the telephone number of the district police station. Although many fears are expressed, 50% of the population does nothing to protect themselves. Furthermore, every third person is unwilling to improve his/her knowledge on methods of protection against crime. The most popular way of ensuring security is simply to stay at home. The most effective way of protection indicated by respondents is neighbourhood watch and mutual assistance. At the same time, however, relations with neighbours are limited to occasional greetings.

Conclusions

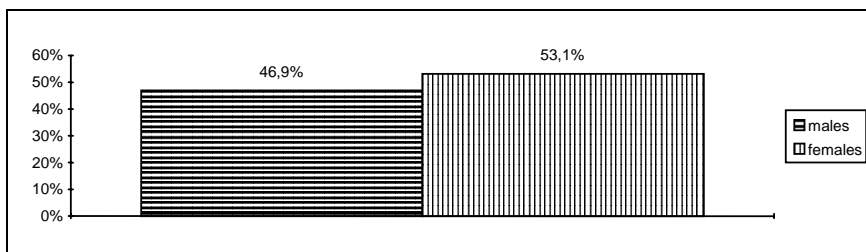
Our research showed the attitude of Kielce citizens towards a variety of current social issues. It is very difficult to summarize so many divergent results with so many variables. Nevertheless, the following general remarks can be made. A more precise analysis can be found in the appropriate chapters of this study.

1. On the basis of the analysis of fringe values, one has the impression that society is at a stage of extreme changes in attitudes and values. Significant differences in evaluation are a reflection of a transitory stage.
2. A decreasing tendency to lay the entire responsibility on local government and its agencies can be observed in citizens' responses. Certain opinions

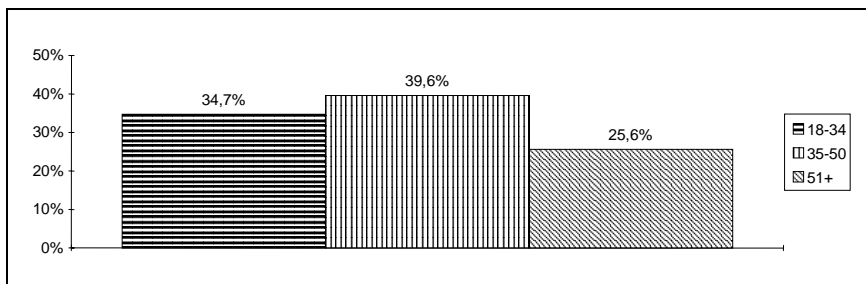
reflect the assumption that social processes are complex and tend to be influenced by a multifarious set of factors.

3. It seems that in the context of shortages in so many areas, unsatisfied needs and the still widespread feeling of helplessness, a carefully planned integrative mechanism (e.g. the “Dialog” Programme) may bring significant benefits both to the city and to its inhabitants.

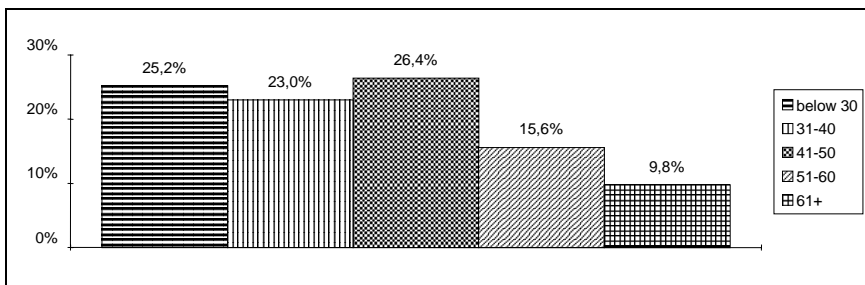
Appendix



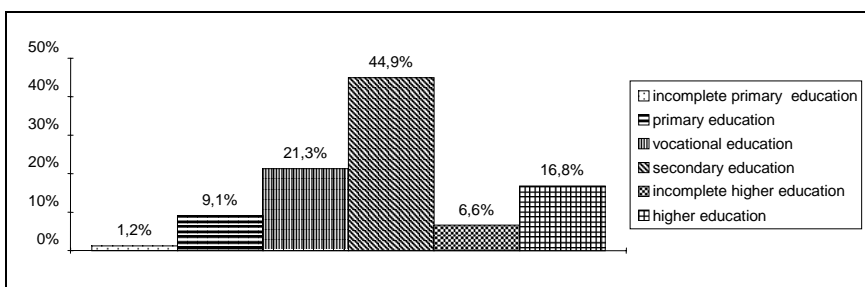
1. Structure of sample according to sex (%)



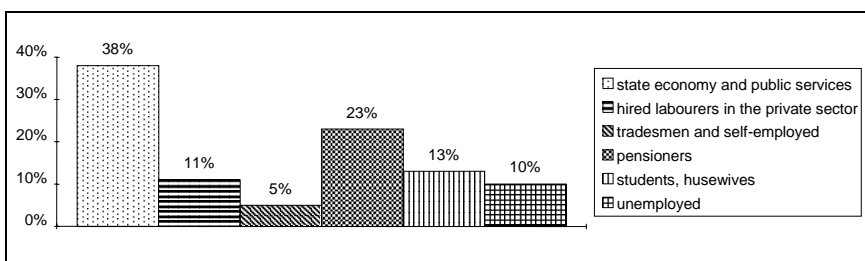
2. Structure of sample according to age (%) - three groups



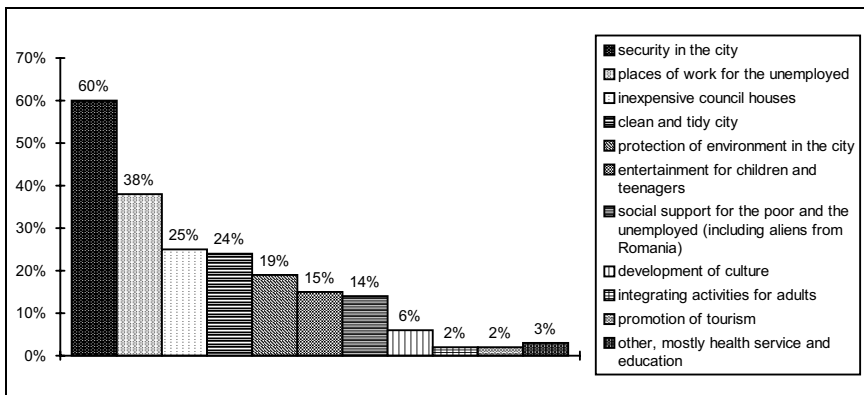
3. Structure of sample according to age (%) - five groups



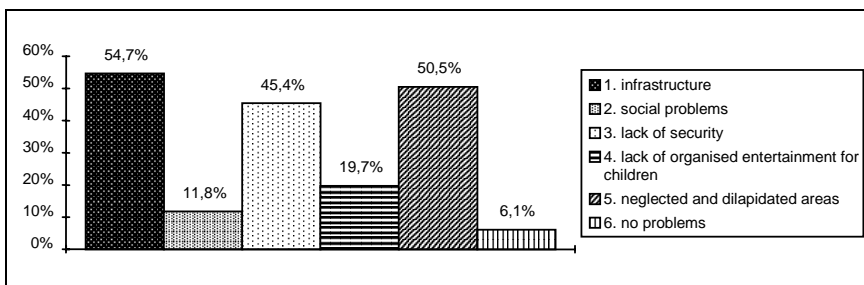
4. Structure of sample according to education (%)



5. Structure of sample according to employment (%)



6. Most important problems to be solved in the city (in order of importance)



7. The most urgent problems in the citizens' opinions (%)

1. infrastructure problems (lack of roads and pavements, insufficient number of shops, outpatients surgeries, poor city transport) [54,7%]
2. social problems (poverty, alcohol abuse, unemployment) [11,8%]
3. lack of security in districts [45,4%]
4. lack of playgrounds and recreation areas for children, teenagers and adults, lack of organized free time entertainment for children [19,7%]
5. dirt, dilapidated buildings, lack of green areas in districts [50,5%]
6. there are no problems in my district [6,1%]

WHAT IS TO BE DONE ABOUT CORRUPT OFFICIALS? PUBLIC OPINION IN UKRAINE, BULGARIA, SLOVAKIA AND THE CZECH REPUBLIC

*William L. Miller, Åse B. Grødeland and Tatyana Y. Koshechkina**

Almond and Verba¹ argued three decades ago that democratic citizenship should mean fair treatment by state officials and a voice in choosing governments or formulating public policy. Since 1989, more or less “free and fair” elections have given the citizens of post-communist Europe more choice of government but not necessarily better treatment by state officials. In 1993-4 we found that two-thirds of the public in Russia and Ukraine did not expect fair treatment in their day-to-day dealings with government officials. Perhaps even more significant, more than half the minority who thought they could get fair treatment in these countries said (without prompting) that they would have to use bribes or contacts to get it. By contrast, in the Czech Republic, two-thirds did expect fair treatment and very few of them suggested they would have to use bribes or contacts.²

To update those findings and to look at the interaction between citizens and officials in much greater depth, we began in late 1996 with a series of

* University of Glasgow. The research was funded by the ODA (Overseas Development Administration) under grant R6445 to Miller and Koshechkina, and by the ESRC (Economic and Social Research Council) under grant R222474 to Miller and Grødeland. Translation and fieldwork was carried out by OPW (Opinion Window) of Prague and MVK of Bratislava both under the direction of Ladislav Koppl, CSD (Centre for the Study of Democracy) Sofia under the direction of Alexander Stoyanov, and USM (Ukrainian Surveys and Market Research) under the direction of Tatyana Koshechkina.

¹ Gabriel A. Almond and Sidney Verba *The Civic Culture: Political Attitudes and Democracy in Five Nations* (Princeton University Press, 1963; reprinted by Sage, 1989) especially Chapter 7: ‘Citizen Competence and Subject Competence’.

² See William L Miller, Stephen White and Paul Heywood *Values and Political Change in Postcommunist Europe* (London: Macmillan, 1998) page 105. See also page 185 for Members of Parliament’s replies to the same question, and page 398 for a comparison with Almond and Verba’s original findings.

26 focus-group discussions and 136 in-depth interviews³ in the Czech Republic, Slovakia, Bulgaria and Ukraine, followed in the winter of 1997-98 by 4,778 fully structured interviews with national representative samples and 1,272 with samples in ethnic minority areas. Here we report findings from the national representative samples. In these interviews we asked not only about people's personal experiences in dealing with officials in post-communist Europe, but also about their attitudes to various strategies of reform: what do the public think could, and should, be done to ensure that citizens get fair treatment from officials without having to give them money or 'presents'?

Is there a problem?

In all four countries there is much general grumbling about politicians and officials. In political debate, in the press, and in general gossip amongst ordinary citizens, there are widespread allegations of corruption

³ For the results of these qualitative research studies see: William L. Miller, Tatyana Y. Koshechkina and Ase B. Grødeland. 'Dealing with officials. A focus group study.' *NISPAcee News* (Network of Institutes and Schools of Public Administration in Central and Eastern Europe) (June 1997) 4:2 3-5; William L. Miller, Tatyana Y. Koshechkina and Ase B. Grødeland. 'How citizens cope with post-communist officials: evidence from focus group discussions in Ukraine and the Czech Republic.' *Political Studies* (Special Issue 1997) 45:3 597-625, also published as Paul Heywood (ed.) *Political Corruption* (Oxford: Blackwell, 1997) pp.181-209; Ase B. Grødeland, Tatyana Y. Koshechkina and William L. Miller. 'Alternative strategies for coping with officials in different post-communist regimes: the worm's eye view.' *Public Administration and Development* (December 1997) 17:5 511-528; Ase B. Grødeland, Tatyana Y. Koshechkina and William L. Miller. 'Foolish to give and yet more foolish not to take': in-depth interviews with post-communist citizens on their everyday use of bribes and contacts.' *Europe-Asia Studies* vol.50 no.4 June 1998; Ase B. Grødeland, Tatyana Y. Koshechkina and William L. Miller. 'In theory correct, but in practice...': an in-depth study of public attitudes to really existing democracy in Ukraine, Bulgaria, Slovakia and the Czech Republic.' *Journal of Communist Studies and Transition Politics* (June 1998); Ase B. Grødeland, Tatyana Y. Koshechkina and William L. Miller. 'A person requests, a bureaucrat rejects': an in-depth study of public attitudes towards officials in Ukraine, Bulgaria, Slovakia and the Czech Republic.' *Professionalization of Public Servants in CEE: Proceedings of 5th Annual NISPAcee Conference*. Ed Jak Jabes (Bratislava: NISPAcee, 1997); Ase B. Grødeland, Tatyana Y. Koshechkina and William L. Miller. 'In-depth interviews on the everyday use of bribes in post-communist Europe.' *ECPR Newsletter* (1998); William L. Miller, Tatyana Y. Koshechkina and Ase B. Grødeland. 'Bureaucratic encounters in post-communist regimes: evidence from 26 focus groups in the former Soviet Union and East Central Europe' in Stephen Lovell, Alena Ledeneva and Andrei Rogachevskii (eds.) *Bribery and Corruption in Russia* (London: Macmillan, 1998); William L. Miller, Tatyana Y. Koshechkina and Ase B. Grødeland. 'Victims or accomplices: the people and bribery in Eastern Europe.' Discussion Paper Series, (ed. Bohdan Krawchenko) Local Government and Public Service Reform Initiative, Budapest / Academy of Public Administration, Kiev.

both amongst senior politicians and junior officials. But allegations of corruption are much less frequent, and at the same time more varied cross-nationally, when we turn from general gossip to specific recollections of personal experiences. After a long introduction of 110 questions had established a degree of rapport with our interviewees, we asked about our respondents' personal experience in dealing with officials 'in the last five years' - which, in 1997-98 meant "after communism". We went into some detail. Were they treated with respect, 'as equals'? Did they get 'fair' treatment? Did they get 'specially favourable' treatment? And how often were they treated in these ways - 'usually, sometimes, rarely, or never'?

Few people anywhere claimed that they 'usually' got favourable treatment. But 52% in the Czech Republic - though only 23% in Ukraine - said they were 'usually' treated as equals. And 66% in the Czech Republic - though only 20% in Ukraine - said they were 'usually' treated fairly (see Table 1).

Table 1
Personal experience of recent treatment by officials

	Czech Republic	Slovakia	Bulgaria	Ukraine
	%	%	%	%
Q131: Usually treated specially favourably	9	8	2	7
Q129: Usually treated as equals	52	32	40	23
Q130: Usually treated fairly	66	51	38	20

Notes: "Don't know", "mixed/depends" etc. answers were recorded if given spontaneously, but never prompted; they have been excluded from the calculation of percentages.

In all four countries there was a strong and remarkably consistent correlation between satisfaction and type of treatment. Varying levels of satisfaction with officials reflected variations in the quality of treatment and not simply variations in citizens' willingness to tolerate ill-treatment by officials. Satisfaction correlated most strongly with 'fair treatment'; a little less strongly with being treated with respect 'as equals'; and very much less with 'specially favourable' treatment - which is as it should be in a democratic culture.

Is corruption the problem?

Ill-treatment by officials need not involve corruption, if we define that term narrowly as the giving and taking of presents, bribes and 'unofficial' payments. Officials can ill-treat and annoy citizens by being rude, lazy, incompetent, capricious, unhelpful, uncommunicative, inaccessible (because of restricted office hours, for example), or under-resourced - and no doubt much else besides - as well as by being corrupt.

So, we asked specifically whether people felt that 'officials made unnecessary problems for you or your family in order to get money or a present for solving them'. Even in the Czech Republic, 19% said that had happened to them at least 'sometimes'; as did 30% in Slovakia, 24% in Bulgaria and 42% in Ukraine. Another quarter of respondents said it had happened to them, but only 'rarely' in recent years. 'Did an official ever ask you or your family directly for money or a present, or not ask directly but seem to expect something?' we inquired. Relatively few said they had been 'asked directly', but almost half in the Czech Republic and Bulgaria, and two-thirds in Slovakia and Ukraine had either been 'asked directly' or been given the clear impression that the official wanted something. Satisfaction correlated (negatively of course) with these explicit or implicit attempts to extort bribes, especially if the official made 'unnecessary problems'. In all four countries a large majority of those who had 'rarely' or 'never' had this experience felt satisfied with their encounters with officials. Conversely, in all four countries, the majority of those who had "sometimes" or "usually" felt under pressure to give something, were dissatisfied with their treatment.

Moreover, the reasons why officials were motivated to ask for bribes had an important influence on citizens' satisfaction. What was 'the main reason why officials take money or presents', we asked. Was it because 'the officials are greedy', because 'the government does not pay officials properly', or because "people are desperate to buy favours from officials"? People in Ukraine most frequently blamed greedy officials. In Bulgaria, they most frequently blamed the government. But in Slovakia and the Czech Republic they most frequently blamed the people themselves.

To place these criticisms in a comparative context, we asked whether people felt that 'officials in government offices are more or less corrupt than people who work for private businesses in (COUNTRY)?; and also whether 'officials in government offices in (COUNTRY) are more or less corrupt than officials in Russia? or in Germany? or in most other central and eastern European countries?' Everywhere, an overwhelming majority said

their officials were more corrupt than those who worked in their own country's private businesses, and more corrupt than officials in Germany.

But there were differences on how their own officials compared with officials in Russia or the rest of Central and Eastern Europe. Three-quarters of Czechs thought their officials were less corrupt than elsewhere in Central and Eastern Europe, and 92% that they were less corrupt than in Russia. Similarly, two-thirds in Slovakia thought their officials were less corrupt than elsewhere in Central and Eastern Europe, and 84% said they were less corrupt than in Russia. But three-quarters in Bulgaria felt their officials were more corrupt than in the rest of Central and Eastern Europe - though two-thirds still thought they were less corrupt than in Russia. In Ukraine however, four-fifths felt their officials were more corrupt than in the rest of Central and Eastern Europe, and two-thirds even felt their officials were more corrupt than in Russia.⁴

Is corruption a serious problem?

But corruption was not necessarily the most serious problem, even amongst problems with officials. We asked explicitly, which of the four problems with officials had been the 'most frequent' and the 'most annoying' in the personal experience of our respondents: 'officials who wanted money or presents, were incapable, were lazy, or did not provide enough information?' These criticisms had emerged from our focus-group discussions. Even in Ukraine extortion by corrupt officials was neither the most frequent nor the most annoying problem with officials, although it was for a significant minority of 21 or 22% (see Table 2).

The focus of our research is mainly on the pervasive low-level corruption that directly affects individual citizens when they encounter (usually junior) officials - the corruption of day-to-day encounters with the state. Public sector corruption annoys people far more than private-sector corruption. But in all four countries, very large majorities say corruption amongst 'top government officials' annoys them more than corruption amongst the (usually junior) 'officials who deal with ordinary people'. Typically, around one quarter of the public are most annoyed by such low-level official corruption, compared to two-thirds who are most annoyed by high-level

⁴ Transparency International rankings regularly place Russian government officials amongst the most corrupt in the world. See the ranking published in *Moskovskie Novosti*, No.5, 2-9th February 1997, p.15, where Russia ranked as the 8th most corrupt in the world - after 7 'third-world' countries.

official corruption and relatively few who are most annoyed by corruption amongst ‘top businessmen’.

Table 2
Most frequent problems with officials

	Czech Republic	Slovakia	Bulgaria	Ukraine
	%	%	%	%
Q147: the most frequent problem	2	3	8	22
Q148: the most annoying problem	4	6	10	21

Note: “don’t know”, “mixed/depends” etc. answers were recorded if given spontaneously, but never prompted; they have been excluded from the calculation of percentages. An average of about 16% reported no problems, and have also been excluded.

On the basis of our respondents’ answers we cannot claim therefore that low-level day-to-day official corruption is the most serious problem facing their countries, nor even that it is the most serious form of official corruption in these countries. But we can claim that it is a serious, if not the most serious, problem on the basis of their answers. Moreover, the public may underestimate the importance of the connection between high and low level official corruption. They reinforce each other. Each creates the climate in which the other flourishes. In the language of science, the model that connects high and low level corruption is that of an amplifier, a ‘positive-feedback loop’ rather than a homeostatic or ‘negative-feedback loop’; and positive feedback leads inexorably to crisis rather than stability.

Is reform possible?

There is little point in discussing alternative proposals for reform if the culture of a society makes reform itself impossible. Moreover, even a feeling of impotence may be self-justifying; if people feel that nothing can be done, then perhaps nothing can. We asked people whether they themselves saw ‘the use of money, presents, favours and contacts to influence officials’ in their country as ‘a product of the communist past’, or as ‘a product of moral crisis in a period of transition’, or were they resigned to regard it as ‘a permanent part of (COUNTRY’S) culture’?

Table 3
‘A permanent part of our culture?’

Q187: Which comes closest to your view? The use of money, presents, favours and contacts to influence officials in (THIS COUNTRY) is...	Czech Republic %	Slovakia %	Bulgaria %	Ukraine %
- a product of the communist past	23	23	17	23
- or of moral crisis in a period of transition	31	30	49	62
- or a permanent part of (COUNTRY’S) culture	46	47	34	16

Note: “don’t know”, “mixed/depends” etc. answers were recorded if given spontaneously, but never prompted; they have been excluded from the calculation of percentages.

The results are something of a shock. On our raw figures, the sense of impotent resignation is most widespread in the Czech and Slovak Republics and least widespread in Ukraine (see Table 3). On the other hand the meaning of this question depends very much on the actual incidence of corruption in these countries. The most convincing, if not the simplest, interpretation of our figures is that where corruption was at its worst, people were most inclined to regard it as a temporary phenomenon, a product of the economic and moral crisis associated with a ‘period of transition’, and the least inclined to accept it as a permanent part of their country’s culture. Indeed people in Ukraine were far more likely than people elsewhere, to claim that the standards of conduct amongst low-level officials in particular, had declined since the collapse of the communist system – which is consistent with the view that the high levels of official corruption in the late 1990s were an aspect of “the period of transition” rather than a “permanent part of the country’s culture” (see Table 4).

In any case, a massive majority in each of the four countries said that it would be possible to cut corruption ‘greatly’ if their government ‘tried really hard’, though only a minority thought their government was actually making a ‘strong and sincere effort’ to do so. The Bulgarian

government won top marks for being serious about combating corruption (see Table 4).⁵

Overall, the public in these countries do not see present levels of official corruption as a permanent part of their culture, and especially not in those countries where it is at present the most widespread and troublesome. Overwhelmingly, they believe that their government could greatly cut corruption if it had a strong and serious interest in doing so. But a majority does not believe their government is really making a strong and sincere effort to do so.

A 10-point Menu of Reforms ‘To Ensure Fair Treatment’

But what to try? We offered our respondents a ten-point menu of reforms as means of ‘ensuring that citizens get fair treatment from officials, without having to give them money or presents’.

Our list of reforms was drawn from our earlier focus-group discussions and/or the academic literature.⁶ It included the obvious but perhaps naive ‘stricter controls and penalties for officials’, ‘stricter penalties for people who bribe officials’ and ‘higher salaries for officials’ – the alternative strategies of coercion and encouragement. Public administration specialists would no doubt recommend reform strategies that balanced elements of encouragement and coercion, rather than either by itself. So would the public, as we shall see.

Our menu also included several bureaucratic, or organizational efficiency reforms that were not overtly anti-official and could even be seen as helpful to officials: ‘better training for officials to give them the necessary knowledge and skills’ (we wanted to distinguish this very clearly from

⁵ All Bulgarian governments since 1994-5 have been publicizing their anti-corruption campaigns. See Tony Verheijen and Antoaneta Dimitrova ‘Corruption and unethical behaviour of civil and public servants: causes and possible solutions’ Paper to *NISPAcee 5th Annual Conference*, Tallinn April 1997, p.13. However, Verheijen and Dimitrova also quoted survey evidence from the end of 1996 that 64% of the public had reservations about these campaigns; 34% of Bulgarians believed corruption was most widespread amongst politicians and only 15% that it was most widespread amongst officials (p.12). The Bulgarian Socialist Party was forced out of office in February 1997 and defeated at the subsequent elections in April. Our figures probably reflect public perceptions of anti-corruption campaigns under the new anti-Socialist coalition government.

⁶ See for example Verheijen and Dimitrova Paper to *NISPAcee 5th Annual Conference*, Tallinn April 1997; Emilia Kandeve-Spiridonova ‘Corruption in Transitional Public Service: A Bulgarian Experience’ Paper to *NISPAcee 5th Annual Conference*, Tallinn April 1997, pp.10-11.

Table 4
Perceptions of changing standards during the period of transition

Q54/55 Do you think that most politicians/officials etc. now behave better or worse than they did (UNDER COMMUNISM)?	Czech Republic	Slovakia	Bulgaria	Ukraine
	% behave worse now	% behave worse now	% behave worse now	% behave worse now
Q54: <u>politicians</u>	65	82	40	87
Q55 <u>officials</u> who deal with ordinary people and their problems	47	66	45	89
Q186: If it tried really hard, would it be really possible for our government in (COUNTRY) to reduce corruption greatly amongst officials who deal with ordinary people.	Czech Republic	Slovakia	Bulgaria	Ukraine
Q182: Do you think that our government in (COUNTRY) is really making a strong and sincere effort to combat corruption amongst officials who deal with ordinary people.				
	% 'yes'	% 'yes'	% 'yes'	% 'yes'
Q186: Really possible	82	81	88	80
Q182: Really strong and sincere effort	18	22	41	18

Note: 'don't know', 'mixed/depends' etc. answers were recorded if given spontaneously, but never prompted; they have been excluded from the calculation of percentages.

moral or ethical training); 'better appeal and complaints procedures for citizens'; and 'less official forms and documents' to reduce the burden of bureaucracy on both citizens and officials.

Other suggestions focused on reinforcing the rights of citizens by 'making all officials sign a code of conduct setting out how they should behave towards citizens' (this was our version of 'ethical' as distinct from the 'technical' training referred to above); or by 'displaying the rights of citizens on notices in all offices' (a Thatcher-style 'Citizens Charter' approach).

Then there were reforms aimed at greater openness or transparency: 'more openness - require officials to explain their actions to citizens and the press' (a Gorbachev strategy perhaps); and 'encourage officials to tell

the public if they find things that are wrong in their offices' (the increasingly popular 'whistle-blowing' approach as it is called in Britain - though it may well have other implications in places with a more authoritarian state tradition).

We found it easy enough to imagine other possible reforms, but a longer menu would have stretched the patience of our respondents perhaps to breaking point (as our pilot interviews indicated). Respondents were asked whether each reform would be "very effective for improving the situation in (COUNTRY), useful though not very effective, not necessary, or actually harmful?" And finally, which would be "the single most effective way of ensuring fair treatment for citizens?"⁷

The 'Single Most Effective' Reform?

In all four countries, the most frequent nomination for 'single most effective' reform was the coercive strategy of 'stricter penalties for officials', but the numbers who opted for it varied from a low of 21% in Slovakia to a maximum of 51% in Ukraine (see Table 5). Higher salaries came a very close second in Bulgaria, reflecting widespread sympathy for their badly paid officials which was evident in many other aspects of Bulgarian responses; but it came a very distant second in Ukraine, in third place in Slovakia, and in fourth place in the Czech Republic.

About two-fifths in Slovakia and the Czech Republic opted for various administrative efficiency reforms including 'better training for officials' (26% in Slovakia and 21% in the Czech Republic) or 'less official forms and documents' (17% in the Czech Republic and 10% in Slovakia). While there was much support and little opposition to such reforms elsewhere, relatively few people in Bulgaria and Ukraine opted for one of these as their top choice.⁸

⁷ This ten-point menu was offered to respondents on a 'showcard' with the comment 'Here are some suggestions for ensuring that citizens get fair treatment from officials, without having to give them money or presents.'

⁸ This variation from country to country broadly reflected the pattern of content in our focus group discussions.

Table 5
Single most effective?

Q173: Which of these would be the single most effective way of ensuring fair treatment for citizens?	Czech Republic	Slovakia	Bulgaria	Ukraine
	%	%	%	%
- higher salaries for officials	11	18	30	12
- better training for officials	21	26	12	6
- better appeal/complaints procedures	6	5	5	3
- less official forms/documents	17	10	3	3
- make officials sign a 'code of conduct'	5	7	5	8
- display citizens' rights in offices	3	3	3	5
- more openness to explain actions	7	6	6	7
- encourage to expose wrong-doing	1	3	2	4
- stricter controls/penalties for officials	28	21	32	51
- stricter penalties for bribe-givers	2	2	3	2

Note: "don't know", "mixed/depends" etc. answers were recorded if given spontaneously, but never prompted; they have been excluded from the calculation of percentages.

'Very Effective' Reforms

But it would be wrong to focus too much attention on people's choice of the 'single most effective' reform since, in principle, all of these reforms could be pursued simultaneously. Indeed public administration specialists would probably advocate twin or multi-track strategies of reform rather than placing too much faith in any single 'magic solution'. Answers to the item by item questions show that many respondents must have described several reforms as 'very effective', especially in Bulgaria where a majority described almost everything as 'very effective'. For example, around three-quarters (more in Bulgaria) of those who described 'higher salaries' as 'very effective' also described 'stricter penalties and controls' as 'very effective'. There were very few negative correlations between attitudes to the effectiveness of different reforms, and they were never very large (see Table 6).

Table 6
Very effective?

Q163-72: Do you think each would be <u>very effective</u> for improving the situation in (COUNTRY), <u>useful</u> though not very effective, <u>not necessary</u> , or actual <u>harmful</u> ?	Czech Republic	Slovakia	Bulgaria	Ukraine
	% very effective	% very effective	% very effective	% very effective
- higher salaries for officials	22	32	68	24
- better training for officials	59	59	65	34
- better appeal/complaints procedures	51	52	64	43
- less official forms/documents	72	68	61	52
- make officials sign a 'code of conduct'	34	37	46	50
- display citizens' rights in offices	40	46	53	46
- more openness/req. off to explain actions	43	43	58	51
- encourage 'whistle-blowing'	33	32	53	42
- stricter controls/penalties for officials	73	66	86	81
- stricter penalties for bribe-givers	44	35	61	40

Note: "don't know", "mixed/depends" etc. answers were recorded if given spontaneously, but never prompted; they have been excluded from the calculation of percentages.

However, there was a high degree of consistency between people's item by item answers and their final choice of a 'single most effective' reform. On average, almost everyone in Bulgaria and three-quarters elsewhere described their top choice as 'very effective'. Many of those who did not choose a particular reform as their top choice nonetheless described it as 'very effective' also, but on average about 33% less than those who cited the reform as their top choice.

In this context of such widespread approval for so many different reforms, perhaps we should draw attention to the numbers who opposed a reform by describing it as 'not necessary' or 'actually harmful'. Higher salaries for officials was opposed in this way by about one-third in every country except Bulgaria. A mandatory 'code of conduct' was opposed by over one-fifth in every country except Ukraine. And 'whistle-blowing' was opposed by more than one-quarter in both Slovakia and the Czech Republic. Opposition to 'stricter penalties for people who bribe officials' ranged from a low of 14% in Bulgaria to a high of 26% in Ukraine (see Table 7).

Alternative Means to Encourage Officials

Perhaps officials in Central and Eastern Europe would be as incorruptible as officials in Germany if they were paid as much, but resources are limited. ‘Higher salaries’ is seldom a practical reform and never an easy one. So we asked respondents to compare alternative ways of encouraging officials: ‘In your view, which of these would do most to encourage officials to treat citizens with more fairness, politeness and consideration - higher salaries, more pleasant offices, less pressure of work, or more respect from the public?’ In Bulgaria an overwhelming 72% opted for “higher salaries”, but only 53% in Ukraine, 45% in Slovakia, and a mere 36% in the Czech Republic – where it was not even the top choice (see Table 8).

Table 7
Not necessary or actually harmful?

Q163-72: Here are some suggestions for ensuring that citizens get fair treatment from officials, without having to give them money or presents. For each one can you say whether you think it would be <u>very effective</u> for improving the situation in (COUNTRY), <u>useful</u> though not very effective, <u>not necessary</u> , or actually <u>harmful</u> ?	Czech Republic	Slovakia	Bulgaria	Ukraine
	%	%	%	%
- higher salaries for officials	34	29	6	33
- better training for officials	13	4	4	13
- better appeal/complaints procedures	15	8	5	11
- less official forms/documents	12	8	8	6
- make officials sign a ‘code of conduct’	24	20	21	12
- display citizens’ rights in offices	19	15	13	12
- more openness/req. off to explain actions	16	17	9	6
- encourage off to expose wrong-doing	26	26	12	12
- stricter controls/penalties for officials	10	8	2	3
- stricter penalties for bribe-givers	19	20	14	26

Note: “don’t know”, “mixed/depends” etc. answers were recorded if given spontaneously, but never prompted; they have been excluded from the calculation of percentages.

Table 8
Four ways of encouraging officials

Q162: In your view, which of these would do most to encourage officials to treat citizens with more fairness, politeness and consideration...	Czech Republic	Slovakia	Bulgaria	Ukraine
	%	%	%	%
- higher salaries	36	45	72	53
- more pleasant offices	5	6	2	6
- less pressure at work	37	31	14	17
- more respect from the public	23	18	12	24

Note: 'don't know', 'mixed/depends' etc. answers were recorded if given spontaneously, but never prompted; they have been excluded from the calculation of percentages.

Balancing the Costs of Higher Salaries

Realistically, the money for 'higher salaries' has to come from somewhere, and Central and Eastern Europeans seem even less willing to pay higher taxes than Western Europeans. There are other possibilities though they are no more cost-free than higher taxes. We asked respondents to think about two such possibilities, both of which might be described as Thatcherite solutions: first, 'less bureaucracy'; and second, privatization or semi-privatization through 'user charges'.

Less bureaucracy: 'Suppose the government raised the salaries, but reduced the number, of officials. Would officials then treat citizens better because their salary was higher, or worse because they would be under more pressure?'⁹ This 'less bureaucracy' option won strong support in Bulgaria (76% replied that officials would treat the public 'better') and Ukraine (61% 'better')¹⁰; but opinion was evenly divided in the Czech Republic (53% 'better'), and hostile in Slovakia (where 57% said officials would treat the public 'worse').

⁹ SIGMA/ OECD Report GD (94) 124 *Bureaucratic barriers to entry: foreign investment in central and Central and Eastern Europe* (Paris: OECD, 1994) noted 'one suggestion made in the light of limited government resources is to employ less workers [i.e. officials] and pay those employed higher salaries' (p.14).

¹⁰ In April 1997, the Labour Minister in the caretaker government in Bulgaria announced that some 60,000 administrative jobs would have to go - OMRI Report 4th April 1997. The same month Ukrainian President Kuchma announced a reduction in the number of state agencies and civil servants - OMRI Report 7th April 1997.

User-charges: ‘Suppose the government raised the salaries of doctors and nurses, but set official charges for hospital treatment. For patients, would that be better because doctors and nurses would not try to get extra money from them, or worse because they would have to pay official charges?’. In a memorable exclamation, one of the participants in a Ukrainian focus-group discussion on health care had declared ‘We need a price list!’ though he was lamenting the present rather than making a serious proposal for future reforms. In the context of our sobering question about health care, he might perhaps change his view.

But perhaps not. Although there was overwhelming opposition to health care charges in Slovakia (78% “worse”) and the Czech Republic (75% ‘worse’), opinion was evenly divided in Bulgaria (50% “better”, 50% “worse”) and slightly positive in Ukraine (55% “better”). That is not, we presume, because this reflected ideological dreams of an ideal world, but because it reflected harsh and present realities. Czechs of course, already have a compulsory insurance-based system of health-care charging but they seem to regard it as an organizational variant of a British tax-based NHS (National Health Service) rather than as a system of privately paid medicine on the American model. Conversely, Bulgarians and Ukrainians are all too familiar with the need to pay health-care charges, whether they are legal or not. For them, official charges might actually reduce the uncertainty and racketeering they face when seeking health care.

Balancing stricter control and punishment

Stricter laws might be balanced against stricter enforcement. We asked: ‘Which comes closer to your view? To stop officials taking money or presents, is it more important (i) to pass new, stricter laws or (ii) to enforce existing laws more strictly?’ Opinion was fairly evenly divided in Bulgaria (49% for ‘stricter enforcement’), Slovakia (54% for ‘stricter enforcement’) and the Czech Republic (57% for ‘stricter enforcement’), but strongly emphasized ‘stricter enforcement’ in Ukraine (72% for ‘stricter enforcement’).

Stricter controls on junior officials might be balanced against a better example at the top. We asked: ‘Which comes closer to your view? To stop officials taking money or presents from ordinary people, would it be more effective for those at the top (i) to impose stricter controls on their subordinates, or (ii) to set a better example by refusing to take bribes themselves?’ In their response to our 10-point menu of reforms, people in Ukraine had shown especially high support for ‘stricter penalties for officials’. Yet in answer to this new question there was massive support for ‘a better

example at the top' in Ukraine (68%) and Slovakia (72%) but much less Bulgaria (50%) and the Czech Republic (52%).

Stricter controls on junior officials might also be balanced against stricter penalties for people who offered bribes to officials. We had already asked on our 10-point menu about the effectiveness of stricter penalties for 'givers' as well as 'takers'. Now we asked for a comparative judgement – should the penalties be exactly the same: 'Which comes closer to your view? (i) People who give bribes to officials should be punished as severely as the officials who take them, or (ii) officials who take bribes should be punished more severely than the people who give them bribes?' Support for equally strict penalties for bribe-givers as for bribe-takers declined from 47% in the Czech Republic and 42% in Slovakia, to 36% in Bulgaria and a mere 20% in Ukraine. Thus, while Ukrainians sympathized with junior officials against senior officials and politicians (on the 'better example at the top' question), they clearly sympathized with ordinary citizens (the 'bribe-givers') even more!

Attitudes towards international pressure

Finally, we asked about a very different kind of penalty, one that would operate at the highest level. 'Which comes closer to your view?: If an international organization refused to provide aid or investment for (COUNTRY) unless our government took strong action against corruption, would that be (i) unacceptable interference in (COUNTRY'S) internal affairs or (ii) a good way to reduce corruption in (COUNTRY)?' Remarkably, 68% in the Czech Republic, 68% also in Ukraine, and 78% in Bulgaria said international pressure would be a 'good way' to discipline their own government. In Slovakia only 59% agreed. This relatively nationalist response was consistent with the fact that Slovakia was the place where we found the largest number of people wishing to vote for 'a nationalist party', but even there a large majority were willing to support international pressure on their own government in order to combat corruption. Within Slovakia, only the sizable minority who preferred to vote for an explicitly Slovak 'nationalist party' (not necessarily just the 'Slovak National Party' itself) were, on balance, opposed to international pressure.

Discussion

Should reform be left to the experts? Or does public opinion matter? We suggest that public attitudes to reform are important, and especially so in a democratic system. Reforms that go against the grain of public opinion

can be difficult to implement anywhere, but in a democratic system they may also have direct electoral consequences.

In fact, our findings do not suggest a great conflict between public opinion and expert recommendations. Most reform proposals put forward by experts enjoy a degree of public support; and the public also agrees with the experts that there can be no quick or simple ‘magic bullet’ solution. There is enormous public support for a coercive approach based on ‘stricter controls and penalties for officials’ but that is combined with, and usually surpassed by, widespread public support for a variety of other reforms designed to help or encourage officials rather than to coerce them.

What our quantitative findings can provide however, is some indication of the relative emphasis that the public puts upon the different reforms proposed by the experts, and how that public emphasis varies from country to country.

Reforms to encourage officials

Public administration experts recognize that encouragement may be at least as effective as coercion. They note that badly paid officials will be tempted to accept bribes or to desert the public service for better-paid jobs in private firms.¹¹ To keep officials and to provide them with incentives not to take bribes, Verheijen and Dimitrova suggest better salaries and more job-security. If governments lack the resources to pay better salaries, they suggest that high-quality administrative personnel be allowed to have outside earnings.¹² We found widespread public support for higher salaries in Bulgaria; but very much less in Ukraine and the Czech Republic – where more people said higher salaries were ‘unnecessary’ or even ‘harmful’ than said they would be ‘very effective’. People in Slovakia were somewhat more sympathetic to higher salaries for officials than in the Czech Republic, but much less than in Bulgaria. A combination of higher salaries but fewer officials, with a consequent increase in work-load was also much more popular in Bulgaria than elsewhere. A combination of higher salaries for

¹¹ In Ukraine this - as well as the failure to recruit younger people - has resulted in a situation where every sixth official is close to retirement age and only 15% are younger than 30 years old. See Bohdan Krawchenko *Administrative Reform in Ukraine: Setting the Agenda. Discussion Papers, No. 3*, Local Government and Public Service Reform Initiative (Budapest: CEU/OSI Publications Office, 1997), pp. 17-18.

¹² Verheijen and Dimitrova, p. 17.

hospital staff but official user-charges was strongly opposed in the Czech Republic and Slovakia, but divided opinion in Bulgaria and Ukraine.

Public administration experts also advocate improvements in officials' working conditions. Chavdar Popov suggests that 'one of the most important issues facing the Bulgarian administration is to be able to maintain continuity and to create incentives for personnel.'¹³ Imre Verebelyi¹⁴ and Kandeveva-Spiridonova¹⁵ both emphasize the need for more job security and better promotion possibilities. An OECD/SIGMA panel of 'management experts' declared that 'foremost consideration must be given to changing negative working environments which can undo the accomplishments of training....this involves addressing the morale, pay systems and prestige of public employees'.¹⁶ Verheijen and Dimitrova also emphasize the need to rebuild mutual respect between civil servants and the public.

We did not ask our respondents for their attitudes to the relatively technical questions about job security and promotion prospects, but we did ask about other non-salary methods of improving officials' working conditions and morale – more pleasant offices, less pressure of work, and more respect from the public. More pleasant working environments won little support from the public anywhere. In Bulgaria the public focus overwhelmingly on higher salaries, but elsewhere about one-fifth emphasized the need for 'more respect from the public'; and in Slovakia and the Czech Republic about one-third emphasized 'less pressure of work'. Higher salaries itself was chosen (in preference to other forms of encouragement) by only a bare majority in Ukraine and by only a minority in Slovakia and the Czech Republic.

Reforms aimed at administrative efficiency

In many central and eastern European countries, experts suggest, government structures and responsibilities are fragmented, overlapping and

¹³ Chavdar Popov, 'Law Drafting in Bulgaria: The Need for Professionally Trained Public Servants', *Public Management Forum*, Vol. III, No. 1, 1997, p. 6.

¹⁴ See for instance Imre Verebelyi, 'Hungary Proposes Strategic Plan to Reform the Public Administration', *Public Management Forum*, Vol. II, No. 5, 1996, p. 3 (published by SIGMA/OECD).

¹⁵ Kandeveva-Spiridonova, p. 10.

¹⁶ SIGMA/OECD Report GD (94) 124, p. 14.

poorly co-ordinated,¹⁷ which not only leads to inefficiency and poor quality administration, but gives scope for unfair treatment¹⁸ – ‘delays’ and ‘abuse of discretion’ as one businessman put it.¹⁹ Some argue for a smaller, simpler, faster and more cost-effective public administration that performs the necessary public tasks with a better qualified and more stable personnel. OECD/SIGMA experts singled out a number of ‘short-term measures’ including the appointment of Ombudsmen to hear complaints²⁰ though a proposal to introduce one in the Czech Republic was voted down in parliament.²¹

Better technical training for officials is another ‘efficiency’ reform. One contributor to the OECD/SIGMA report noted that while ‘newly elected officials at local level are often well-respected professionals in a particular field [they] know nothing of the operations of municipal government and its regulatory responsibilities.’²² Others have complained that officials have ‘little formal education in essential practices such as accounting, managerial techniques, computer programming, record keeping, interpersonal skills, etc.’²³ Verheijen and Dimitrova noted that training facilities have had a tendency to open and close depending on who is in power.²⁴

Our findings show public attitudes towards the effectiveness of various such administrative-efficiency reforms, including better appeal and complaints procedures (which would implicitly include Ombudsmen), less official forms and documents, and better training for officials. Few people objected to such reforms, but support for them as a priority varied sharply. In Ukraine, only 12% in total opted for one of these as the ‘single most effective’ reform, but 20% in Bulgaria, 40% in Slovakia and 44% in the

¹⁷ For a detailed outline of this problem, see Bohdan Krawchenko *Administrative Reform in Ukraine: Setting the Agenda. Discussion Papers, No. 3.* Local Government and Public Service Reform Initiative. (Budapest: CEU/OSI Publications Office, 1997), pp. 8-12.

¹⁸ Kandeva-Spiridonova, p. 10.

¹⁹ SIGMA/OECD Report GD (94) 124, p. 8.

²⁰ These short-term measures included: values in decision making set by governments, the enforcement of provisions of Administrative Procedure Acts, the appointment of an ombudsman to assist in problem solving and also communication between administration and outside interests. SIGMA/OECD Report GD (94) 124, p. 18.

²¹ OMRI Report 26 March 1997.

²² SIGMA/OECD Report GD(94) 124, p. 17.

²³ *Ibid*, p. 16.

²⁴ Verheijen and Dimitrova, p. 14.

Czech Republic. Within this total, support for better complaints procedures was the least variable, but ran at a low level, while support for 'training' and 'less documents' was more variable and reached high levels.

Reforms to strengthen citizens' rights

Citizens rights can be strengthened by issuing guidance both to officials and to citizens themselves. Kandeveva-Spiridonova has called for more attention to be given to ethics in the civil service.²⁵ Verheijen and Dimitrova have suggested that a new code of ethics be introduced and officials required to sign a declaration of conduct.²⁶ *Transparency International* claims that signing specific declarations to honestly apply existing law can have a powerful psychological effect and a strong influence on actual behaviour.²⁷

Increasing citizens' awareness of what rights they can legitimately, even legally, claim can also reinforce citizens' rights.²⁸ In Britain that was the motivation for the *Citizens Charters* introduced by the Thatcher and Major governments and supported by the subsequent Labour government. Verheijen and Dimitrova suggest that 'citizen information seminars' may be useful in Central and Eastern Europe as they have been in Latin America.

Such public awareness campaigns can also usefully set limits to public expectations and thereby improve the image of officials in the eyes of the public.²⁹ A climate of high rates of unemployment, cutbacks in the social welfare system and fast decreasing living standards, could lead to people who really need the help of officials not getting it. But if they can be convinced that this is not the fault of the officials themselves but rather because the officials do not have the necessary resources or responsibilities, then it may be easier for people to accept the situation, and it may prevent them from venting their anger on the officials.

²⁵ Kandeveva-Spiridonova, p. 10.

²⁶ Verheijen and Dimitrova, p.18.

²⁷ Transparency International uses the term 'islands of integrity' when those bidding for, and awarding, a specific public-sector contract sign such a declaration. See Jeremy Pope and Carel Mohn *The Fight Against Corruption: Is the Tide Now Turning? Transparency International Report 1997* (Berlin: Transparency International, 1997) 'Chapter 4. The Islands of Integrity Concept and the TI Integrity Pact' pp.55-8.

²⁸ See for instance Michal Illner 'Workshop on the Decentralization of Governance in Central and Eastern Europe and the CIS' *NISPACEE News*, Vol. IV, No. 4, December 1997, pp. 10-11.

²⁹ See Verheijen and Dimitrova, p. 19.

Although these reforms are widely supported by experts (and seem useful to us), we found a high degree of public skepticism about their effectiveness and some actual opposition, especially to the ‘code of conduct’ proposal. In the Czech Republic where this skepticism was greatest, only 34% thought a ‘code of conduct’ would be ‘very effective’ while 24% thought it would be ‘unnecessary’ or ‘actually harmful’; and a mere 5% chose it as the ‘single most effective’ reform. Attitudes were only marginally more favourable in Slovakia. Support for these reforms was greatest, and opposition to them was lowest, in Ukraine.

Reforms to improve openness and transparency

Experts also emphasize the importance of ‘glasnost’, ‘openness’ and ‘transparency’ in local decision making.³⁰ Procedures for informing the public should be routine, but they should also be flexible enough to accommodate ‘scandals’. It has been suggested that the public be involved in gathering information about abuse or misappropriation of power in official offices.³¹ And it is equally important to ensure that officials who come across scandalous behaviour or inefficient procedures within offices and organizations are encouraged to ‘go public’ without fear of personal consequences – what is often called ‘whistle-blowing’. ‘Whistle-blowing’ has a positive image in Britain where there are moves to give greater protection and encouragement to whistle-blowers, following growing public awareness of too many scandalous ‘cover-ups’ in recent years. But it was also encouraged under the communist regimes of Central and Eastern Europe where the public probably viewed it negatively, as ‘informing’.

Our menu of reforms included the routine: ‘more openness – require officials to explain their actions to citizens and the press’; and also the scandal-oriented: ‘encourage officials to tell the public if they find things that are wrong in their offices’. Here also (although we think these reforms have value), there was a great deal of public skepticism and considerable opposition, especially to scandal-exposing ‘whistle-blowers’, opposition which perhaps reflects the experience of ‘informing’ under communist regimes. In Slovakia and the Czech Republic where skepticism was greatest, only 32 or 33% said that encouraging whistle-blowers would be ‘very effective’ and an unusually large 26% said it would be ‘unnecessary’ or ‘actually harmful’.

³⁰ See Illner, *NISPAcee News*, Vol. IV, No. 4, December 1997, p. 11.

³¹ See Verheijen and Dimitrova, p. 18.

Coercion: controls and penalties

One of the 'four fundamental objectives of reform' listed by Imre Verebelyi, Hungary's Commissioner for Modernization of Public Administration until 1998, was to 'make public administration law-bound; more serious legal consequences, such as sanctions should prevent public officers, citizens and organizations from infringing the law, and internal and external control of public administration should be more regular.'³² Senior government officials in Central and Eastern Europe frequently equate campaigns against corruption with stricter penalties. It is a very natural top-down viewpoint.

But it is also a very widespread public response. We found overwhelming public support everywhere for 'stricter controls and penalties for officials', though much less everywhere for 'stricter penalties for bribe-givers'. In Ukraine for example, 81% thought stricter penalties would be 'very effective' against officials and only 3% thought them 'unnecessary' or 'actually harmful'; but only 40% thought stricter penalties against bribe-givers would be 'very effective' and as many as 26% thought them 'unnecessary' or 'actually harmful'. Fifty one per cent in Ukraine chose 'stricter controls and penalties for officials' as the 'single most effective' reform, while a mere 2% chose 'stricter penalties for bribe-givers'. And when faced with the straight choice between penalizing bribe-givers equally with bribe-takers or more leniently than bribe-takers, only half the Czechs but 80% in Ukraine opted to be more lenient towards bribe-givers.

Experts distinguish sharply between laws and their implementation, especially in communist and post-communist countries: "The bureaucracies in (Central and Eastern Europe) are inherited from authoritarian regimes where the administration existed for the purpose of implementing the directives of a single ruling party which was intertwined and inseparable from the government. The socialist period had a legacy of regarding the law as a formal expression rather than an instrument to accomplish change."³³ In addition communist laws often contradicted each other or were incomplete, leaving officials with scope for interpretation and also causing confusion. Some of the actions of the new regimes, in their eagerness to reject their country's socialist legacy have compounded these problems rather than solved them. There is a 'scarcity of qualified personnel, intense political pressures, lack of accessible and reliable data, insufficient co-

³² Imre Verebelyi, 'Hungary proposes strategic plan to reform the public administration' *Public Management Forum*, Vol. II, No. 5, 1996, p. 3 (published by SIGMA/OECD).

³³ SIGMA/OECD Report GD(94)124, p. 15.

ordination and implementation mechanisms...and [even] where formal law-drafting requirements and co-ordination mechanisms are in place, actual practice lags behind somewhat.³⁴ So the communist tradition hinders both law-enforcement and law-drafting. We found that public opinion was fairly evenly divided between the importance of law-drafting and law-enforcement in all countries except Ukraine, where public opinion came down very strongly in favour of stricter enforcement.

Kandeva-Spiridonova emphasizes the importance of senior officials and politicians setting a good example at the top rather than simply harassing junior officials. Writing about 'top administrative officials' concerned with 'privatization, restitution, land use, licensing etc.' as well as about 'civil servants of the criminal justice system', she claims that 'society expects a higher standard of moral integrity from people empowered to uphold the law and judge their fellow citizens.'³⁵ Conversely, junior officials and the public are likely to regard large-scale corruption at the top as a justification for their own small sins.

On this we found that public opinion was fairly evenly divided in Bulgaria and the Czech Republic but not in Ukraine or Slovakia where over two-thirds emphasized the need for a better example at the top.

People in Ukraine were especially keen on stricter controls and penalties for officials and on stricter law enforcement. But paradoxically they were particularly keen on leniency towards bribe-givers and, at the same time, particularly keen on a better example being set at the top. It was a very hierarchical pattern of attitudes towards responsibility, penalties and leniency: most sympathetic to those at the bottom of the hierarchy of power, most antagonistic to those at the top.

Diagnosis and prescription

Verheijen and Dimitrova quote Huntington's argument that 'democratization can bring corruption in the short term by temporarily weakening the state and loosening social inhibitions...By bringing into question authority in general, democratization can bring confusion about standards of morality in general and promote anti-social behaviour.'³⁶ They conclude that there may

³⁴ Belinda Hopkinson and Anke Freibert, *Public Management Forum*, Vol. III, No. 1, 1997, p. 11 (published by SIGMA/OECD).

³⁵ Kandeva-Spiridonova pp. 10-11.

³⁶ Verheijen and Dimitrova, p. 8.

be few fast working remedies on offer: ‘The problem of changing state institutions simultaneously with redefining statehood and implementing austere economic restructuring programmes based on strict financial discipline may be simply too much to solve.’³⁷ But as we have shown, the public does not believe the problems are insuperable. So what kind of reform programme seems most consistent with public opinion?

At the extremes, we need to contrast public opinion in the Czech Republic with that in Ukraine. The Czech public complains of bureaucratic inefficiency and emphasizes administrative-efficiency reforms – less documents and better training for officials. In that context even the limited degree of emphasis on ‘control’ is a reaction to lazy and unhelpful rather than corrupt officials. Czechs are particularly skeptical about forcing officials to sign ‘codes of conduct’ or encouraging whistle-blowers to inform on their colleagues. The Czech public does not give great emphasis either to stricter penalties nor to higher pay and they would particularly resent paying user-charges to finance higher pay for health care workers. Their focus is on simplifying and streamlining the system and increasing efficiency.

By contrast, the public in Ukraine has stronger criticisms to make about their officials. They have widespread experience of giving, or ‘having to give’, bribes – though, by their own account they are far more willing to give and far more tempted to take bribes than people in the other countries we investigated. That makes the public in Ukraine peculiarly indulgent to bribe-givers but peculiarly antagonistic towards bribe-takers. They emphasize stricter penalties – though only for bribe-takers, definitely not for bribe-givers – far more than the public elsewhere. And they put little emphasis on anything else, except a better example at the top.

In Slovakia people put as much emphasis on administrative efficiency reforms as in the Czech Republic, but they differ from the Czechs in being somewhat more sympathetic to higher salaries for officials (though not at the cost of user-charges in health care) and they are even less inclined to support stricter penalties for officials than people in the Czech Republic.

The Bulgarian public puts a unique emphasis on higher salaries for their officials, less emphasis on administrative efficiency reforms than in Slovakia or the Czech Republic, and less emphasis on stricter penalties than in Ukraine.

³⁷ *Ibid*, p. 11.

Finally the public everywhere, though to varying degrees, accuse their governments of doing less than they might to combat corruption. And nowhere does the public regard international pressure on their government to cut corruption as ‘unacceptable interference’ in their country’s affairs. Only the nationalist minority within Slovakia seems particularly sensitive to the indignity of international pressure. Whatever their historical and cultural traditions – traditions that may well apply more to the bureaucracy itself than to the people anyway – the public do not accept the status quo as permanent, they want reform, and they believe that it can be effective if their government chooses (or is pressured) to make a ‘strong and sincere effort’ to cut corruption.

EMPIRICAL RESEARCH OF POVERTY IN RUSSIAN SOCIETY AND POSSIBLE APPLICATION OF ITS RESULTS IN PUBLIC ADMINISTRATION

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1. The phenomenon of poverty and its research in Russia

Poverty as a social phenomenon has only been studied in Russian sociology since the early 1990s. In the opinion of leading specialists at the Centre for Independent Social Research (Saint-Petersburg), even now there is no in-depth research on poverty, its roots or its scope.¹ And there are reasons for this: in the Soviet period the notion of poverty was not used either in social sciences or in public administration.

What was officially recognized in the Soviet period was the category of “*maloobespechennost*” which was defined in terms of the theory of socialist welfare and distribution. According to N. Rimashevskaya, the term “*maloobespechennost*” had two meanings. Firstly, it was a level of consumption lower than the socially accepted minimum. Secondly, the meaning of the term was used to describe families whose level of consumption was lower than the model of that which was the most widespread. The estimation of the scope of “*maloobespechennost*” in pre-perestroika Russia was based on the indices of minimum, normative, perspective and rational consumption budgets. The minimum budget formed the basis of defining families entitled to social benefits. As far as the public was concerned, poverty was associated with disadvantaged families unable to provide for their own subsistence at the socially accepted level.

The analysis of modern publications on poverty and of the practice of public administration allows us to classify the research of poverty into four categories according to goals, objectives and direction:

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¹ Voronkov V., Fomin E., Typologicheskie kriterii bednosti (Typological criteria of poverty) *Sociologicheskii zhurnal* (Sociological Journal) 1995, N2, p. 57.

- theoretical research: studying Western conceptions of poverty, application of classical sociological theories to explain this phenomenon, and developing own concepts of poverty in Russia;
- empirical research of the standard and quality of life in Russia and social differentiation of the population, as well as the study of poverty as a phenomenon with the aim of determining its dimensions, dynamics and trends and reveal the behavior strategies of different social groups defined as poor;
- applied research of trends in the population's welfare, targeted at trying out theoretical concepts and hypotheses, and developing recommendations for alleviating and overcoming the problem of poverty
- practice-oriented monitoring of Russians' opinions of their living standard and quality of life and their concerns for the purpose of using this information in public administration.

When developing state social policy, social protection laws and relief programs, the Russian system of public administration uses statistical data, including those on household budgets. At present, the main criterion on which decisions on social security provision are made is the index of the subsistence minimum which includes the minimal food basket plus minimal expenditures on clothing and services (transportation, electricity, heating, rent, etc.). These calculations are adjusted in accordance with differences between social demographic groups and regional differences.

Many sociologists are critical of the ability of official statistics to adequately reflect the condition of poverty due to ineffective organization of statistical data combined with the problems of creating a valid system of information concerning household budgets which are caused by difficulties due to the transition period. Alongside that is the practice of using the data for political manipulation, which distorts the real picture of poverty in the country. Therefore, sociological methods of obtaining information are considered more desirable for studying poverty.

Presently, empirical studies of this phenomenon are becoming more popular. They are done by research centers of the Russian Academy of Sciences, different ministries, federal and local governments, universities, and commercial analytical centers. The leading positions among them are occupied by the All-Russian Centre for study of Public Opinion (ACSPo), the Institute of Sociology and the Institute of Socio-Political Research of the Russian Academy of Sciences.

Empirical studies enable us to characterize the conception of poverty in the minds of Russian people, to define this phenomenon and forms of poverty, social grouping of the poor and to estimate the dimensions of poverty and the urgency of the problem. To this end, such indices as socially-determined by the public i.e. subsistence minimum and levels of moderate, acute, and situational poverty are applied. One other result of empirical studies on poverty can be the classification of behavior strategies of the poor. Such information is vital for effective control of social processes.

It should be noted that among Russians, the attitude to poverty as a relative phenomenon is prevalent. The poverty level is associated not so much with the physiological, as with the socially acknowledged minimum. For example, in April of 1997 in St. Petersburg, the minimum subsistence level according to statistics available was 450,000 rubles (\$79), whereas residents of St. Petersburg estimated it at 538,000 rubles (\$94).² Thus, the general level of consumption prevails over the absolute minimum. As recorded by specialists, there has been no substantial change in consumer behavior of the general population although their present income is not enough to cover their normal expenses. In the public conscience, the poor do not form a separate stratum.

Some researchers have identified psychological differences in the perception and evaluation by the population relating to changes in their lives. The poor can be split into two groups. Those in the first group highly value their standard of living but have modest claims and undeveloped requirements. They believe themselves to belong to the middle class but are poor by objective criteria. Those in the second group understate their situation. They are the so-called “new poor” who compare their present conditions with the perceived average Western standard of living or with their previous standard of living. However they now have no opportunity to attain this level.

Describing the different forms of poverty in society, L. Gordon, together with absolute and relative poverty, makes a distinction between the poverty of “the strong” and that of “the weak”. The latter is the traditional social poverty of the disadvantaged which in any society, requires assistance. Poverty of “the strong” is when qualified personnel cannot secure an

² Protasenko T. Kak my zhiviem posle vybora gubernatora (How we live after the election of our governor) Nevskoye Vremya, 28 June, 1997

average standard of living from their work. In other words, poverty of “the strong” can be defined as work-related economic poverty.³

This distinction between work-related and social poverty is important because it relates to goal-setting in social policy. Social poverty requires direct assistance i.e. benefits and aid in-kind. Economic work-related poverty is tackled indirectly by creating conditions to stimulate and develop activity in the work place. In our view, this differentiation of types of poverty is of the utmost importance to develop directions in public administration work with regard to both the disadvantaged and economically active groups of the population. These directions can be tentatively termed as social assistance, social support and social protection.

The social structure of the poor contains both the traditional (families with three or more children, single-parent families, pensioners, the disabled and the unemployed) and non-traditional groups (families of public sector workers with two or more children, those in certain professions where they cannot earn the subsistence rate and families facing financial difficulties due to delays in their regular payment). Most of them are employed people over 28 years of age with a higher or vocational education.

People run the risk of finding themselves in one or another group of the poor as a result of: sickness, low level of professional skills, being ousted from the labor market, low per capita income, excessive number of dependents in the family, individual traits connected to the person's life-style and value orientations e.g. attitude to work, bad habits, deviant behavior.

At present, the different groups of sociologists studying the problem of poverty in Russia give a mixed picture of the extent of poverty in the country, with estimates of the proportion of poor ranging from 50% to 80%. This is due to the fact that different analytical centers and research teams apply different theoretical-methodological approaches.

2. Sociological methods of studying poverty in Russia

Quantitative methods for studying poverty such as telephone surveys, questionnaires, and standardized interviews are currently the most widely used techniques in Russia. Researchers are increasingly using qualitative

³ Gordon L. Chetyre roda bednosti v sovremennoi Rossii (Four types of poverty in modern Russia), *Sociologicheski zhurnal* (Sociological Journal) 1994, N4, p.25.

methods: participant observation, narrative interviews, diaries and case studies, etc. However, these methods so far, have been mainly used to study certain aspects of everyday life which are closely related to poverty.

Diversification and expansion of research approaches enables them to enrich the data base used to study poverty and administrative decision-making. However, being based on different methodologies, the diverse research practices result in a clash between quantitative and qualitative methods.

The problem of opposition between the two methods takes on a more general character. In the last three to four years it has become especially topical, with qualitative methods finding broader application. Discussions on this problem have resulted in four approaches to tackle the problem. The first is based on consistent application of quantitative methods only; followers of the second approach exclusively use qualitative methods. The third approach in this discussion is that of those who profess methodological pluralism, maintaining that these approaches are mutually complementary. Finally, the fourth group rejects the very existence of the problem, considering this discussion to be purely scholastic.

The opposition between quantitative and qualitative approaches has both economic and gnoseological roots. Mass surveys are costly and only large research centers can afford them. That is why they favor quantitative methods, having sufficient material, financial resources, and well-trained personnel in this domain. They view the qualitative approach as supplementary. Small analytical groups prefer qualitative methods as opposed to mass surveys.

To study the phenomenon of poverty, representatives of the phenomenological school in sociology use participant observation and narrative interviews. According to them the main advantage of these methods is that they enable the researcher to become immersed in the environment of the people studied, see the world with their eyes, understand their language, perceptions, emotions and thus interpret their behavior, attitudes and relations with sufficient objectivity.

Whereas quantitative methods, according to them, cannot adequately present social reality. Their argument is that standard surveys cannot capture specific features of respondents' mentality as they tend to adjust their answers to the accepted moral norms in their society. Also, in formal questionnaire surveys, the researcher places the respondents into the pre-defined framework, thus leading the interviewees to the desired outcome.

Moreover, mass surveys are not capable of disclosing specific features of individual behavior because they study it, not directly, but by looking into the respondent's intentions and expectations. However it is known that there is no direct correlation between intentions and behavior.

Those sociologists who use predominantly quantitative methods in their study of the phenomenon of poverty are convinced that systematic application of these methods enables them to give an unbiased description of the condition of poverty, to adequately estimate its dimensions, causes, dynamics, and regular trends in the living standard and quality of life of the poor. It also allows for inference of the opinions, beliefs and evaluation of their life by the respondents. The closed character of the pre-determined set of questions dictated by the specific nature of this type of investigation, enables us to discover common attributes in various social processes through the functioning of the law of large numbers. For example, deviation of the average per capita income for a certain socio-professional or socio-demographic group from the statistical average or modal income level allows us to draw a conclusion about this group's poverty. But it is important that the methodological tools that are used should be developed and applied at a high professional level, and only in this case can we speak about adequate reflection of processes going on in this or that sphere of life. The same applies to the use of qualitative methods.

It is our view that in the argument about application of either qualitative or quantitative methods gnoseological contradictions should not occupy the central position. They have always existed and will continue to do so. The final decision on the method of research depends on its main goal, financial conditions, and level of professionalism of the research team.

If the empirical study of poverty is carried out, for example, to measure its scope, the ratios of high, middle or low-income families for the purpose of determining if, and to what extent, it affects stability in the given society, and if there is a need for the government intervention in the process in the form of macro-level welfare programs, then undoubtedly preference should be given to quantitative methods based on mass surveys. But if the goal of research is to investigate a specific social setting, in a certain administrative region, in order to attain a better understanding of the social environment and to bring administrative decision-making closer to the real needs of the local community, then qualitative methods, case studies in particular, are more desirable.

It should be pointed out here that the research strategy of case studies is not in the tradition of Russian sociological science. It is known to have been applied for the purpose of studying industrial production relations and administrative processes in certain plants in Moscow, Kuzbass, Samara and the Republic of Komi. However, this so far underutilized technique has a powerful potential to serve the needs of public management. Its major advantage is that by studying in detail one or several cases, it can disclose deep undercurrents and latent processes in the given social environment, often hardly visible, and also provide valuable insight into the hidden mechanism of social interaction. This method, which by definition channels research towards concrete things rather than concepts, enables a better understanding of social reality and the uniqueness of each object, but allows, at the same time, to find common features and make generalizations.⁴

One of the methodological problems with the technique of case studies is the substantiated choice of the actual case to be studied. With research on poverty it can be the example of situational poverty caused by delays in wages being paid or by an increased load in family responsibilities of its working members when, for example, a young mother stays at home to look after her baby. However, the problem of selecting the object and substantiating the selection arises only when there is a need to draw generalizations on the basis of the case.⁵

One way to provide validity of the information obtained through a case study is the application of the principle of triangulation.⁶ The essence of it is that each situation and each fact is observed and recorded by several researchers. Apart from that, each specific situation can be studied in different ways - often by combining observation, interviews and analysis of documents. If there is no opportunity for combining methods, and, for example, we can only carry out interviews, it is desirable to diversify the sources of information by interviewing different groups of respondents (the poor themselves, social workers, charities, members of legislative bodies, police, etc.). The important aspect of triangulation is its organization in time, i.e. the observation process must cover a substantial period of time, making it possible to return to previous observations and to interpret them in the light of new facts.

⁴ Kozina I. Case study: Nekotorye metodicheskiye problemy (Case study: some methodological problems)// Rubezh. 1997, N 10-11, p.177.

⁵ Ibid., p.178.

⁶ Ibid, pp.178-179

3. Possibilities of using empirical research of poverty in public administration

The variety of research methods for studying poverty provides conditions for greater flexibility in administrative decision-making. Such studies provide public managers with diverse data making for more informed decisions. Moreover, if carried out on a regular basis, empirical research itself becomes one of the ways of active intervention in the course of events with the aim of overcoming deviations of social phenomena from the norm and to provide stable social development.

This becomes of particular importance today, when the process of administration is complicated by a dramatic increase in the intensity of social processes, the appearance of qualitatively new conditions, new strategies and new problems. On account of this, the practice of administration has come to require more than the traditional channels of information - statistical data, documents, certificates, letters from the public, speeches and presentations at conferences, meetings and rallies. But since such information as letters, written claims, speeches and the like, is random, irregular, and unstructured in terms of time, this fact reduces its value for forecasting future situations and choosing respective preventive measures. This information has yet another disadvantage - it cannot reflect a problem situation adequately because the amount of information received or the extent of its sources may be too small.⁷ Also, the providers of such information are generally people who take an active stand in life and despite their self-perception of their own situation, do not necessarily belong to the poor. That is why modern practice of administrative work requires more reliable sources of information which would not only contain the objective description of people's situations but also their opinions and evaluation of it and the requirements and needs of different social groups.

Public administration agencies in Russia experience this need for valid, up-to-date and quality information and either form centers for monitoring public opinion on the most important social processes, or commission sociological research in specific areas, using the data obtained as a basis for their budgetary decisions, social security programs and other more specific kinds of aid to the poor.

However, a fairly high potential of empirical research for the provision of information and social accommodation of public management does not

⁷ *Operativnye sotsiologicheskiye issledovaniya* (Operational Sociological Research) Rotman D.G., Burova S.N., Veremeyeva N.P. et al. Minsk, 1997, p.5

always find its practical application. Thus, a sociologist from St. Petersburg, T. Protasenko, writes that although there are regular surveys studying different aspects of life and attitudes of the public to ongoing changes in their environment and their results are brought to the attention of the authorities, they (these authorities) more often than not hush them up. She refers to the results of the survey conducted by the Independent Analytical Center in October, 1997, according to which more than half of St. Petersburg residents consider that the city's governor and his administration ignore the opinion of its population in their decision-making. However, the governor himself claims that the results of this center do not adequately reflect the real situation. Sociologists, in their turn, are determined to proceed with their work inspired by the fact that the government of St. Petersburg has declared an open policy. This policy is based on the dialogue between the authorities and the public, which requires taking into account the opinion of citizens in general and representatives of various social groups on important issues of local life. In this regard, the Legislative Assembly of the city intends to pass a law obliging the city administration to respond to public opinion in taking decisions on concrete issues.⁸

There arises the question of the reasons why the results of potentially very useful empirical studies remain unclaimed. The fact is that there are objective limitations to making administrative decisions directly on the basis of empirical research on the part of both the sociological and administrative bodies.

As for empirical research of poverty, the principal difficulty in using its results is connected to the diversity of theoretical methodological approaches and practices because it is impossible to consider one or the other model as the only true one. Public managers have a hard choice to make when looking for the most reliable data. It is often the case that sociologists merely describe the situation of the poor and, if they suggest any recommendations, these are mainly of a general nature and are not readily applicable in public administration. Another complication is the commercialization of sociological studies and appearance of private research centers which, competing for commissions, may disregard the requirements of the quality and validity of research. This arouses mistrust on the part of public managers toward sociologists' findings.

⁸ Protasenko T. Mneniye ob obshchestvennom mnenii (Opinion of public opinion), *Neuskoye Vremya*, 1997, October 30.

In the area of administrative decision-making, on the other hand, results of surveys cannot be applied because its standard operating procedures are not supposed to take into account sociological information. For example, the procedure of paying benefits to the needy is based on the criterion of the minimum subsistence. The main source of information on the benefit recipient is documentation attesting to the composition of the recipient's family and the income of each member in accordance with their residence registration. Such rigid procedure precludes the need for special studies. However, the actual financial situation of the family is left out. Besides, public managers are often unprepared to regard opinion polls' results in their decision-making process. This can also be accounted for by the predominance in the attitudes of Russian public administrators of a technocratic approach and absence of sociological vision.

There are also other limitations. Public managers are often guided in their work by their own personal interest - to save time and effort while formally observing the necessary requirements. This precludes comprehensive analysis of the situation and clashes with the interests of sociologists as representatives of a professional community, as well as with the interests of the public as the object of administration.

In our opinion, the problem of incorporating the results of empirical research of poverty in the practice of public management can be tackled in the following ways:

1. In spite of the fact that there are different methodological approaches and practices, empirical research on poverty should follow certain requirements dictated by the practice of public administration. These include: the timeliness of research in terms of promptness of response to the changes in the life of Russian people and supplying customers with the results obtained, adequate reflection of the situation, regard to specific conditions, and the specific character of the final conclusions.
2. It is important to provide for the transparency of empirical research results and their accessibility to the public. People should know what studies are conducted with regard to their lives and what the sociologists' recommendations are, together with the reaction of public managers to them. In accordance with the declared open policy course, there is a weekly television program in St. Petersburg, in which not only public officials, but also sociologists and analysts appear, which at least makes the most important results of sociological research available to the public.

3. In order to guarantee high quality research work it is desirable to present the results obtained to the customer in the form of discussion in which experts in the given field should take part. One other way to ensure the quality of research and to make certain that it has been carried out at an adequate professional level, is publication of the materials in the mass media and presentations at scientific conferences and practitioners' seminars.
4. For the results of empirical research to serve the needs of public administration more effectively, it appears essential that respective technologies of administrative work should be developed, with empirical sociological studies as an integral part of this work and that sociologists should be involved in the work of groups developing decisions on the most acute and vitally important issues. As an example of such a group, the working team of specialists formed on the initiative of Vice-Governor V. Sherbakov can be cited. Together with other experts/analysts, it includes sociologists and deals with developing the mechanism of targeted social aid to residents of St. Petersburg.
5. There is an urgent need to create a united integral data base of results of empirical studies funded from the budget. This will enable both public managers and sociologists to have access to accumulated and structured information. Such a data base might also serve as a basis for the creation of a central information bureau whose main function would be to accumulate information both on the poor and charity organizations.
6. An important task is to work with public managers on developing a sociological mindset, the desire and ability to understand their social environment and to respond to it effectively. This could be realized by means of including sociological courses in the existing training programs combining courses in various aspects of sociology and public management.

On the whole, the application of empirical research results in the practice of public administration is possible only if there is interaction between elected politicians, public administrators and the sociological community.

Section 5
Public Administration
Reform

PUBLIC ADMINISTRATION REFORM: INTRODUCTION

Tony Verbeijen and Grazyna Kacprowicz***

This paper provides an introduction to a selected group of papers on aspects of public administration reform, as presented during the NISPAcee Annual Conference in Prague. It also highlights the main issues discussed during two days of rich debate. Unfortunately, only a limited number of papers could be included in the conference proceedings. However, in our view the papers we have included provide an adequate representation of the issues discussed in the Working Group.

The Working Group on Public Administration Reform brought together a large number of participants, with varying interests. Twelve papers were submitted, five of which addressed Public Administration Reform in a given state, covering a range of aspects and seven of which dealt with specific aspects of Public Administration Reform, combining theoretical and comparative introductions with case studies on specific states. Of these seven papers, five dealt with the Politics-Administration dichotomy and two with Training. In this section of the proceedings, two papers deal with case studies on administrative reform (Ordian and Tumanian on Armenia and Perlin on Local Government in the Czech Republic); three papers address issues related to the Politics-Administration Dichotomy (a mostly theoretical paper with a case study on Yugoslavia by Sevic and Rabrenovic, a case study on local government by Puscasu and a case study on Russia by Kotchegura) and two focus on training (Georgiev on Bulgaria and Vidlakova on the Czech Republic).

The submission of a large number of papers on a broad range of issues created the need to structure the discussion around a limited number of key themes, four of which were selected:

- Developments in public administration reform, with the emphasis on civil service development
- Training and training strategies
- Politics and Public Administration
- Europeanisation and Globalisation

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The first three themes were derived directly from the papers submitted. The fourth theme was selected to try to stimulate discussion on this topic. So far, little attention has been devoted at NISPAcee conferences to the impact of Europeanisation and Globalisation on emerging systems of public administration, whereas this is generally recognized as a crucial issue for the emerging administrative systems in Central and Eastern Europe.

1. Developments in public administration reform, in particular civil service development.

Two papers have been included which address more general issues of public administration reform. The paper by Ordian and Tumanian gives a comprehensive overview of developments in public administration in Armenia, which is a relatively unknown area. The paper by Perlin addresses issues on local government reform in the Czech Republic. Other papers presented to the conference analyzed progress in public administration development in Estonia and Lithuania. Finally, a second paper on Estonia (Saulep) addressed the developing patterns of interaction between the administration and society in this state.

The discussion on public administration reform focused mainly on the emerging civil service systems in Central and Eastern Europe. The classical dichotomy between career systems and employment systems, the timing of the introduction of civil service legislation, its contents and ways to overcome resistance to change, were the main themes in the discussion. There were significant differences in opinion on the merits and disadvantages of career and employment systems, and whether there is an intermediate solution between these two extremes. The tendency to focus on this type of issue is understandable, considering developments 'in the field'. The re-opening of the debate on the civil service laws in Latvia and Lithuania and the moves by the new governments in Poland and Hungary to 're-interpret' civil service laws, illustrate that the debate on civil service laws and the degree of their importance is by no means irrelevant. The second issue debated was the extent to which EU accession criteria can, and should, influence the timing of the introduction of civil service legislation. This is a question which is of great importance to the emerging civil service systems in Central and Eastern Europe (arguably even to those in non-candidate states).

2. Training and training strategies

Even though only two of the papers submitted focused exclusively on training, the relevance and management of training for the development of new administrative systems in Central and Eastern Europe was at least a minor theme in almost all papers submitted. Training of civil servants, or more broadly, public sector employees, was discussed in two main contexts, one of which was the aspects of de-politicization of public administration (Sevic and Rabrenovic; Kotchegura) and the other which was the response to the question “how can the State guarantee for itself a professional administration apparatus?” (Georgiev; Vidlakova).

A substantial amount of time was devoted to the discussion of three main issues regarding training:

- The need for training strategies
- What type of institution should be responsible for needs analysis
- What type of institution should deliver training

The general feeling expressed, both in the papers submitted and in the ensuing discussions, was one of disappointment. There have been few, if any, examples of ‘good practice’ in Central and Eastern Europe of how to incorporate training in the development of new administrative systems. Obviously a large amount of training is organized and carried out. But little of this training is based on needs analysis and most of it is one-off, little of it structural. This is an almost universal problem in Central and Eastern Europe. Participants felt that the universal character of the problems relating to the development of training systems is a consequence of a combination of the legacy of communism and the often contradictory influence of different ‘donor systems’ (e.g. French and German) on the development of a training system in individual states.

The System transformations in Central and Eastern Europe have caused the emergence of numerous new phenomena and processes which public administrations have had to face. These new issues include the restructuring of national economy, privatization, the creation of free markets for goods and capital, unemployment, poverty and local self-governance. These changes require a response by highly qualified public administration employees. However, many public administration employees are accustomed to working under conditions of a centralized economy and are not ready to operate in the new realities.

Many officials fear these changes and challenges. These fears have led to officials adopting an attitude of passivity. This attitude, caused by fear, is often interpreted as an attitude of resistance, even sabotage. The inability of civil servants to fulfill their new roles is a significant impediment to the functioning of democratic institutions. At the same time, neither the 'hire and fire' practice of the initial years of the transition, nor the consolidation of the existing administration, with the hope that the problem will 'go away' gradually, as a result of 'natural replacement', present a solution to this problem.

The inadequacy of the current administrations is enhanced by the lack of a professional training and improvement system for public administration employees. The improvement of professional qualifications of public administration employees does not match the current needs and has failed to keep the pace of political, economic and social changes. This is valid for all Central and Eastern European States.

At the same time, the period of transition has been marked by a lack of willingness amongst politicians to invest in the development of a professional civil service. Instead, short-term economic considerations prevail, leading to cost-cutting and redundancies rather than recruitment and development.

With regard to training, the above situation has created an imbalance. There has been a spontaneous development of the supply side of training. A variety of institutions have started to offer training programmes in Public Administration. State-owned public administration schools comprise only a fraction of this number. These institutions generally limit themselves to preparing senior public administration personnel (Armenia, Georgia, Poland). A large majority of institutions providing training are private schools offering education for tuition fees. Public Administration programmes at State-owned universities are generally offered as programmes delivered by individual lecturers-authors and not as the implementation of a programme commissioned by the Government.

The above phenomenon confirms the fact that young people, preparing to enter the labour market, consider education in this field to be a good investment. This attitude is so prevalent that they are willing to pay a considerable tuition fee in comparison to an average salary for such education. They may perceive this particular labour market to be an area offering new jobs with interesting prospects or the experience gathered during such work as useful and of universal character, i.e. beneficial in other professional fields.

The exchange of experiences and information delivered to the conference, suggests that private schools and universities currently do not educate public administration employees. The Rector of a Public Administration School (three-year vocational school for high-school graduates), the longest existing private institution of this type in Poland, declared that 70% of their graduates are employed mainly by self-government administration and special Government administrations. The problem of absorbing graduates from specialist administration faculties will be of special importance in the future.

The education of new public servants in specialist higher education institutions is only a part of the difficult and partially resolved problems associated with training public servants since it applies to a considerably higher number of persons, employed at all levels of the administration hierarchy. Despite the general development of training services noted in all areas, the training available is of a fragmented character. These observations apply to both the private and public levels. In this context, the thesis presented in the paper by Georgiev is of particular importance. Georgiev argues that a strategy for the creation and development of sustainable training programmes should constitute an essential element of any administrative reform programme. The results of empirical research conducted in Bulgaria confirm the above picture of a supply-side led, fragmented training 'system'. What is required instead, is the development of a training system based on the continuous analysis of training needs, embedded in an organizational structure. Such structures are now practically non-existent, both at individual public administration institutions (Governmental and self-governmental) and at a national level.

In their future work, institutions affiliated to NISPACEE should concentrate on a systematic analysis and classification of experiences in civil service training, which should lead to the development of guidelines for the organization of training systems, based on good practices applied by different States. Such guidelines may be helpful to Governments in the development of complex training programmes and the evaluation of programmes already under implementation. They could also serve as a starting point for the elaboration of recommendations for change in current practices.

3. Politics and Public Administration

The design of new systems of politico-administrative relations in the countries of Central and Eastern Europe has been one of the focal points of attention in the overall process of administrative development in the

region. This is largely due to the fact that few central and eastern European states have as yet succeeded in developing a working system of politico-administrative relations. The effects of this failure are known all too well: increased politicization and permanent instability at the top levels of administration, leading to a lack of continuity in policy development and eventually to the sub-optimal political decisions which have, in many states, been blamed for the lack of progress in economic reform. The papers submitted by Sevic and Rabrenovic and Kotchegura, provide a bleak picture of the seemingly insoluble problems in politico-administrative relations in three states. Examples from other states, brought up during the discussion, provided more proof of the general difficulties in this area. It is safe to conclude that the re-design of politico-administrative relations stands out as the main area of consistent failure in public administration development in Central and Eastern European states. Whereas in most other areas of civil service reform, at least some states can report successes, there is no case of a fully successful re-design of politico-administrative relations, at least at central government level.

The less researched area of politico-administrative relations at local government level might provide more positive examples in this respect. The paper by Puscasu may not provide much reason for optimism. However, other participants provided examples of the more positive experience of co-operation between politics and administration at local level (e.g. in the Czech Republic).

4. Europeanisation and Globalisation

The fourth subject discussed in the working group was Globalisation and Europeanisation and their effect on administrative reform. Even though a number of CIS states were represented in the working group, the discussion on this issue was effectively limited to a rather superficial discussion on the implications of EU membership. The limited number of contributions from participants on this issue, in comparison to the lively debate on other issues for example, provides an illustration that Europeanisation remains a relatively neglected issue amongst the PA academic community. The sensitization of academics to the importance of this topic might be an important task for NISPACE.

5. Towards a research agenda?

The papers submitted to the working groups and the discussions during two days of debate, illustrate the increasing specialization on aspects of

public administration development by NISPAcee members. General overview papers on public administration reform and development in individual states, no longer attract the interest of participants. Even though papers on less well-known cases might still be of value, they can no longer play an effective role in stimulating academic debate.

The specialized papers submitted to the Working Group were generally of a good academic level. However, due to their specialized nature, they were less suitable for discussion in a large plenary session. The work carried out in the sub-groups on training and politico-administrative relations was more in-depth and more effective. Both groups managed to set a research agenda for the following year. The next conference will show whether this more structured approach to NISPAcee research work can produce good results. It might be useful in the future to develop a similar approach to other aspects of public administration development, such as the question of the impact of Europeanisation. By fostering more in-depth research work on some of the main questions of public administration development in Central and Eastern Europe, NISPAcee could meet the dual objective of stimulating the academic debate on crucial issues in public administration and of providing fresh input to governments trying to cope with complex questions of the organization and management of public administration.

SOCIAL ASPECTS OF THE ADMINISTRATIVE REFORM IN BULGARIA

*Ludmil Georgiev**

The temperament of each individual, his mental capacity, driving force and the requirements and impacts of the environment create exciting opportunities for the personal preferences and pave the way for the unique moment of *CHOICE* ...

This report is based on the link between economic, social and administrative reform. It is devoted to the speed and the approaches in the implementation of administrative reform and to its possibilities to neutralize certain negative trends in the social sphere brought about by economic restructuring.

The report purports to give answers to the following questions:

- To what extent does administrative reform give rise to social anxiety and to what extent is the new order an opportunity for change?
- Which are the opposing (concerned) parties in the reform process and on which points do their social interests concur?
- Where might we take the wrong directions and make the wrong decisions and how can this be avoided?
- Do the social partners recognize what their real needs and wishes are concerning administrative reform and how can they be accomplished?

Introduction to the Problem

During the totalitarian period, under the conditions of a political and information circumscription and economic stagnation, human aspirations were reflected in the modest guidelines “I do by obeying ...” and “I do without trying to understand ...”. Compulsion created alienation from labour and the results were dissatisfaction with the existing limits for physical and intellectual activity and a feeling of discontent. The task of the education system was to ensure the minimum knowledge necessary in order to maintain “order”. Access to knowledge was replaced with access to a precisely defined and permitted knowledge. Knowledge which prepared good executors was permitted. The knowledge which developed the qualities

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of a manager was transformed into a privilege. The very fact that public administration was missing from the educational domain in the totalitarian system is persuasive evidence to support this conclusion.

“Enlightenment” as a feature of the post-cataclysmic period has lasted too long (7 years) in Bulgaria, without turning into a revival or into a means for a sustainable development. Its new slogan is: “I understand, I choose, I can”.

A clear vision of the role of the administrator at the various administrative levels is something that any reforming community should constantly discuss and keep track of.

Parallel with administrative reform, in 1997, public administration became a compulsory subject in the State register of subjects studied at higher education institutions. This resulted in conflicts of interests and efforts to affiliate the new subject to the economic, legal, political, historical, social and psychological sciences.

This culminated in the transfer of the subject from the “Law” section to the “Governance” section and finally to the “Social Sciences” section of the register. The struggle for affiliation continues, since it is affiliation which makes it possible for a subject to be developed in certain universities and to be financed by the State. Once accepted as a priority in Bulgarian politics, public administration should also be declared a priority for our system of education, while mobilizing the still scarce human resources in that area to support the administrative reform. The interdisciplinary character of the subject makes it possible for specialists from other areas, who are currently on the labour market, to be retrained and become a valuable resource in the public sector.

The Reform

The economic reform in Bulgaria over the past seven years could be defined as a reform aimed at reducing production and reinforcing the limitation of consumption. The natural implication of such a policy is a rise in unemployment since the active privatization of State-owned enterprises only began in 1997, a delay of 8 years. Expectations of better remuneration following a change in ownership is combined with the fear of redundancies and that fear is enhanced by political dismissals accompanying every change of Government. This has resulted in attracting civil servants to better wages in the private economic sector. In fact, three problems in

connection with the improvement of the skills of administrative officials are:

- retraining or training officials who continue to occupy their positions and satisfy all requirements of their employer;
- replacing unqualified officials who refuse to adapt to the requirements imposed by the new conditions;
- replacing those who are not considered loyal for political reasons, notwithstanding their experience and their qualities as administrative servants.

The underlying question is whether State institutions are aware of all requirements, *e.g.* what specialists are required for each workplace in terms of age and, hence, whether that position should be given to a retrained middle-aged (or above middle-aged) specialist, or be kept for a young person with a degree in public administration. The number of people who have successfully gone through training and retraining courses is considered to be an indicator of the efficiency of those activities (all other conditions being equal). That number grew by 46.2% in 1992-1993, whereas in 1994 it decreased by 10.2% compared to 1993. The same trend of a weak, though sustainable, decrease lasted until 1997. For both periods, the relative share of unemployed trainees whose education was secondary, general, primary or lower was the lowest. Unemployed people with secondary and higher education were those most interested in such courses. The training and re-training programmes with an economic orientation prevailed. At the same time, we should point out that up until now, the State has failed to stimulate the setting up of schools and the development of programmes for training in public administration with the unemployment services or with existing universities and colleges. Likewise, the State has not sought advice or educational services from existing schools and programmes under the pretext that the legislative framework and the strategy of public administration are in the process of being drafted.

Accelerated privatization pushed companies into economising. They began using one employee to carry out multi-functions, with no regard to the job descriptions drafted in advance. Even where job descriptions existed, better pay stifled any complaints. Thus, in 1994 unemployment soared and Bulgaria had the highest unemployment in central and eastern European countries with 12.7%, compared to 3.5% in the Czech Republic, 12.0% in Hungary and Romania, and 3% in Russia. These figures were still valid in 1997.

The lack of work activated the opposition movements who concentrated their attention on social problems. That pressure “forced” every new Government coming into power to increase the amount of unemployment benefits, thus eliminating the effect of economies from redundancies in the public sector. The result was that the wages economized from redundant administrative officials were spent on benefits for the same people after they were registered as unemployed.

These factors, coupled with the delay in passing legislation relating to public administration, the closing of reform to a small circle of people for whom it is a relatively new sphere, and the reinforced elements of political cleansing in the existing legislation had an additional impact on the selection of officials for the new State administration.

At the national level of government, the term “state administration” does not appear to be perceived as being a part of the concept “public administration”. This gives rise to the temptation to give preference to those occupations with State activities which carry a prestigious social status and influence, in contrast to those public activities which require self-sacrifice and where social recognition comes much later. The inefficiency of this preference has been tested in the transitional and relatively democratic practice during the past 8 years. Thus, the danger exists that the old style remains whereby the administration was perceived as a body which traditionally moved away from the people’s interests and directly served political goals. At the same time, considerable attention is being paid to corruption and management ethics which are being discussed as a phenomena directly affecting the work of those in power and undermining the social and international prestige of the Government. The commitment of politicians and the Executive to those problems is praiseworthy and their efforts would be completely adequate if they were combined with a more active involvement of the civil forms of government in the structures of power where a great many unemployed specialists with higher education could be oriented. Those structures might be partly funded (logistic support, rents, etc.) through money collected from sanctions imposed for tax violations or for various other administrative offences.

The first draft of the Strategy for Building-up a Modern Structure of the System of State Authorities in the Republic of Bulgaria (p. 3) stipulates: “The provision of human resources for the administration is defined as an extremely important and indispensable aspect of administrative reform. The programme takes into consideration the fact that work in the State

administration at present is not particularly prestigious - in terms of both income and social status.”

The redistribution of income and the enlarged opportunities to obtain a university degree in the paid form of education, brought to the universities those who would not normally sit the entrance exams since they would be unable to meet the stringent requirements for admission. The desire of those people to have a degree, coupled with their subsequent estrangement from the area for which they received a diploma, gives rise to certain disproportions between education and employment in administration. At the same time, the number of unemployed engineers, historians and linguists (except those speaking Western languages) is growing. Their reorientation towards the sphere of public administration would be a means to raise the level of education and training within the reforming administration.

As regards the “supply” of jobs, it is twice as high for those with no speciality. Despite an increase in vacancies for specialists with higher education, their relative share in the general infrastructure dropped from 22.1% in 1993 to 18.8% in 1994 and reached a level of 16.8% in 1996.

In 1997 there was a 10% reduction in the number of officials employed in the State administration, reducing their total number to 25,000. Those redundancies were dictated by the need to reduce expenditure in that area and in fact anticipated the requirements of the Law on the Organization of State Administration and the positions and educational requirements posed thereby (the law will come into effect in January 1999). The implementation of the law, when it comes into force, will necessitate more lay-offs on a large scale but, these will be better planned. Leaving aside the political cleansing requirements, which are being disputed by the President of the Republic and, to some extent, by the Prime Minister with the argument that they are too late, the draft law contains mainly objective criteria and requirements for taking a position at the different levels of State administration. The regulation on the application of that law must provide opportunities for those who would like to take a position to satisfy the requirements prescribed therein. Afterwards, a systematic and objective examination procedure should take place in order to establish the degree of compatibility between the conditions laid down by the law and the ability of the person currently holding that position.

At the same time, the qualitative requirements of those employed in a new public administration present the opportunity to provide new or

additional qualifications in the field of public administration for those with specialized, secondary specialized and higher education, so that they can participate in the successful implementation of administrative reform.

The problem of training and retraining civil servants brings us to the issue of the specific needs for knowledge amongst employees at different levels and ministries.

The emerging problem, for reorientating unemployed specialists with secondary and higher education from the non-administrative to the administrative spheres, raises the question of the knowledge and skills required for carrying out their new responsibilities.

These issues call for the elaboration of a procedure for studying the needs and establishing a sustainable organization which will satisfy those requirements.

THE POLITICAL REGIME AND THE CIVIL SERVICE IN PRESENT DAY RUSSIA: THE ESSENCE OF THE RELATIONSHIP AND ITS POSSIBLE IMPLICATIONS

*Alexander Kotchegura**

“Plus ça change plus c'est la même chose”

A French saying

The late eighties and early nineties saw unprecedented changes in the political and economic system of the former Soviet Union, its subsequent dissolution and transfer of its legacy to Russia. The main objective of this paper is to examine whether the above mentioned transformation has changed the essence of the relationship between the political elite and the state bureaucracy - the kind of relationship that existed in Russia for centuries, which began in the days of the Monarchy and increased during the Soviet period and to try to foresee the possible evolution of these relationships in the near future.

Readers should be reminded that in Russia, even during the times of absolute monarchy, the tsars and emperors had certain limits to their power imposed indirectly by the feudal aristocracy and nobility, whose representatives made up the bulk of the state apparatus. It is interesting that Peter the Great (1682-1725), who in his reform efforts, virtually turned Russia upside down, complained that he had failed to get regular and honest accounts of expenses from his collegia (ministries) and governors. Nikolas I (1825-1855) once admitted that it was not the Emperor, but 30,000 bureaucrats who ruled Russia. Equally, the Communist party General Secretaries and Members of the Politburo were fully aware of the “basic rule” of “nomenklatura”. Ignoring this rule meant the end of a career (for example N. Khrushchev). Very few leaders, for example J. Stalin, could effectively resist such dependence by means of extreme terror.

On the other hand, traditionally, the state bureaucracy in Russia regarded itself as a body, serving above all, the interests of the ruling elite, which in most cases was formed by the bureaucracy. Such service very often extended to the total subordination of the administrative apparatus to the political authority. Naturally, the interests of citizens and of the people counted for little within this framework.

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The essence of this relationship was accurately defined by W.A. Niskanen¹ (although he was not referring specifically to Russia), when he said that the power relations between bureaucrats and top politicians were a “bilateral monopoly”. However, in practice, the bureaucrats in his opinion, normally succeed in achieving their own objectives. It is widely argued that the only, more or less effective way to combat a monopoly, including that in bureaucracy, lies in the development of democratic procedures and institutions promoting, in particular, a system of checks and balances, the rule of law, greater accountability, neutrality and transparency.

The creation of fundamental pillars of a democratic society in Russia e.g. the adoption of the new Constitution, the Presidential and Parliamentary elections, the setting up of the Constitutional Court and the removal of restrictions to freedom of the press etc., contributed to the beginning of positive developments in the area of public management. These included the formation of the Civil Service (which as such, did not exist in the Soviet Union and the notion of which was generally known only to a small group of specialists), the adoption of the basic regulatory framework (e.g. the Law on the Basic Principles of the Civil Service), the streamlining of existing and formation of new organizational structures (e.g. reduction in the number of ministries) and the introduction of certain elements of Parliamentary control of public administration.

These developments potentially cleared the way for the establishment of a new role and mission of the state and government administration in Russia, meeting the requirements of a democratic form of governance, oriented towards citizens and society, whose activities, responsibility and authority, including relations with the political leadership, are governed by transparent laws and rules.

Since the civil service in any country, functions as a rule, in a highly political context², the character, contents and scope of its relationship with the political elite are determined, to a large extent, by the nature of the political regime existing *de facto* in a particular country. Hence it is essential to consider (at least briefly) what kind of political regime has developed in Russia over the last 6-7 years.

¹ Niskanen, W.A., *Bureaucracy and Representative Government*, Chicago 1971

² “From virtually any perspective the environment in which civil servants function is highly politicized” W.P. Hojnacki, “Politicization as a Civil Service Dilemma” *Civil Service Systems in Comparative Perspective*, Indiana University Press, 1996

It is widely acknowledged that the Constitution of the Russian Federation adopted in December 1993, soon after the «war» of the President with the Parliament, gave the President virtually unlimited powers. Since that time, the role of Parliament and of the Constitutional court has been steadily declining. In 1993, Members of Parliament made up approximately 40% of the list of Russia's most influential politicians. By 1996, this percentage had fallen to a regrettably low level of 12%, whereas the proportion of the representatives of the executive had risen to 60%.³

The Russian party system has not yet developed and serves rather to accommodate the interests of various lobbies. The rule of law has been declared but its frequent abuse, in particular by top politicians and officials, undermines the practical value of such a declaration. Furthermore, leaders in post-communist Russia proved that they would not deem themselves bound by constitutional provisions that they found inconvenient or that they disliked. Arbitrary postponement of the Presidential elections to June 1996, as well as large-scale financial machinations during these election campaigns may serve as only one of many examples.

The weakness of the Russian democratic institutions is reflected in the unresolved discord regarding the balance of power amongst the three basic institutions of state authority: the President's Administration, the Government and the Parliament; the domination of informal mechanisms for political decision making "à la Korzhakov" and the unprecedented scale of corruption etc. Therefore, it is difficult to disagree with those observers and experts who point to obvious authoritarian tendencies in the Russian political leadership and define the existing political regime as corporatist-autocratic.

Notwithstanding, considerable changes made recently in the legal framework, the authority, responsibility and reporting obligations of the executive have neither been defined nor sufficiently legally formulated. In fact, the Law on the Basic Principles of the Civil Service adopted in 1995 says nothing about the political and administrative authority over the Civil Service and is vague about its place in the context of institutional roles and division of powers. Although, for the first time in Russian history the law made the distinction between purely political and administrative appointments, in reality, this differentiation is not sufficiently clear-cut and not always applied.

³ Nezavisimaya Gazeta, Nov. 6, 1996

Equally, the commonly accepted worldwide concept of the neutrality of the civil service is confined in the Law to a number of restrictions imposed on individual civil servants regarding their involvement in political and commercial activities. Important issues in the Russian context such as political interference in the activities of the civil service or the extent of its policy-making ability, are not dealt with in the Law.

The absence of a unified system of executive power constitutes one of the major constraints in streamlining the interaction between the politicians and the executive. In fact, the RF Constitution and other legal acts provide for dual authority - of the President and of the Head of Government - over the executive power, which creates duplication and lack of coordination. Besides, there is no single management body in charge of the whole Civil Service. The Council on the Civil Service under the President of the Russian Federation, performs mainly advisory functions and appears "to have died before it was born".

The civil society, which could have played a positive role in stimulating adherence to democratic principles across all levels of government, is still in the very early stages of development. At present, the widespread political apathy and abstention of the population, create favourable conditions for the subordination of the public administration to narrowly based interests.

This brief analysis suggests that the nature of the relationship between the political leadership and the state bureaucracy in Russia has hardly changed when compared to the pre-reform past. Indeed, if we also take into account the fact that about 75% of the current ruling elite originated from the former "nomenklatura"⁴ then it is no wonder that the old bureaucratic rules, attitudes and culture remain virtually intact. In practice, this means that the civil service is still more preoccupied with furthering its own interests, than acting in the interests of individual citizens and society at large, is highly responsive to the political leadership, but at the same time preserves a considerable policy-making ability of its own.

This also means that accountability of the executive to the legislature is weak. For example, the decision of Parliament to carry out an audit of the activities of the government apparatus in 1994, was effectively blocked by the Prime-Minister and the Head of his apparatus.⁵

⁴ Afanasyev M.N. *"The Ruling Elite and Statehood in Post-Totalitarian Russia"* Moscow-Voronezh. 1996

⁵ *ibid*

There is no real distinction between political and administrative levels of government which means that civil servants often fall victim to arbitrary political decisions and interference (e.g. there have been six reorganizations of the Ministry of Construction during the last four years).

The bureaucracy continues to be a major player in selecting and supporting candidates for key political posts. It should be borne in mind that in Russia, the strength and influence of a politician are determined, to a considerable extent, by the number of high-ranking supporters he has in key administrative positions. This is even more true today when the lines of authority and responsibility of various ministries and agencies overlap and coordination between them is not only weak, but substituted by rivalry.

The position of the bureaucracy versus politicians appears to have further strengthened in recent years. The following example demonstrates the ability of the administrative apparatus to effectively ignore decisions of the political leadership, in particular when they run against the interests of the bureaucracy. The President's Decree of 1992 "On Fighting Corruption in the Civil Service System" stipulated that all civil servants should regularly submit declarations of their income and assets. However, it took five years and required another President's Decree in 1997, to enforce the practical implementation of this requirement, at least on a limited scale.

The actual authority and influence of the bureaucracy in a wide political context, is reflected in a dominant perception of the role of the state apparatus inherent to the public at large. In 1997, the Sociological Institute of Parliamentarism headed by N.Betanelli, conducted a representative poll in order to find out the general opinion "who rules Russia today?". It is noteworthy that 14% of those interviewed replied that it was the President, 10% said "the Government", 4% said "Parliament", 1% said it was the People and 21% said "the state bureaucracy".⁶

In his state of the nation address in March 1997, the President of the Russian Federation acknowledged above all that it was time to restore order in the authorities: "The authorities are getting fat ..., they are only concerned with their own well-being". He promised a fundamental reform of the executive power but gave no details of how he intended carrying this out. Regretfully, the "reform" itself was later confined to a limited set

⁶ Moskovsky Komsomolets, September 5, 1997

of measures, mainly the liquidation of several ministries and the appointment of new Deputies to the Prime Minister.

In summing up the above we come to the following conclusion. The assumption that “privatization of the state by bureaucracy” is taking place in Russia no longer seems to be an exaggeration. If current negative trends continue, the Russian corps of public administrators will most likely further extend its authority in the direction of bureaucratic usurpation of political power.

REFORMS OF THE PUBLIC ADMINISTRATION OF THE REPUBLIC OF ARMENIA

Edik Ordian and David Tumanian***

In Armenia, as in other republics of the former USSR, political, social and economical reforms are the basis of public administration reforms. They include the formation of an independent state, transition to a market economy, the foundation of different kinds of property and privatization etc. The latter places equal demands on public administration principles, methods, functions and structural reforms. At present, these reforms are taking place in different areas, spheres of economy, administrative sections, some of which we would like to focus on here.

1. Reforms of the Functional Administration

The public administration reforms in the Republic of Armenia are based on:

1. Ascertaining the volume of administrative work in the different sections of the administration (organization, ministry, local and republican levels).
2. The determination of who the best staff are in the different administrative bodies, to efficiently ensure the execution of the volume of administrative work.
3. The rational division of work between the different administrative bodies. In this instance it was necessary to avoid repetition (i.e. when the same work was being done in parallel by the different administrative bodies) and also where certain work was not being carried out.

These were very difficult tasks and the work which was necessary for their execution has lasted until the present day.

In 1991, the independent Republic of Armenia inherited many public administrative bodies from the former Soviet system. There were 44 ministries alone within the government. One of the first laws following independence reduced the number of ministries and departments within the government to 31.

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This number was later reduced to 19 and with the change in content of the administration function, structural changes also took place.

In order to understand the influence of the administrative functions making the changes in structure, we must divide them into 2 main groups:

1. The functions which were inherited from the former system.
2. The functions which evolved under the new system.

The sphere of certain functions which were inherited from the old system were reduced. These functions included planning, price formation, material and technical procurement, forecasting and accounting. As a result, many functional administrative bodies ceased to exist e.g. the State Price Committee, the Material-Technical Procurement Committee etc.

The responsibilities of certain functions were widened including financial, credit and monetary and foreign relations. The administrative bodies which fulfill these functions i.e. the Ministry of Finance, the Central Bank and the Ministry of Foreign Affairs, expanded.

The new functions emanated from the needs of the new political and economical conditions in Armenia. They had to decide on a new economic mechanism equivalent to the market economy, privatization, creation of conditions for competition, business development, reducing unemployment and the creation and development of market economical infrastructures.

The most powerful administrative body today is the Ministry of Finance and Economy, which includes Customs and Taxation. This Ministry is responsible for public regulation of the economy.

The second most important administrative body is the Ministry of Privatization. The privatization of various small organizations is now complete and the privatization process of medium and large enterprises will soon be under way.

The third functional administrative body is the Statistics, Analytical and State Register Board. It has been necessary to increase the role this body plays. It is no secret that formation of the development programmes and their realization are based on obtaining correct information and analyses. There are many problems in this area and it is important that the reforms are accelerated.

2. Reforms of the Ministerial Administration

The reforms in this domain are mainly linked to the new role of the state under market economy conditions. Today it is principally the state which controls regulation, unlike the previous regime which monopolized the planning, organization and control functions. Land and small companies privatization are controlled by them. As a result, many ministries and department were amalgamated, administrative sections and subdivisions were reduced and the Government was decentralized. An independent Armenia inherited 28 branch ministries and departments. In 1991, when the new independent country was formed, their number was reduced to 17. It has again been reduced to 10. In the past, industrial branch ministries were the most numerous. They have amalgamated, becoming the Ministry of Trade and Industry.

We would now like to introduce briefly the administrative reforms in the health service which have taken four directions:

1. System administration.
2. Formation of the system's structure
3. Financing of the health service
4. Medical training

The administration of the health service system has been accomplished by the centralization of some administrative functions and decentralization of others. Those which have been centralized include the realization of a public health policy, collection of information and public programmes approval, establishment and control of state standards and human resource planning. These functions are carried out by the Ministry of Health.

Decentralization has taken place in the areas of:

- Transmission of authority down to the territorial administrative and local self-government bodies level.
- Awarding the right of independent management to those institutions which carry out medical services and care, giving them the status of a state institution.
- Establishment of private sector care by means of privatization and denationalization.

The aim of decentralization for the regulation of everyday matters is to provide flexibility and independence of activity, the efficient solution of local matters, the community's participation, opening up competition and raising the quality and productivity of the services provided.

The functions of the territorial administrative bodies are: the organization of the work of the public health service within the jurisdiction of the region, the execution and organization of sanitary, anti-epidemic and quarantine facilities for the prevention of infectious diseases, epidemics and poisoning in the region, collection and analysis of medical statistical information for presentation to the Ministry of Health and the control of private medical services according to legislation.

The community leader's and elder's main functions are: the determination of community health needs, appraisal and financial means allocation and organization of the public health service under the jurisdiction of the community. Great importance is now attached to the creation of a private sector. As there are not sufficient economical preconditions for its own formation, it is mainly formed through privatization of the public health service. Special attention is paid to privatization and the number of health institutions is limited. The privatization of drugstores is already completed and the stomotological polyclinics' privatization has begun. New structural subdivisions have been set up within the administrative reforms.

Attached to the Ministry of Health, a Licence Centre has been created for issuing licences in the medical and pharmacological areas. The Medicines and Medical Technology Agency issues public certificates for all medication imported to Armenia and also these medicines which are produced in the country. They are responsible for registration and controls.

3. Reforms of Territorial Administration

The territorial administration reforms in Armenia began in late 1995. Prior to this we had endeavoured to make the former Soviet system "work". At that time, Armenia was divided into 37 administrative territorial units. The regions and the regional leaders were chosen from a committee which was elected by the population of that region. However, time has shown that matters are not solved simply by declaring democracy. People must first be psychologically ready and equitable and democratic mechanisms must then be strengthened.

The Republic of Armenia's Constitution was adopted on the 5th July 1995. It became the legal foundation for the territorial administrative reforms. This was followed by new laws and legislative acts which led to the organization of new systems, territorial administration and local self-government in a short space of time. The logic of public policy was: the solution of local matters should be found closer to home and the big

regional issues should be solved by the state territorial administrative organs by enlarging the administrative territorial units.

New administrative territorial units were formed in the regions (*marzer*) and communities (*hamainkner*) (cities, villages). A territory covering 30,000 square kilometers of the Republic of Armenia was divided into 10 regions (*marzer*) and the city of Yerevan was given regional status. State Government covers the regions and local self-government covers the communities. In the regions, the Government appoints regional governors (*marzpetner*), who, with the help of the territorial administrative bodies, (*marzpetaran*) carry out their activities in three main directions:

- Implement the Government's regional policy
- Coordinate the activities of regional services of the republic executive bodies
- Favour the execution of the local self-government system

The President of the Republic, upon presentation by the Prime Minister, appoints the Mayor of Yerevan. The Governors are appointed by the Government.

Local self-government is exercised in the communities and comprises community elders with five to fifteen members and the leader of the community (the city Mayor or village Head). They are elected for a three-year period to administer community property and solve any issues of community significance.

The local self-government elections took place in 1996 and those elected began their activities in 1997. More than a year's experience in territorial administration and local self-government shows that without a doubt, the solution of local matters can be left to the local self-government bodies. In our Republic this change came gradually. To begin with, the local self-government bodies were given the responsibilities of sewage disposal, sanitary inspection, improvement of roads and other simple matters. They later became responsible for more difficult areas such as housing and water supply. This process is snowballing and at the end of the last year, legislative changes were made to the laws which control local self-government bodies' activities.

These changes will help to increase the community's income and will raise their independence, giving them the opportunity to enhance their new competencies. The regions do not have their own representative bodies or budget and are financed by the state budget. The local self-government bodies have their own budget at their disposal.

Last year saw much progress. The community leaders and governors designed their staff structures. They have complete freedom in how they carry this out but the number of the members is determined by Government by taking into consideration the size of the population of the community. Much work has been carried out on the foundation of an information basis to discover the weaknesses and strengths of the community, to prevent any dangerous changes for the community and to envisage further perspectives of its future development. Both territorial and local self-government reforms will encounter many problems in the future, several of which are:

1. Clear boundaries must be defined between the different responsibilities belonging to both administration bodies and the territorial administrative bodies. Though they are presently regulated by laws and legislative acts, experience has shown that this should change. Conflicts are arising between territorial and branch administrations and state administration and local self-government interests.
2. A social-economical development programme is required for the regions. The existing constitution includes a 3-year development programme for the communities, but there is no similar demand from the regions. The drawing up of regional development programmes will make it possible to coordinate the activities of those communities which are situated in the same region and it will also provide a foundation for the region's financing.
3. Calculations of the communities' financial level indices and mechanisms. At present, the subsidies which are transferred from the state budget to the community budget have no objective basis. A leveling mechanism must be put in place.
4. Organization of community unions. Though the governor (*marzpet*) is responsible for coordinating the communities, the legislation allows for the founding of community unions. A law is required on this topic.
5. Enlargement of the communities. There are now 930 communities in the Republic of Armenia which include villages and cities which have populations ranging from 100,000 to 200,000 people. They share equal conditions. It is important to decrease the number of communities. Some could be amalgamated but some differences should be maintained. The disposition of the demands must be changed.
6. The ratification of local taxes and payments. A law was recently adopted whereby the community elders determine local taxes and payments. These taxes and payments will represent the community budget income

for the near future. This will be an important step towards the community's independence.

7. The regulation of community credit relations. According to the legislation, the communities have the right to receive and give credit. However, in reality this does not happen. It is therefore important to adopt legislative acts to regulate community credit.

4. Improvement of the Civil Service

The sovereign and independent Republic of Armenia requires a civil service which has nothing in common with the former soviet civil service. This was one of the most difficult problems which faced the country. For this reason, the civil service system has not been formed and the law "About the Civil Service" has not yet been adopted.

The conception of this law has been worked out and in the Spring of 1998, it will be discussed in the National Assembly.

As a rule, a civil service system, its methods and types of administration are normally the result of the historical development of the state and its people. Armenians did not have independence for almost 600 years.

Civil Service staffing has not yet been approved. We must solve the problems of training, retraining, raising the level of professional skills, career and social protection. Frequent changes in specialists at all levels of the administration lead to changes in the corresponding section which are very often undesirable. They do not contribute to the image of civil servants and the demands which are made of them. Civil servants' interests are not protected or guaranteed. At present, hiring is carried out spontaneously with no thought to career.

The founding of the Public Administration School in 1995 was one of the most important steps towards the establishment of a civil service system. The School of Public Administration was founded with technical assistance from Tacis which has now run two programmes. The school serves as a training and retraining centre for civil servants. Training lasts for two to two and a half years. The students graduate as professional civil servants. There is also a short training course whereby civil servants increase the level of their professional skills. In January of 1998 the Public Administration School produced its first graduates. There are however, many questions unanswered e.g. the school's status, its place in the administrative system and the appointment of graduates and their working conditions.

As previously mentioned, the conception of the law “About the Civil Service” has been finalized based on the French system. It includes the following points.

The civil service is defined as a professional activity distinguishing the civil service from state political activity. Civil servants have stability and do not change even when there is a change in political authority. The aim is to form a professional and stable state machinery.

The organization of the civil service is based on hierarchic subordination and classification of posts and classes. Accordingly, the qualification levels of civil servants are grouped into classes. There are 12 degrees and 4 classes of qualifications - A, B, C and D. Each class includes 3 degrees after which the sphere of responsibility and authority is wider than in the previous degree and class. For each class, the degree of responsibility of the posts grow from D to A, but for the degrees, it ranges from 1 to 12. A civil posts register is to be established to give each post's description. It will mention what class and degree the civil servant must have for each post.

For example, for the head of the department of a ministry, the civil servant must have a B-7 qualification. Entrance to the Civil Service will be mainly by open competition and to those graduates of the Public Administration School who achieve the corresponding qualification, an appointment will be offered. To raise the professional skills and career of civil servants, the following mechanisms are used: competition, retraining, attestation and advanced qualifications after which the civil servant attains a new degree of qualification, giving him the opportunity to compete for a higher vacant post. The Civil service system's organization is responsible for developing and executing civil service policy, forming suitable staff, determining the rules and their adoption, the provision of normative, scientific and methodical information on civil service activities and current administration, control, analyses and appraisal.

The Republican Committee is considered to be the highest civil service administration body, whose President is the Prime Minister of the Republic of Armenia. The committee comprises representatives of all branches of authority.

The Republican Committee compiles the executive management and appoints an executive director who organizes and executes the current civil service administration. It is obvious that the organization of the civil service system is a difficult process. It demands a lot of work, material, labour and

financial resources. 1998 must be the execution year in Armenia for our civil service system.

The Republic of Armenia has arrived at a crucial point in its public administration reforms. The level of productivity of economy management and the solution of social problems depend heavily on the quality, nature and level of these reforms. Studies of similar processes taking place in Central and Eastern European countries and implementation of the experience gained from them can contribute greatly to the realization of public administration reforms in our country.

THE ROLE OF PUBLIC ADMINISTRATION IN SMALL COMMUNITIES

*Radim Perlin**

Foreword

The year 1990 saw the beginning of a new period of self-government in the Czech republic. After years of state organized structures and the gap in self-government, the basic legal system for establishing new self-governing structures was formed. At the end of that year, the first local elections after the communist regime were held and consequently the new self-governing municipalities were founded. Self-governing models for the organization of municipalities have been in existence for eight years (two terms of office) and we can now compare the positive and the negative impacts of the existing self-governments at a local level.

From 1960 to 1989 support was given to the integration of small municipalities. During this period, the number of municipalities decreased and the average area of the municipalities increased (see Table 1 and Figure 1).

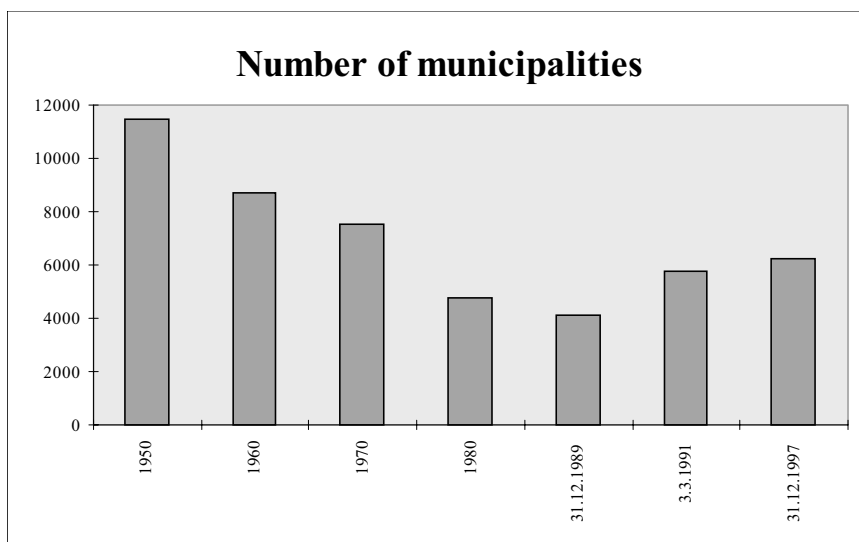
The former restrictive central system, which supported higher municipalities, the system of state grants distribution and the system of budgeting, aimed only at developing selected (larger) sites in the Czech republic. In other non-central sites (municipalities), new investment was practically abolished, former shops and pubs were closed and all activities except social activities took place only in the central villages. For those reasons many municipalities wished to re-establish the autonomy they had lost during the integration process of villages in the 1970's and 1980's. In the short period between 1990 and 1992 more than 2000 municipalities were re-founded. Many of them had less than 200 inhabitants and one of the smallest municipalities now existing is Okoř, 20 km from Prague which has 29 inhabitants.

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The massive disintegration of municipalities in the Czech Republic led to the disintegration of the settlement structure. The process of disintegration was nearly complete after 1992 and since then, the number of municipalities has been more or less stable.

Table 1
The Changes in Number of Municipalities after World War II.



It is important to comment not only upon the number of municipalities in the Czech republic but also upon their size.

Table 2
Number of Municipalities by Number of Inhabitants

	-199	200-499	500-999	1000-1999	2000-4999	5000-9999	10000+	SUM
1950	4163	4204	1825	734	374	159	x	11459
1960	2018	3341	1876	853	436	115	87	8726
1970	1490	2805	1794	800	400	120	102	7511
1980	528	1535	1345	705	390	136	139	4778
1991	1328	1955	1224	647	347	131	136	5768
1997	1741	2007	1230	649	348	134	133	6242

Data in 1950 were published only for category 5000 +

As we can see in Table 2, the number of municipalities in the smallest category i.e. less than 199 inhabitants decreased until 1981 (in fact until 31 December 1989). From 1990 up until the end of 1992, it increased to 1741 municipalities, more than there had been in 1970. Between 1990 and 1997 the number of municipalities increased. Municipalities in the category 200 to 499 inhabitants also increased after 1990 but not so sharply. As for the disintegration of municipalities, this number changed not only due to the separation of the new municipalities from the originally integrated municipality, but also by decreasing the number of inhabitants in the original municipality. After the separation of the disintegrating municipalities some of them no longer belonged in the category 200 - 499 but dropped back to the smaller category. The same process also concerned the municipalities which originally (when integrated) had more than 500 inhabitants. After separation, the number of inhabitants in each of them fell below this level.

Table 3
Share of Municipalities by Number of Inhabitants

	-199.0	200-499	500-999	1000-1999	2000-4999	5000-9999	10000+	SUM
1950	36.3	36.7	15.9	6.4	3.3	1.4	x	100.0
1960	23.1	38.3	21.5	9.8	5.0	1.3	1.0	100.0
1970	19.8	37.3	23.9	10.7	5.3	1.6	1.4	100.0
1980	11.1	32.1	28.1	14.8	8.2	2.8	2.9	100.0
1991	23.0	33.9	21.2	11.2	6.0	2.3	2.4	100.0
1997	27.9	32.2	19.7	10.4	5.6	2.1	2.1	100.0

data in 1950 were published only for category 5000 +

When commenting on the share of municipalities in the particular categories, it is important to stress that after disintegration the number of municipalities in the smallest categories rose almost to the same level as in 1950. In the other category the share of the municipalities remained unchanged.

It was significant for the first period (1990 - 1992) that in the process of reconstruction of the state administration, more responsibility was given to municipalities and their representatives as an important base for the new non-stable democracy. It was also typical of the early 1990's that anything connected with the former regime was thrown out.

The period from 1992-1994 became the second phase of the development of public government in the Czech Republic. At that time, the basic administrative and legislative changes at the local level were completed. After the commotion from 1990-1992, which was caused by the change in the political system and the number of employees who left, the system of public government began to stabilize once more. The process of disintegration of the municipalities was over. This period came to an end with the local elections of 1994 and this was also characterized by the changes in financing of the municipalities following the tax reforms initiated in 1993. It was during this period that the relative incomes (per head) of those municipalities with the lowest number of inhabitants, were highest.

1994 - 1998 has been recognized as the third phase in the development of public government. During this period, discussions took place on the rise of higher territorial self-governing units (regions). The mechanisms of public government were in place and public government competencies were gradually being defined. This was apparent with the role self-government played in negotiations and approving municipality plans. Precisions of and arrangements for financing of the municipalities also took place at this time.

From a performance measurement point of view of the local government representatives' activities, it is important to stress that although the basic legal regulations did not change much from 1990-1998, there was a significant shift in their fulfillment by the local authorities. When rating the performance of the public administration (state administration and self-government) from the smallest municipalities' viewpoint, (less than 500 inhabitants), we divided these municipalities and their representatives into 3 basic groups. The results published here are based on research carried out in 1996 in the municipalities of Příbram and also on similar research and analysis of the work of local authorities in the districts of Písek and Tábor. Results were also examined from a sample of the municipalities chosen from certain districts of Bohemia. The results were not examined on the groups of municipalities and their representatives in Moravia. The role of Moravian mayors (with the exception of Bohemian-Moravian Uplands) probably differs from Bohemia. This is due to the different settlement structure in Moravian municipalities and their larger average size of municipalities together with their stronger links to their place of habitation and higher rate of involvement in public life.

The Role of Mayors

The first group is that of municipalities where the head of self-government is a mayor, who has held the post dating from the time of the communist system. This category of mayors includes predominantly old men of retirement age, who are not, and for the most part, have never been members of any political party. The mayor is able to perfectly fulfill the basic operational tasks which are connected to the activities of the municipality. He provides the common agenda for the municipality and can provide a restricted sphere of activities connected to the development of the municipality. We take as an example a mayor who worked at the district administration of roads. All the country roads in his municipality are asphalt-surfaced. In case of disrepair, they are able, with much support from the state administration bodies, to provide otherwise financially difficult undertakings such as the construction of a water-supply system, sewage system etc. These mayors have a lower level of regulations and legislation but are more knowledgeable on regulations over the long term on matters which occur frequently. These mayors generally wish to seek re-election and are judged positively in the execution of their duties.

The second group is that of municipalities with a part-time mayor i.e. someone who takes on the role whilst being employed elsewhere. He or she executes the duties of mayor for instance in the mornings or at weekends and is unable to ensure the long-term development of the municipality. Unfortunately, he/she is often unable to provide the basic operational tasks connected with running the municipality. The representatives of the municipality are not, as a rule, politically organized. These mayors are also unable to ensure any compact development program for the municipality and do not ensure long-term activities or activities requiring investment. It is only under pressure from the inhabitants that some of them take part in ensuring those activities which are necessary and require investment. They can only do this with the help of the state administration bodies at district level and only with the appropriate financial backing. Their knowledge of legislation and legal regulations is random and incoherent. Generally these mayors are judged as being uninvolved in their municipality and have little interest in being re-elected.

The third group of municipality representatives consists of mayors who are engaged and have usually performed their functions during the second election period since 1990. These mayors are well prepared to perform their roles. They are able to independently ensure common operational

activities in the municipalities and the majority of them are able to engage in long-term complicated actions requiring a high level of investments. The typical profile of this type of mayor is a man over forty who was either born in the municipality or has lived there for a long time, who, although he is not politically motivated, observes political events. At election time he forms specialized associations with the independent candidates. During the period 1990-1992 these elected representatives were at a disadvantage because they entered public government with neither prior knowledge of the system nor any personal contacts. After 1992, and in the case of re-election in 1994, they had the possibility to work independently and influence events both in the district or in the municipality. In contrast to the previous groups, their personal knowledge of the legal regulations and adaptability to the new conditions was much higher.

Many of them take part in district activities; they are members of district assemblies; they are active members of other interest groups in the municipalities and are, for example, interested in the revitalization programme of the municipality.

To ensure long-term investment activities, they make use of municipality programme documents (territorial plan, revitalization program of the municipality) and are able to push them through to completion even going against the interests of certain inhabitants or investment groups (Distribution works, Gasworks, etc.). They ensure long-term financial support for the whole project. Their knowledge of legislation, procedural regulations and their ability to work with these documents are normally of a high level.

The Evaluation of the Work of Local Authorities

The municipalities law states that the decisive authority on municipal matters lies with the local authority which is elected locally. The mayor is a member of the local authority and is elected by them. The number of representatives depends on the size of the municipality and is minimum twenty people.

The representatives of the smallest municipalities are usually those inhabitants who have been involved in local matters and who have then been elected to the local authority. Their interest in the life and development of the municipality is usually a passive one. Since they are not actively involved in the solution of all local problems, they are merely receivers of information given to them by the mayor. Apart from solving a few local or neighbourhood problems, they take no other initiative. Generally, in the

smallest municipalities the local authority does little work. National political conflicts or prevailing political orientation have no influence on the local authority agenda. If magistrates participate in the work of the municipality, then cooperation is possible across the board as the majority of them are not members of any political party. In those municipalities belonging to group 3, one or two magistrates are usually closely and informally associated with the mayor. They participate in part of the agenda and take an active part in the operation of the municipality.

In those municipalities where there is no full-time mayor or where the mayor does not work well, it can happen that the local authority does not meet for the prescribed minimum number of meetings. Magistrates do not have a clear view of what is happening in the local authority and many of them no longer wish to continue in this work. In the Czech Republic, the local authority has neither effective control over the mayor's performance nor does it have a decision-making power in the municipality. In those municipalities where the mayor works well, he or she can carry out the activities of the local authority but in those municipalities where this is not the case, the local authority is unable to carry out the mayor's work.

Further Development

The enormous number of European basic self-government units and municipalities cannot but raise the questions on their continuing growth.

One point should be emphasized before discussing further development of the municipalities i.e. the fact that the large number of municipalities in the Czech Republic is due to its resident system and the large number of small settlements typical of the country. Any attempt to reduce the number of municipalities in the Czech Republic must take into consideration the situation in Europe.

When discussing any further development in the number of municipalities, we must take two things into account. The first is that of the representatives of small municipalities for example, in the Union of Towns and Municipalities or The Association of Village Renovation, who defend their right to self government even in the smallest settlements, provided that it is the inhabitants' wish. Their opinion is based primarily on two facts. Firstly, the meaning of the term "local community" when defining its development. Secondly, the bad experiences emanating from both the operation of the central system and the paternalistic role of the state.

When evaluating the role of the smallest settlements from the viewpoint of state administration functioning and improvement, one comes to the following conclusion. Unable to provide investments and due to the tax yield from important investments even in the long-term, the large number of small settlements is ineffective. That is why the number of municipalities must be reduced to less than 1000. They should be in a position to carry out their public administration tasks and produce enough funds to be self-sufficient.

The decrease in the number of municipalities will probably occur during the municipal elections in 1998. Some of the municipalities (mainly in group 2) will be unable to produce a list of candidates for the local authority and by law they will be annexed to another municipality. This process may reduce the number of municipalities by one hundred maximum.

One important change which may significantly influence the number of municipalities in the Czech Republic will be the establishment of the regions. Thirteen will be established in the Czech Republic in the year 2000 with the city of Prague also being given regional status. The Constitution of the Czech Republic states that regions, as well as municipalities, will have their elected authority. At regional level, self-governing bodies with their own competencies will be established. The establishment of the regions will happen in spite of the fact that up until now, the districts have been the state administrative bodies. If the regions take over some of the competencies which so far have belonged to the district authorities, and if further competencies of the district authorities are transferred to the appointed local authorities, then the district state administration level might be abolished. Enlarging the operations of the state administration on the appointed local authorities might bring about two effects. First, the state administration operation would be closer to the inhabitants but the maintenance of the quality of the operation could become a problem. Second, stronger municipalities would result, operating both at self-government and state administration levels and this could have a considerable influence on the life of the region. These municipalities might eventually take over even a part of the self-government competencies of municipalities and improve the operation of the state administration with a reduced number of municipalities.

However, the downside of this model is the lack of political will and the resistance to change in the smallest municipalities. Last, but not least, there is the problem of distribution of self-government competencies of a

“higher type” i.e. with a few chosen municipalities and those competencies of a “lower type” i.e. all municipalities. In the Czech Republic, this kind of self-government distribution is unheard of.

In conclusion, and for the reasons mentioned above, any move towards a reduction in the number of municipalities must be gradual, with special emphasis on the quality of self-government, even in the smallest districts.

POLITICS AND PUBLIC ADMINISTRATION

*Renata Puscasu**

To provide a better understanding of its interdependence on public administration, the following is a short explanation of the political situation in Romania between 1947-1989.

In 1947, Romania stepped into the communist era following the “democratic” elections won by the Romanian Communist Party under the direct supervision of the Soviet Communist regime. The first actions were to abolish the monarchy and declare Romania a Socialist Republic. Prior to 1947, Romania was a monarchy, with a multi-party political system, the principal parties being the so-called “historic” National Peasant Party and the Liberal Party. Declaring Romania a Republic meant, in fact, the acceptance of unconditional soviet control over the Romanian structures and people.

1947 was the year that the Soviet Union decided to stop the expansion process and to consolidate its position inside the satellite countries. The mission was given to the NKVD. In June 1947, the NKVD sent to all satellite governments, a document called “The Red Testament” which described in detail the opolist ruling class which holds the power in most sectors of the public sphere and which is often intransigent over issues of the past. Only a truly consolidated democracy with a civil society would be able to resist the threat of degenerating into an authoritarian society and accommodate the new splits emerging in the transformation process. The change of political life from a one-party system to a multi-party democracy depends on citizenship as an artifact of culture, comprising attitudes, norms and expectations, shaped by historical experiences.

Basic Assumptions of the Transformation Program of 1989

In 1989, Romania became a democracy through its first democratic elections, voting for a government with a neo-communist orientation.

Whilst initiating a fundamental transformation of the state structures and economy, the government under Ion Iliescu faced the difficulty of carrying out the transformation process quickly, without tension and unnecessary social costs, laying the foundations of a democratic state governed by law, with a new economic order based on the principles of a free market. At

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that time, a dynamic economic reform was required but because the change was carried out spontaneously, the new government had neither the specialists nor the strategy required. A rudimentary program for the democratic transformation of the system provided for a profound decentralization of the state structures, according to the principles of subsidiarity. Restitution of local government became the most important element of the program and the law was adopted in 1991. This resulted in self-governing municipalities being established, operating according to standards defined by the European Local Government Charter. Local government reform was of key importance to the reconstruction of democratic order and stimulated local, economical, social, environmental and cultural activity. Local government activity has become especially helpful in neutralizing the negative social effects of the restructuring of the state economy.

Local Government Reform

The Public Administration Law was adopted in Romania in 1991 and is set down according to standards defined by the European Local Government Charter. The autonomy conferred to local administration by this law is not complete and consists of a few changes, none of which affect the basic structures.

Public administration reform involved a change of public services management at the local level. Local administrations operating within a monolithic system of state administration until 1990, became separated and subordinated to the local representative body- a democratically elected municipal council. Similarly, previous bureaucratic control over the operation of the local administration was replaced by civic control. In this way, the state monopoly in administration was broken down and an independent self-government administration was established. The municipality was supplied with its own assets, financial resources and legal personnel. Decisions concerning the local budget became their exclusive right but analysts have revealed that the decentralization program is not really being implemented. Many tasks of a local nature are still under the control of the central administration. At the same time, we are seeing trends to limit the financial autonomy of the local government by making the municipalities more dependent on central subsidies which are allocated on impulse by the decision-maker. Local governments have no real financial autonomy and to achieve this, laws on local finances and local budgets must be adopted.

Politics and Public Administration

A comparison between the political system before and after 1989

Monopoly by one party. Direct influence of the Party in all the public and economic institutions through party units in all public institutions and enterprises. The operation of the Party financed from the state budget.	Political pluralism. The activity of political parties outside the workplace. Political activity financed from extra-budgetary resources.
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The first non-communist organization was the National Salvation Front, set up during the Romanian revolution in 1989 at the initiative of a group led by Mr. Iliescu, who later became the first Romanian democratically elected President in 1990. That year the NSF changed its name to the Democratic Front of the National Salvation and the historical parties, The National Peasant Party and the Liberal Party were re-created by old members with the same doctrines and programs. The Communist Party was declared illegal.

In 1992, the political scene was still looking for a democratic way to express itself. The population was still enthusiastic and Mr. Iliescu was elected President for the second time. He was the Romanian Social-Democratic Party's candidate, after the change of the DFNS.

In 1996, prior to the elections, the various political parties were as follows:

The Left comprised the Romanian Social-Democratic Party (RSDP), the Workers' Socialist Party (SPW), the Socialist Party (SP), the National Unity Party(NUP) and the Great Romania Party(GRP).

The Right comprised the Democratic Convention formed by the National Peasant Party (NPP), the National Liberal Party(NLP), the Ecologist Party, the Ecologist Federation, the Civic Alliance, the Civic Alliance Party(CAP) and the Democratic Agrarian Party.

The Law of the Political Parties, which forbids external financing for the various political parties resulted in less political activity. In 1997 the RSDP was divided and other new parties were formed. The election results in 1990 when the Left came into power and then in 1996 when the Right took over, is proof that Romania is well on the way to democracy.

A comparison between the public administration before and after 1989

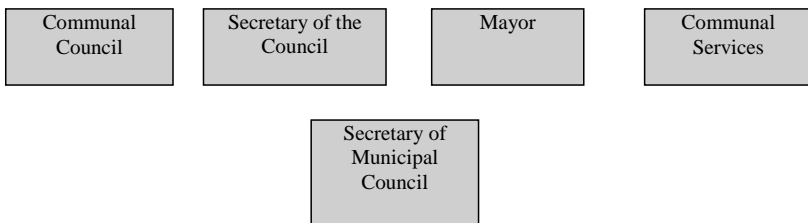
<p>Centralized, bureaucratic, monolithic system under the control of the Communist Party. Pseudo- democratic representative bodies dependent on the Communist Party. Non democratic elections. Central budget.</p>	<p>Partly decentralized system divided into self-governments and central government administration. Central representative bodies elected democratically (the Chamber of Deputies and the Senate), as well as local (municipal and county councils). Division of power: executive authority, legislative authority and the judiciary. Budgetary system consisting of the central budget and independent municipal budgets.</p>
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Leemans, in his book “Changing Patterns of Local Government” classifies the European local government systems into three categories:

1. Fused Systems - with a French origin (from Napoleon), is characterized through the combination between a locally elected council and strong central supervision
2. Dual System - (the British system) where the mayor has no individual authority and councils are autonomous
3. Split Hierarchy Systems characterize the Nordic countries and represent a compromise of the fused and dual system

Leemans’ theory that Central Europe has been developing a “reformed fused system” is confirmed by the comparison shown at the beginning of this chapter. This original system seems to be a transitional one, supposing or admitting that finally all Eastern and European countries will have their own democratic system.

The public administration structure in Romania



Relations of subordination

Relations of control through delegation

Information regarding the status of the local authorities in Europe

COUNTRY	MUNICIPAL COUNCIL	MAYOR
BELGIUM	Elected	Nominated by the King following Municipal Council proposal. He is the representative of the central power.
BULGARIA	Elected	Elected
FRANCE	Elected	Elected by the local Council from the councillors. He has no salary, only expenses.
GERMANY	Elected	Elected Representative only, a municipal manager is person responsible. No salary, only expenses
GREAT BRITAIN	Elected	Elected from councillors Representative only Elected for 1 year Chief Executive-paid, named by the council, controlled by the party
HOLLAND	Elected	Nominated by the Queen
SLOVAKIA	Elected	Elected
SPAIN	Elected	Elected from the councillors
HUNGARY	Elected	Elected Elected from the councillors
ROMANIA	Elected	Elected

In Romania the activities of the local public administration are laid down by the Law of the Public Administration which stipulates:

1. The Department for the Local Public Administration created at government level, co-ordinates local activity. This Department is led by a Minister - Secretary of State - nominated by the Prime minister.
2. At the local level there is the Prefecture, the County Council, the Local Council and the City Hall.
 - A Prefect nominated by the Government on a political basis who leads the decentralized public services of the ministries. Other central bodies of the public administration lead the Prefecture. In the meantime, the Prefect controls the legacy of the documents adopted or decreed by the Local Administration authorities with the legal power to attack them in Court. It is a political institution.
 - The County Council is elected and led by a President elected from amongst the councillors. The County Council co-ordinates the Local Council. The government can only change the County Council through elections. It is a deliberative authority.
 - The Local Council is elected. They have autonomy and collaborate with the Mayor.

- The Mayor is elected and can be either from a political party or independent. After elections he must be impartial. He is an executive authority. He is protected by law and can only be suspended for a criminal act. The City Hall secretary is nominated by the Prefect and can be changed only by him.

In Bucharest, the mayors from the municipalities set up the Federation of Municipals (FM) whose purpose is to protect, sustain and promote the interests and initiatives of the municipal members. FM was not created with a political objective.

Political Interference in Public Administration in Romania

The Constitution, the Administrative Law and the Law of the Local Public Administration establish the reports between politics and public administration in Romania. Without going into great detail, we will take a look at these reports. If we look at two articles from the Constitution - the freedom of thought and opinions and the right to create political parties - we can see that the political parties and associates are not in charge of public administration (as in a totalitarian system). They cannot simply impose their will but have to adhere to the Constitution and other laws which stipulate the “technology” for changing political options into political decisions.

Hypothetically speaking, if a party has a majority in Parliament, it can hold elections and can create a government whereby they are able to transform political options into the legal norm compulsory for public administration. To avoid such situations arising, the Constitution stipulates that deputies and senators, during their mandate, work for the people and not solely for their party. Theoretically, all fundamental principles of the civil state must be respected so that the party in-power cannot change the “elected” in “political agents” or the public administration structures in “political organs”.

The relationship between the public administration and the political system also includes the connection between public administration and the legislative power. The supreme representative organ and unique legislative authority of the country is Parliament, formed by the Chamber of Deputies and the Senate. This means from a functional point of view that public administration reports to Parliament, its main duty being to apply unconditionally the law and ensure its application. The legislative is authorized to establish the structures and functions of the public

administration, electing or naming its authorities and leaders, to adopt organizational and functional norms. In this way, the legislative power is the central point for all public administration spheres and works with the administration through regulations, interdictions, recommendations, etc. It is obvious that indirectly, politics control public administration under the protection of the law. Their link is more obvious when we analyze the status of the heads of public administration and its subordination within the system.

Minister-Secretary of State	Nominated on a political basis
Prefect	Nominated on a political basis
Director of the Prefecture	Nominated on a political basis
County Councillor	Elected
Mayor	Elected
Local Councillor	Elected
Secretary of City Hall	Nominated by the Prefect

In Romania the local elections are followed by the general (parliamentary) elections, the former being a good barometer for the political orientation of future elections. For example, the 1996 local elections changed the political balance of the mayors to the right, although the government was on the left. The later general elections resulted in a President and coalition from the right.

This success was due to the strategy applied by the government in power from 1992 in order to win the new elections. Public administration is a strategic field for politicians due to the extension of control and manipulation possible of the people to obtain the desired results. To keep this control, their strategy is to have their partisans in all key positions. The government (the party in-power) began to apply this strategy in 1994 for the following reasons:

- all reforms applied since 1989 were inappropriate
- the population was very dissatisfied because of the disastrous economical effects
- they began to lose votes
- it was a cheaper way to pay for votes
- it ensured a good election campaign for them.

This approach was applied at both the public administration and management level. Prefects suspended almost 150 mayors from the opposition on the basis of different penal laws. They took the Public Administration Law as a base since it stipulates that a mayor can be suspended simply for a penal fault. The strategy was perfect because any

legal process would take time and even if the mayor concerned won, the moment the process was over, another mayor would be elected.

The strategy at management level was applied mainly in companies under state control but private companies were also affected. These companies are generally large, have hundreds or thousands of employees, and hold strategic positions in the local economy. The managers and the companies they led who adhered to the governmental party, had all the advantages (protection and help) so for other managers it was obvious that they also had to become involved with the governmental party. The stronger managers who did not want to change their orientation, were either blackmailed or changed. The same strategy was applied in the social, health and educational systems. Therefore, in 1995, prior to the elections, the political majority had almost 60% in key positions.

The mayors from political parties other than the party in power had a worse problem i.e. less access to financial resources and less help from the prefects (the Prefecture is used as a political base) This system's purpose was to discredit the mayors and the parties they belonged to and resulted in:

- crises
- town problems
- financial problems
- local tension
- public opinion
- mayor accused
- mayor's efforts
- non-existent support from the Prefecture
- mayor accused by the population
- political discreditation
- loss of votes

The results of the elections in 1996 revealed that the strategy was a good but inefficient one. In my opinion, it was inefficient because it took only the political dimension into consideration. To be successful, the strategy had to be designed for two spheres: political and economical, but jointly, not individually.

Another form of political interference in public administration, in my opinion, is the procedure of changing Prefects, Directors from the Prefecture and Secretaries from the City Halls immediately after elections. This may be logical from a political and managerial point of view, but I would call it disruptive.

At the City Hall level, the Mayor and the Local Council in their decisions regarding local problems, frequently vote on the basis of their political orientation and interests. Prior to a meeting, councillors from the same party get together to decide how they will vote.

After 1996, the Federation of Municipalities which I mentioned, was accused by a few members of politicization, because it no longer protected its members' interests. This accusation would appear to be true since Mr. Ciorbea, the Prime Minister of Romania, was elected President.

Possible Solutions?

There are a few possible solutions but none of them are applicable at this time. One might be to change the present system of public administration; the French fused system, with the Nordic system, the split hierarchy system. Perhaps there are no solutions to political interference in all public fields, since it appears to be a vicious circle.

DEPOLITIZATION OF THE PUBLIC ADMINISTRATION: TOWARDS THE CIVIL SERVICE

Zeljko Sevic and Aleksandra Rabrenovic***

1. Introduction

For quite some time, the problem of the relationship between policy-makers (politicians) and executors of those policies (civil servants, i.e. bureaucrats) has attracted the attention of scholars in public administration, public policy, political science, economics and law. Although, each of them agrees that this relationship is of the utmost importance for the political system as a whole, their perspectives differ. Legal science scholars are usually interested in a *de jure* situation, i.e. how the relationship between parliament, government and civil service (public service) is defined. Political scientists look at the issue from the viewpoint of how it influences the political process in society. Public administration scholars are more interested in a *de facto* situation, i.e. assessing to what extent the civil service is overwhelmed by politically appointed officials. In contrast, economists usually remain in the sphere of analyzing the efficiency of the processes undertaken by the government, assuming that politicians and civil servants work for a common cause. Certainly, daily practice has shown that all these approaches are more or less correct, highlighting the same problem, but from fairly different perspectives. In this paper we are interested in looking at the problem from an administrative science, law and economics viewpoint.

Although some developed countries would emphasize the long tradition of professionalism of their civil service, in many respects the modern professional civil service is slightly more than one hundred years' old. Certainly, it existed before capitalism, but modern society has shown the importance of a properly organized and regulated civil service, capable of enforcing the law in an unbiased way and supporting economic and industrial development. However, we do not wish to link our approach to that of the "development public administration" concept of the 1960s and 1970s, especially that contained in U.S. literature.

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We will analyze the relationship between political leadership and public administration with particular reference to the former socialist countries, especially the Federal Republic of Yugoslavia (Serbia and Montenegro). In our attempts to do so, we will look at the different aspects of politicization of Public Administration on a theoretical basis, and attempt to draw conclusions which are applicable to the transition countries.

2. Politics and the Civil Service (Public Administration)

The Civil Service is a political term which has fairly different connotations from country to country. The term emerged in the late XVIII century to distinguish between civilian and military personnel of the East India Company (Drewry and Butcher, 1988). Over time, this definition evolved towards the contemporary concept which states that the civil service, at least in the British example, means “remunerated” personnel, other than those serving in the armed forces, whose functions are to administer policies formulated by or approved by national governments (Bogdanor, 1987, p. 104). This term differs, at least in the British and U.S. concepts, from that of “public service” which also includes civilian personnel employed by defence forces, army officers seconded to “civilian posts”, the judiciary (public prosecutors, judges, magistrates, etc.), local government employees and those employed by governments at all levels (e.g. educators in some countries, traffic wardens, firemen, etc.). Often there is a problem as to how one should classify police officers and regular employees of the civilian intelligence agencies. Strictly speaking, they should be civil servants, but since their activities are regulated in a specific manner, they are usually excluded from the category of civil service and belong to the category “public service”.

Whatever our “operational” definition of the civil service, the relationship between public bureaucracy and policy-makers who are elected officials is not of crucial importance for the functioning of the civil service, its professional standards, impartiality and social credibility. Although, legally there is a clear distinction between policy deliberation and policy implementation, few scholars and practitioners would argue that politics and administration constitute two separate aspects of government. Their mutual influence is of the utmost importance for the definition of global policy. Civil servants and politicians frequently develop networks promoting common interests. The theory is that there are four or five models depicting this relationship in a range from that of the ideal model of highly distinctive politicians and bureaucratic roles to that of the model in which the roles

almost converge (Aberbach, Putnam and Rockman, 1981). Similarly, Peters outlines the five models of this relationship (Peters, 1987), which we will look at later.

Despite our usual perception of the civil service as a monolithic structure, its characteristics, texture and operating principles and procedures, might vary significantly from one policy sector to another. The nature of the politician-civil servant relationship changes, not only with respect to a particular policy sector, but also over time and due to changes in the dominant political ideology of the time, or changes in political leadership. Therefore, the very nature of interactions between the political sector and public administration is influenced by many policy variables which range from the political-administrative culture in a country, to various sector-specific properties. A brief cross-country comparison shows that two adverse processes are at work. In some countries there is increasing political control over public administration to ensure that bureaucracy adopts the new political signals. In others, there appears to be a relaxation of political control in order to enable public administration to adapt to external changes by virtue of its organizational capacities. Since there is also a trend of increasing influence of civic society on the overall political system in a country, the latter behavioural pattern should happen more often. Undoubtedly, some macroeconomic structural changes (ultimately privatization) which sustain the role and influence of the market and conversely, caused a relaxation in political steering and control of public administration. Here, we see the paramount importance of the appearance of the “New Right” (Bosanquet, 1983; King, 1987; Pollitt, 1993) in theory as in practice (Baroness Thatcher years in the UK, 1979-1990, and *Reaganomics* in the USA).

Legal theory, in the continental European legal tradition, creates a firm separation of “executive power” into executive political power and executive administrative power. Executive political power is in the hands of politicians who are ministers in the government of the day, whilst executive administrative power is in the hands of separate governmental portfolios/ministries. The government exercising its executive political power defines the current and strategic policy issues, while ministries in their executive administrative capacity apply laws and implement policy. This concept works fairly well in those parliamentary systems where the government is “derived” from parliament, with the support of the majority of MPs. However, this is an attempt made by theorists to cope with the problem of intersections between government and public administration. Theoretically and

de jure it is very easy to define the separation points between the two but in real life, the government-administration relationship is much more complex. In a presidential system, the relationship between civil servants and politicians is even more complex.

In a parliamentary system the government is, in many ways, an executive body derived from the parliamentary majority. Because of that majority, it is likely that government proposals and actions will be backed up by those politicians in parliament. In a presidential system, the civil service has to maintain 'good' relations with politicians sitting in both the cabinet and legislature. This fact makes the overall situation even more complicated. President and Cabinet members put pressure on public administration, whilst on the other side, the legislative body has its own ideas about the administration. American scholars (Peters, for instance) point out that there is a relatively clear and sharp distinction between the political and administrative aspects of government, established in theory and practice and developed within an Anglo-Saxon (we would prefer the term: Anglo-American) tradition. This distinction is assumed to exist for policy-making vs. administering adopted public policies, as well as for personnel involved in both processes. Some empirical studies support this assertion (Aberbach, Putnam and Rockman, 1981; Hecl, 1977), together with classical studies of a more theoretical nature concerned with the problem of what constitutes good government (Wilson, 1887; Appleby, 1949). Here, the general assumption is that the individuals in government positions must be career-neutral, regardless of whether they are civil servants or political appointees (Peters, 1994).

In the Anglo-American concept, these two groups (politicians and public servants) confront one another in the struggle for power within the government. It is also believed that elected politicians are "better" than administrators in serving the public interests, since the dedication of "bureaucrats" to the public is generally in doubt (Niskanen, 1971; Bodiguel and Roubon, 1991). In contrast, the Americans see other democratic concepts more politicized than their own. For some political (administrative) systems this may be true. It is possible that many appointments depend upon or are heavily influenced by political considerations (Christensen, 1991). Also, the same individuals can hold either position (politician or civil servant) at different stages of their careers (Derlien, 1988; Chevalier, 1985). It is also true that the concept of the State prevails over the concept of the public in continental European Countries. Both public servants and politicians as ministers, serve the State. In Anglo-American thinking, the State and

Government are fairly often synonymous, which is certainly not the case in continental Europe. The Government has a time-limited executive political power, while the State as a “concentrated society” has eternal duration. Consequently, the public interest is best served when the State is being served. The advanced concept of the State is notably lacking in the Anglo-American concept of public policy. The Anglo-American method of reasoning is more individualistic even when it deals with common values, such as public interest. Public interest is derived from within society for each individual case and is checked repeatedly at regular, or when necessary, extraordinary general elections.

Undoubtedly, a country’s traditions and cultural elements can influence the extent to which the public service has been politicized. Some of these factors might be embodied in the law, whilst others might remain in the informal sphere, but are equally, if not more, crucial for the appointment of civil servants. Political factors must not only be important during the appointment process of a civil servant, but also during his/her career. Also, civil servants can be related in different ways during the policy-making process. Both dimensions are important for the classification of a civil service system but they rarely go hand-in-hand. This means that even in a highly politicized civil service system, civil servants can only be expected to follow the instructions of their superiors, with whom they are expected to agree despite their personal political beliefs. In contrast, a neutral civil service can often be a strong ‘in-house’ opponent, through the so-called “neutral competence” (Sayre and Kaufman, 1960). Practice has shown that in a one-party dominant regime, the former exists, whilst the latter characterizes those countries in which the civil service has a long history of impartiality such as the UK (Hennessy, 1989).

As previously mentioned, this theory has ranked the various civil service systems into five groups (Peters, 1987). A number of authors support this division with a few other, usually minor advancements (Rose, 1987). In the first model the clear separation between politicians and the administration exists, whereby civil servants are ready to unquestioningly follow orders from political appointees. The second model (“*village life*”) assumes that civil servants and politicians are both part of a unified state elite and should not be in conflict over power within the government structure itself. The third model (“*functional village life*”) assumes a certain degree of integration in civil service and political careers. A politician and civil servant from one government department have more in common than a minister with his political cabinet colleagues heading different governmental

portfolios. The fourth model (“*adverse model*”) assumes a significant split between the two groups (politicians and bureaucrats), with no clear resolutions to their struggle for power. The fifth model assumes a clear separation between policy-makers and administration, but in which civil servants are the dominant force (see: Wilson, 1975). All these models are theoretical, and practice shows that different patterns of interaction exist between politicians and the civil service. Models represent a stylized illustration of inter-active behaviour (see: Giddens, 1971).

“Functional village life” and “village life” are the most common models in continental Europe. However, with some policy changes even in a presidential system, there appeared to be different ways of networking between politicians, public servants and experts working outside the government structure. However, the nature of such networking is rather temporary, and the main characteristics of the civil service system prevail. This shows that each civil service system is “*nationally coloured*” (Sevic, 1997), and “*ethos-generated*” characteristics cannot be neglected or avoided. Each country deals with its own national civil service system with due attention and tries to utilize others’ experiences, without neglecting its own specificities demonstrated through the legal system and legal order (Sevic, 1996), political culture, democratic traditions (*or lack thereof*), ethos-characteristics, etc. The same applies to the problem of civil service system (de)politicization.

3. Yugoslavian Civil Service: An Applied Case Study

The Federal Republic of Yugoslavia (*Savezna Republika Jugoslavija*) is a federal country in South-East Europe, consisting of two republics: Serbia and Montenegro (federal units). As in other federal countries, it has two levels of administration: federal and republican. In the Constitution introduced in 1992, the republics are defined as sovereign states. It is assumed that they have transferred some of their original sovereign powers to the federation. *De jure*, the problem is that both republics introduced their own constitutions before the federal constitution was made. However, they were never properly brought in line with the new federal constitution agreement. This in itself would not constitute a major problem had these two republics not previously been part of the Socialist Federative Republic of Yugoslavia, which was dissolved through armed conflict and open secession of some of its federal units.

The dissolution of the socialist federative Yugoslavia was regarded as imminent by all Yugoslavian affairs’ analysts in the early 1990s. Those

republics which were the federal units at the time (Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia) introduced new constitutions attracting all powers to the new republics, disregarding all the norms of the Yugoslav Federal Constitution of 1974. In 1989-1990 the federation *de facto* ceased to exist as the federal government was prevented, by the republics, from fulfilling its duties. A year or two later, with the formal secession of Slovenia, followed later by Croatia, Bosnia and Herzegovina and Macedonia, the federation *de jure* ceased to exist. In many respects, the dissolution of the previous Yugoslav federation was an expected consequence of a quasi-federal, (in fact, confederal) agreement contained in the Yugoslav Federal Constitution of 1974 (see: Sevic, 1996).

Republics from the previous Yugoslav Federation began the process of state-building (Bicanic, 1996). Although the Federal Republic of Yugoslavia inherited a government structure from the previous federation, the international community denies them the same rights as the former federation. As the question of the recognition of continuity has always been a political one, we do not wish to enter into discussions on an issue which is beyond the scope of our study. However, it should be mentioned that Serbia and Montenegro relinquished their sovereignty when the Kingdom of Serbia, Croatia and Slovenia (later, in 1929 renamed the Kingdom of Yugoslavia) was created in 1918. It would appear that the new Yugoslavia does not even recognize those rights which Serbia and Montenegro transferred to the new country which they joined in 1918.

Although, the break-up of Yugoslavia was politically expected, it appears that the civil services in both current Yugoslav republics were remarkably unprepared. There were no expectations from the federal administration since for years it was a shelter (last-resort) for incapable administrative personnel and party officials rising through the ranks of the federal units. For years the federal public administration was intentionally neglected and marginalized due to the republic's attracting, from 1974 onwards, more and more, *de facto* and *de jure* power, far beyond the constitutional limits. The former federal Yugoslav government headed by Ante Markovi, attempted to reform the federal administration, but it got no further than establishing the Federal Commission on Public Administration Reform, headed by the Prime Minister himself.

As mentioned, the *new* Yugoslavia inherited a federal public administration, while the administrations of the remaining federal units (Montenegro and Serbia) were neither technically nor personally prepared

to cope with a new environment. A number of monetary and financial affairs were organized and executed directly at the federal level and then suddenly, the federal administration *de facto* ceased to operate. It was necessary to accomplish the full application of federal legislation in the Republic, or else introduce new laws. Since the political decision was to carry on with the federation, despite other members' withdrawal, federal laws were still enforced in Serbia and Montenegro. During this period (1990-1992), the republican administrations regained much of the power which had previously belonged to the federation. When the new federal agreement was reached in 1992, it was difficult to withdraw the powers which the federal units had enjoyed during the difficult transition period. Although it is six years since the new Yugoslav federal constitution was proclaimed, the process of the transfer of power from the federal units to the federation has been very slow, and is still ongoing.

Yugoslavia's civil service is unique in that it allows civil servants to be more mobile. It is relatively easy to be transferred from one governmental unit to another, or to a post in the administration of the parliament. Court (judiciary) administration, is somewhat separate, due to the fact that judges are "elected" by parliament and a special legal regime applies to them. For most of the professional positions in the judiciary, a bar examination is required. Administrative support staff in the courts are, however, mobile, as are their colleagues in the "pure" civil service. Despite the non-existence of legal limitations for transfer, mobility is, to a large extent, exercised within the sub-service itself. The civil service in general is under the supervision of the Department for Public Administration Affairs at the Ministry of Justice. In this paper we will mainly discuss the civil service system in Serbia, as this is the blueprint which has been applied in Montenegro and at federal level, with the exception of certain nuances.

Currently, there are 22 ministries and 8 separate administrative organizations in Serbia. The 1991 Law on Ministries states that ministries exercise executive power, whilst administrative organizations perform those professional duties which support the functioning of the government (Hydro-Meteorological Institute, Statistical Office, etc.). Ministries and administrative organizations are divided into Departments. Usually these departments are established to group together certain duties and affairs. In the case of multi-portfolio ministries (Science and Technology, for instance), one department covers one portfolio, whilst in "*unique*" ministries (Finance, for example) departments are organized to group together similar affairs (Budget Planning, Budget Execution, State Property Affairs, Financial and Economic System

Affairs, Accounting and National Balances). In every ministry, there is a general department called the *Secretariat* which is in charge of general affairs in the Ministry (Personnel, General Administration, Procurement, Minister's Office, Welfare, etc.).

Some ministries have a special division which is directly linked to the Minister. Departments are separated into divisions, which are further divided into groups, and groups into sections. Sections can have units. At all levels of the organization it is possible to set-up a special advisory post filled by one person, but which is technically treated the same as an organizational unit. Even a minister is *de jure* allowed to reorganize a ministry, but the by-law on ministry internal organization must be approved at a governmental meeting. A special body called a Ministry's Council exists in the ministries in Serbia. Generally, this Council is an advisory body consisting of scholars, professionals and distinguished public figures who can advise ministers on policy and technical issues. In multi-portfolio ministries there are usually two or three councils, depending on how many portfolios a ministry covers. Although the body has a strictly advisory role, it can be quite powerful, since it is usually a "politician-free area" in which leading public figures participate. It can be considered a think tank.

Each ministry is headed by a minister elected by Parliament and whose deputy is appointed by the government. Technically they are both *purely* political appointees. However, in some exceptional cases a deputy minister can be a distinguished administrator and/or professional, not politically affiliated with (or even backed by) the ruling party (or ruling coalition). The Ministry's Secretariat is headed by the Secretary to the Ministry (a senior civil servant), who is in charge of providing any technical advice for the day-to-day functioning of the ministry. The department head holds the title of "Assistant Minister". However, sometimes the Deputy Minister can, at the same time, be a department head. According to the law the Assistant Ministers are fully responsible for law enforcement and the application of governmental policies in their department's area. However, their responsibility should be considered as technical/professional rather than political. Administrative agencies are headed by a Director (or occasionally a Secretary, for example in the case of the Secretariat for Legislation). In the administrative organizations there is no permanent Secretary. Deputy Ministers, Secretaries, Assistant Ministers, Directors, Deputy Directors and Assistant Directors form a group of senior civil servants ("Mandarins"). Administrative laws in Yugoslavia do not use the term "Senior Civil Servant", but rather "appointed personnel", as opposed to other groups

There is no centralized procedure for entry into the Civil Service. However, in the last few years, the Republican Ministry of Justice has tried to centralize new entrants into the judicial administration as “court clerk-trainees” (*sudski pripravnik*). The law states that before being allowed to register for a Bar examination, a law graduate must spend two years in court or in the public prosecutor’s or public attorney’s office or in private law practice, as a trainee. Each ministry, until now, has been free to set-up its own entry-procedures. When there is a vacancy, this is advertised widely in the national press and in the “Official Gazette of the Republic of Serbia” (*Sluzbeni glasnik Republike Srbije*). Those interested may apply and after conducting interviews, a choice will be made by the minister based on a proposal submitted by a personnel commission and the Assistant Minister in whose department the appointment is to be made. New entrants to the Service are appointed as Administrative Officers (*Strucni saradnik*), if they hold a university or higher degree; as officers (*Saradnik*) if they have an associate degree equal to the British HND (two-three years’ post-secondary education within or out of a University), and clerks (*Referent*) if they have a secondary education. New entrants are trainees (*pripravnik*) for a year if they hold an associate degree (HND) and full degree and for six months if they have a secondary school qualification.

After a certain number of satisfactory years in service, a civil servant will be promoted almost automatically to the rank of an “Autonomous Administrative Officer” (*Samostalni strucni saradnik*). However, promotion to the next rank “Advisor to the Minister” (*Savetnik ministra*) is based on both merit and the availability of a position in the ministry or Service.

A new entrant can also be an unpaid volunteer who wishes to gain professional experience. These volunteers enjoy the same rights as full-time employees. After twelve months for those with a University or associate degree, or six months for someone with a secondary education, a new entrant must successfully complete a trainee examination in order to be permanently appointed. Civil Servants must complete a professional examination (*strucni ispit*) which comprises two parts. The first relates to Constitutional and Administrative law issues, Public Administration etc. for the whole Civil Service and the second part differs from ministry to ministry. If a civil servant fails to pass this examination, he will almost certainly be fired.

As we have seen, the law recognizes three classes of civil servants: “Elected” (*izabrana lica*), i.e. ministers; “appointed” (*postavljena lica*), i.e. those members of the Service who have been appointed by the government

and "employed" (*zaposleni*) who are "ordinary career civil servants". Although there is a unique legal regime for each group there is, in fact, quite a difference between them. The 1991 Law on Employment Relations in the Public Administration lists each group as regards rights, but normally only comes into force on issues of responsibilities (duties). Finally, ministers as elected officials are always ultimately accountable to Parliament since members of Parliament elected them to the post. Appointed personnel are nominated by the government for a period of four years. However, with any change of government, changes amongst deputy and assistant ministers are to be expected. Despite the fact that a socialist government has been in power for the last seven years, changes in the Senior Civil Service corps have taken place. Normally when a minister takes up post, he/she tries to establish his/her own executive team. However, in the Ministries of Finance, Internal Affairs and Education this does not apply since most senior civil servants have been in post for some time.

The 1991 Law stipulates that all personnel must perform their duties in a responsible and unbiased way. Both employed and appointed personnel must not, in the execution of their duties, be guided by their political beliefs and cannot express or advocate them publicly. As we can see *de jure*, the Serbian Civil Service is fully apolitical. The law of 1991 stipulates that neither employed nor appointed persons can be members of political parties. In this respect, the federal laws are lacking. Due to the problem of transfer of republican rights to the federal level, some of the laws are jammed in the Federal Parliament.

The federal civil service is regulated by the amended Law on the Federal Organs and Organizations of 1978. Since this Law is fairly out of date, it does not suit the needs of the new Federation. This is one of the reasons why there are senior federal civil servants sitting on the executive committees of the political parties who are well-known to the general public as prominent party members. Some are members of the Socialist Party of Serbia (SPS), but in the vast majority of cases, they belong to its coalition partners – Yugoslav Left (JUL) – and New Democracy (ND). Some are also members of the opposition parties, especially in the Ministry of Foreign Affairs.

Persons appointed to senior civil service positions at the republican level of government are usually not members of the SPS bodies. To the best of our knowledge membership of the ruling party is not, even *de facto*, a requirement for entry into the Civil Service. The junior coalition

partner, JUL has other ideas on the matter. They do their utmost to employ young JUL members in the civil service. Until now they have had limited success but they are very persistent in pursuing this. This is worrying since in many respects, their perception of the Civil Service is to revamp the concept which was believed to have died with the fall of communism. As practice has shown, a junior coalition partner is capable of blackmailing a senior partner, especially in a fragile coalition.

A similar pattern of politicization of the civil service has been noticed even in those cities where the so-called "democratic opposition" came into power (Sevic and Vukasinovic, 1997). The Democratic Party (DS) and Serbian Renewal Movement (SPO), after coming into power, took on the task of cleaning up the city administrations, not only the "mandarins" but also the lower ranks. Most of the new employed were either party members or party supporters. Civil servants who were members of other parties were fired for a variety of reasons. However, in the republican and federal administration, there is a significant number of permanently employed who do not like (or even detest) the ruling Socialist Party (SPS). It was reported that after the Socialist election victory in 1993, some civil servants in the Prime Minister's building were literally in tears, but no action was taken against them for this demonstration of clear political bias. In many respects, Yugoslavia, as well as Serbia, has the characteristics of an arbitrary state (Pejovich, 1996; Sevic, 1997). This is characterized by a large discrepancy between the legal system and legal order (see: Sevic, 1996) i.e. the legal system is fairly well developed, but the laws are applied in a discriminatory way. Citizens know that the laws exist but are not entirely sure that they will be properly applied in all cases. In an arbitrary state, the law is developed, but legal insecurity remains due to incompetent or apathetic law enforcement (Sevic, 1997).

The most worrying aspect is the fact that political parties in both Serbia and Montenegro pay no attention to the Civil Service, its development and how it should be reformed. As a result of this lack of interest, there is a very awkward situation at the federal level whereby laws created twenty years ago during the mono-party monopoly are still applied. None of the political parties have prepared a programme or explained the details of how they will tackle the problem of civil service reform.

Despite a strong belief that the Serbian civil service is highly politicized, it is not. If we were to choose a civil service model which is applicable to Serbia, we would most seriously consider a "functional village life" model

as the most appropriate. Staff in the ministries have been there for years and are able to adjust quickly to a new minister, knowing that he/she would probably not be there for long. Often a minister comes from the business sector which is connected with a particular ministry. This certainly increases the possibility of a special kind of log-rolling or executive rent-seeking, as the minister tries to favour his/her former (or even current) company or its business associates. In our view one of the problems undermining the efficiency of the governmental policies is the fact that the vast majority of Serbian ministers are also directors or CEOs of large and influential companies. These companies often use insider information to earn extra-benefits through expected government policies.

Another problem of the civil service in Serbia is the unfavourable professional structure in that the average age is rather high and the job-for-life concept is an incentive for civil servants not to develop their skills. Institutes for Public Administration existed but they had little influence on civil service development. One idea was to reinstate the Institute for Public Administration (Kavran, 1996, Rabrenovic and Vukasinovic, 1996) but this would appear to be impossible in the foreseeable future. In our view, little can be achieved without serious cuts in the service. One problem is that young people who enter the Civil Service lose their interest and enthusiasm very quickly and almost immediately adapt to mediocre standards. Like many other civil services worldwide, the Serbian civil service accepts graduates from the leading national institutions, such as the University of Belgrade's Faculty of Law. New entrants are generally top students with personal skills of a high standard. However, nepotism is still an existing factor which undermines most of their positive results. When new entrants enter the service they soon stop developing personal skills. There is also no special high-flier programme, so involvement in politics or close connections with politicians can help promotion into senior posts. This is not only typical of the Serbian civil service but also in most European countries, especially those influenced by the parties which were, or have been in power for a long time.

The civil service in Serbia, i.e. Yugoslavia, did not undergo the process of democratic reform as in other CEECs after the fall of communism. There are many reasons for that. Some of them are of an internal nature, such as national resistance to change (Rabrenovic and Sevic, 1997) whilst others were induced by foreign factors (the UN boycott and isolation of Yugoslavia). Undoubtedly, the barriers existing to normal communication with the outside world will not help the democratization of society and consequently,

the civil service. Foreign technical assistance is necessary, as well as efforts to erase the inefficient arbitrary state and reinstate people's confidence in the system itself. Fortunately, in Yugoslavia NGO's civil sector is gaining strength and citizens' participation is increasing (Rabrenovic, 1997). In our view, this will instigate rapid changes and help the introduction of transparent policy models which would prevent over-politicization of the civil service. In contrast, the political parties are a disappointment since they tend to politicize the civil service, regardless of their ideological affiliations. As many connoisseurs of the Serbian political arena have observed, everyone criticizes the regime, but when in power, nothing changes. How disappointing, especially for those democratically-oriented people who believed that change and social progress would arrive rapidly as a result of a positive democratic energy emerging from within the Yugoslavian society in December 1996 during the pro-democracy demonstrations and protests.

4. Conclusion: From Where to What?

In this paper we have once again demonstrated that the study of the relationship between politicians and civil servants is one of the core themes in Public Administration, regardless of the methodology applied or the affiliation of a scholar. Undoubtedly, there are very few, if any, who would argue that there is a "clear cut" line between the government and public administration. However, the classical textbook distinction between policy-formulation and policy-implementation is still valid, and will be, at least, for the near future. However, the technical side of government (*bureaucracy*) will always find new, innovative ways of influencing policy-making, especially when the expected policy stance conflicts with their specific social group interests. It has been reported that policy measures, often, failed to achieve the desired results when there was strong opposition from the Civil Service. On the other hand, growing politicization of the public service has shown the increasing importance of *administrative* aspects of the policy-making process (Rockman, 1992). Despite our general belief (as scholars), expressed in our working theoretical models, that politicians and civil servants fight over power, practice has proven differently. In contemporary politics, the politicians who head the ministries and "their" senior civil servants create a special coalition to pursue the interests of their ministry. The larger the ministry - with a lion's share of the Budget - the better. However, often the power situation within the government does not really depict its relationship with society.

In a developing or transition country, increasing the power of the Ministry of Internal Affairs (Police), certainly does not support the economic development and overall social well-being of the population, even if the crime rate falls. Log-rolling and rent-seeking are not socially productive functions but they are certainly unavoidable in contemporary politics. Coalition between the politicians who supervise civil servants and civil servants themselves, can significantly increase the costs of rent-seeking, spreading the very base of those who might be “*entitled*” to rent. Models developed by Aberbach, Putnam and Rockman (1981) and Peters (1987) contributed to a better understanding of such a relationship with the various types of civil service systems. Peters (1987) especially contributed to the better understanding of close coalitions occurring between politicians and “bureaucrats” within a certain sector of public policy.

As we have previously seen, Peters’ two models - “*village life*” and, especially “*functional village life*” help us to better understand the relationship between policy-makers and administrative executives in continental Europe. The latter is more compatible with the continental European fused model of administrative and political careers. However, as mentioned earlier, this has also recently appeared in certain presidential (or quasi-presidential) systems through “issue networks” and “policy communities”. The relationship which is established between politicians and civil servants relies not only upon systemic factors, but also on contextual factors that can be derived from a *national ethos*, a policy sector’s characteristics, ideological settings and social timing, etc. These factors vary from country to country and although it is possible to list them, broader generalization is not recommended.

In the communist countries there was no clear distinction between a political appointment and a civil service post. Neither was there a clear formal distinction between party posts and positions within the government. In practice, a post in the party *apparatus* was preferable since it held more privileges. In countries with a lack of democratic tradition and reduced human rights, high politicization can be seen through the efficient work of oppressive branches of the civil service (police, secret service, intelligence agencies etc.). However, with civic development and the inclusion of many segments of society in the process and by making policy more transparent, the political culture will develop. Although the foreign factor can help by supporting civic education, *nascent* NGO sector and cultural exchanges with other countries etc., direct support to the political parties can prove counter-productive.

In the case study, we have looked mainly at the Serbian civil service since it has been the blueprint for relationships at the federal level as well as, to some extent, in Montenegro. Although there is a widely spread belief that the Serbian Public Administration is highly politicized, we found no direct proof to support such claims. Serbia follows the model of "functional village life" with a close "bond" between politicians and civil servants in the same government portfolio. Often civil servants, especially at a senior level, had previously held some political position mainly in local and regional governments. Recently, the mobility of civil servants has increased, probably due to the takeover of major cities by the opposition parties. If entry to the Republican public administration is initiated by a change of government at the local level, this would suggest that there is still a strong sense of loyalty to the ruling party. Party membership has no bearing on public service employment since a large number of civil servants are not members of political parties. Young entrants to the service are usually apolitical, although there are attempts by some parties (Yugoslav Associated Left, i.e. JUL) to employ the prominent young party members in the Civil Service. The Serbian ruling party coalition members differ on this issue. The JUL has a classical neo-communist concept of the civil service and thus threatens to push the country back forty or fifty years despite catchy political slogans launched in the pre-election campaigns. In contrast, the SPS shows no direct interest in civil service appointments apart from the most senior civil servants who are professionals, but politically approved appointees. The nomination of deputy and assistant ministers is the right and duty of a minister, but prior consultations must be held with the Government Personnel Commission headed by a Deputy Prime Minister. In the phase of compulsory consultations, the ruling party (or ruling coalition) may exercise its influence. However, it is well-known that a determined minister always gets the team he/she desires; even if the party strongly objects. But practice has also shown that when the most senior civil servants are prominent party members, a ministry performs better, leads fairly consistent policy and enters into eventual political conflict whenever it is necessary and opportune for the cause of the ministry and policy sector as a whole. In contrast, the ministries in which the senior administrative team has no strong "party roots" are much more inert, trying to avoid, at all costs, public and government attention. Often those ministries are ineffective (at least in the Serbian political environment).

Certainly, the Serbian Civil Service needs an immediate, complex and overall reform, as proposed by many (Kavran, 1997; Sevic and Vukasinovic,

1997, etc.). The primary target should not be the eventual depoliticization, but reform should start with the introduction of unique criteria and State examinations for entry into the civil service. The introduction of a favourable and attractive "early retirement scheme" would allow the civil service to rid itself of old-fashioned personnel. With the introduction of continuous staff development programmes, civil servants would continue to further develop their professional, interpersonal and other transferable skills, which are so very important for the effective day-to-day response to the challenges of a permanently changing social environment. When full mobility within the national labour market is introduced, the fear of losing one's job will diminish. Civil servants who are educated and trained as professionals will be more outspoken and the level of professional dignity will rise, resulting in better performance. At the moment, scholars analyzing the transitional and developing countries are worried about the power of organized bureaucracy. However, in those societies with the appropriate level of human rights, the problem of (over) politicization of the civil service may vanish on its own. Time will bring about a sense of relativity to everything; including this complex problem.

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THE IMPACT OF PUBLIC ADMINISTRATION REFORM ON THE TRAINING OF CIVIL SERVANTS IN THE CZECH REPUBLIC

*Olga Vidláková**

The training of civil servants is indubitably an important aspect of personnel policy of public administration. During the period of fundamental reform of public administration which has been in progress in the Czech Republic since the beginning of the 1990s, however, no transformation of personnel policy has taken place. It is therefore quite legitimate to ask how much this fact has influenced not only the field of staff training in public administration in general, but of civil servants in particular.

1. As in other post-communist Central and Eastern European Countries (CEECs) the first steps of public administration reconstruction in the Czech Republic were taken in the area of territorial administration, where, after more than 40 years, territorial self-government was restored by the establishment of self-governing communes. This action was preceded by the destruction of the system of the so-called National Committees (organized on the lines of the "soviets") and the parallel establishment of District Offices as State administration authorities of general competence in the territory. This principal reform step was taken as early as in November, 1990, with the first democratic election to local self-government bodies. The issue of the training of certain administrative officials, in particular the officials of District Offices and the staff of the Communal Offices exercising State administration in transferred competence, was also solved shortly afterwards.

This duty was codified by the issue of the Ordinance of the Ministry of the Interior on special professional qualification of officials of District and Communal Offices. The Ordinance specifies the exact scope of those officials concerned, necessitating special professional qualifications in the exercise of their duties, the content of these qualifications, the methods of verification and organizational assurance and the forms for its further improvement. The content of special professional qualifications is extensive and includes the exercise of state administration in all fields. The responsibility for the central organization of examinations and the preceding training of the officials concerned is held by the Local Government Institute

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of the Ministry of Interior. The Ordinance specifies those officials who cannot perform their jobs without a certificate of professional qualification. Moreover, the Local Government Institute organizes supplementary training courses for the officials who have been issued the respective certificate. The District and Communal Offices concerned can order their officials to undergo a new examination if the legislation in the respective field of State administration has undergone substantial changes.

In this context, it should be noted that the aforementioned Ordinance of the Ministry of the Interior (No. 260/1991 CoL as amended by Ordinance No. 535/1992 CoL) has so far been the only regulation concerned with the training of such a vast number of officials as represented by the officials of District and Communal Offices.

2. Since the first period during which the reform of local self-government and a part of territorial State administration was performed (1990 - 1992), however, public administration reform has lost its political priority in the Czech Republic and in spite of the endeavours of experts and some political representation, the necessary political will to carry out further reform steps, has not been found. Conceptual work has continued, particularly the completion of the reform of territorial self-government, i.e. the establishment of the intermediate tier of self-government, but it was not until 1997 that a constitutional act on the so-called higher territorial self-governing units, was adopted. Its implementation, however, is not expected until the year 2000.

The reform of state administration, both central government and territorial, particularly the reform of the civil service and organizational, institutional and procedural viewpoints, has remained outside political interest. Consequently, there is still no general reform strategy outlining the targets to be attained by the individual reform steps or their scheduling. Also the decision on some fundamental solution methods, in which political consensus exists, is still absent.

This does not mean, however, that nothing is happening in public administration. The majority of newly adopted acts do have a certain impact on public administration, often generating the establishment of a new authority or the constitution of new competencies, etc. In this way, unsystematic changes are taking place which are of an *ad hoc* character which sometimes even go against the essence of those reform principles on which certain agreement has been reached in the past. For instance, a number of special (deconcentrated) state administration bodies in the

territory have continued to sprout up, although it is well known that excessive deconcentration of state administration makes it non-transparent, too complicated for the citizens and, last but not least, more costly.

3. Another shortcoming is the fact that a Civil Service Act has not yet been adopted. I am convinced that this opinion is also shared by a number of foreign experts. To illustrate this, I would like to refer to the OECD/Sigma publication concerning civil service training systems in CEECs, "Country Profiles of Civil Service Training Systems, Sigma Paper no. 12", where it says "Rather than formulating and implementing training in the form of *ad hoc* and isolated events, training measures need to be incorporated within civil service legislation, both as a right and a duty.... only to fulfill the functions outlined above" (p.19).

Drafts of the Civil Service Act were elaborated upon several times, firstly at the time of the Czech and Slovak Federal Republic and consequently when the Czech Republic became independent. These were never reviewed by the Government - obviously because they felt neither inclined nor interested in making a decision on a matter which it considered to be of a low priority.

All officials employed in the civil service are governed by general labour law rules contained in the uniform Labour Code which basically means that a civil servant has no relations with the State, but has a contractual relation to a certain state administration body. The consequences of this are far-reaching. The ministers and the heads of other central state administration authorities not headed by members of the Government, together with heads of other administrative offices, have unlimited authority to decide upon the organizational structures of offices under their management. They can also decide on the numbers and titles of leading executives, resulting in non-rational organizational structures and management systems. There is none of the much needed mutual coordination and cohesion of the individual ministries and other central State administration authorities and agencies and the mobility of officials, particularly amongst the higher ranks, is restricted.

Staffan Synnerström of OECD/SIGMA, at the conference on public administration in transition, which took place in Thessaloniki in November 1997, described the situation in post-communist countries as being non-standard, where the criteria for selection, recruitment, promotion and management of civil servants was concerned. They differed from one authority to another as with matters of employment and personnel

management where each institution acted as an independent legal entity and was not authorized by or working on behalf of the State. He believed that one of the principal reasons was that in many of those countries, there was no division between political and official positions. "In an administration staffed and managed under a labour code, it is at the discretion of the minister or the head of institution to define when political merits are necessary and when they are not. Although formally a labour code-regulated administration is not defined as a spoils system, it will always become a spoils system in practice"¹

4. In the Czech Republic where, as has already been mentioned, there is no Civil Service Act, there is also no public administration school or central point for the training of civil servants. Several attempts were made after 1993 to establish these, but to no avail. The training of the staff of individual ministries and other central administration authorities is not coordinated and is left to the individual sectors. What is the purpose of these training courses? In the first place, they were based on the implementation of new Acts concerning the specialization of trained officials. With the immense restructuring of the entire legal system taking place in the country, it means the training of thousands of officials. Further training concerned information technology. The introduction of computers and other equipment meant a revolution in the documentary service, accountancy, staff records, etc. which necessitated the training of further thousands of employees at different levels. These training courses are continuing as required with the acquisition of new software and methods.

The on-line connection with various European organizations and their headquarters necessitates continuous staff training. There are also various language courses, particularly in English, but also in other languages. Short-term training courses concerning European Union accession were organized. Training of officials on EU integration began last year but on a modest scale.

In spite of these partial and more or less isolated steps, there is no widescale systematic training in State administration either for the education of future civil servants or for the continuous in-service training of employees of various categories. In 1996, the establishment of a Public Administration

¹ S. Synnerström: Professionalism in Public Service Management: The Making of Highly Qualified, Efficient and Effective Public Managers, p.5, Paper No. 4, Regional Conference, Thessaloniki 17-20 November, 1997

School at university level was suggested and all ministries were asked their opinion on the necessity of establishing this. The result was surprising because the majority of ministries were content with the existing training and did not consider the establishment of such a school a priority.

I feel the situation is not fully understood. The above mentioned short-term specialized training courses were not part of an exhaustive survey, but merely an illustration. There was no shortage of training courses as organized by:

1. Specialized training institutes established by most ministries (regardless of whether they were the ministries with horizontal competence, such as the Ministry of Finance, or typical line ministries
2. Various private training institutions, hundreds of which have been established in recent years
3. Universities and other institutions of higher education.

As regards the training institutions of the ministries, it is, of course, in their interest to prepare an adequate menu for their superior ministry. However, these always include specialized courses based on the existing demand and which more or less follow the old routine. The private training institutions are oriented primarily on the private business sector and provide training in enterprise management regardless of the need and requirements specific to public administration and public law. For this reason and because they are costly, these institutions are rarely used by the state administration. The training provided by universities and other higher education institutions is of a different character. It includes primarily re-graduate and, to a certain extent, post-graduate education. In Prague, post-graduate courses and other forms of training are organized, for example, by the Faculty of Law at Charles University, offering applicants from public administration, several courses comprising constitutional, international and Community, administrative, financial, criminal, social and environmental law. Apart from these courses it organizes, on a commercial basis, specialized courses for the staff of central authorities such as cadastral offices building offices, mining offices and district offices. In 1993, the University of Economics in Prague began a bachelor's degree in "Public Administration and Regional Economy" and a master

s degree in "Regionalistics and Public Administration". Several regional universities offer mostly bachelor, but some master degree studies primarily to the staff of territorial administration.

The aforementioned pre-graduate studies at these universities come under the umbrella of “Public Administration” with some specialization, such as “Regional Development and Administration”, “Economy and Public Administration”, “Management of Public Services”, etc. These universities, particularly those faculties combining public administration with economy, struggle with a shortage of students on the one hand (most of whom prefer economic disciplines with only a small number willing to study public administration) and with the shortage of qualified teachers on the other. The schools use external teachers, who, unfortunately, often change thus impairing the stability and quality of tuition.

It is therefore not really possible to speak about an integral system of civil servants’ training since this does not exist in the Czech Republic. It was disappointing to learn that leading officials in the state administration were not aware of this fact and that they were content with the way things are.

5. The public administration function consists of dozens, if not hundreds of special tasks such as decision-making, controls, inspections, supervisory, management and organizational operations, as well as legislative, coordination and conceptual activities. It has a vast scope of various human activities both with the problems to be dealt with and their sector specialization. It is very often these specific features which form the basis of various training courses and on which the in-service training of public administration staff primarily concentrates. In regard to public administration reform which, as has already been stated, has been ongoing in CEECs since the beginning of the 1990s, the concentration on the improvement of public service on a technocratic basis and the improvement of techniques and routine of administrative activities, is not sufficient. Far more important is to change “administrative thinking” or to create what is generally known as “administrative context”. It involves the education of public administration staff in the fundamentals of administration; in what cultural change means for public administration, what makes an “administrative official”, what the fundamental prerequisites and requirements are for carrying out public administration tasks: integrity, political neutrality, impartiality and, last but not least, high professionalization.

The question is can we expect, with our present conditions, the fulfillment of all these requirements which, we are told, are considered to be a matter of course in developed countries? Although I know that there are problems everywhere and that examples can be found where all these requirements

are not satisfied, even in the most highly developed countries with a public administration tradition of several centuries' standing, it is obvious that they have elaborately detailed systems accurately specifying the components of the civil servant's profile including his/her duties and clearly defined accountability as well as his/her rights and his/her legal status and relation to the State as his/her only employer.

The mere fact of having a long standing tradition, a Civil Service Act and the public (civil) servant's code, forms the basic environment which makes it possible to demand that a civil servant should behave as he/she is generally expected to behave. One of the components of the profile of the civil servant, naturally, is his/her qualification obtained by both pre-graduate and post-graduate education. These factors contribute to the relatively high prestigious status of civil servants in society.

In the Czech Republic this is not yet the case and it is no wonder. Officials are frequently criticized in the mass media and the man-in-the-street perceives them - euphemistically speaking - as corrupted blockheads. However, this attitude is not general. The problem remains, however, that the quality of the civil service which is not covered by a law in the Czech Republic has been dropping in recent years in spite of an increase in the number of civil servants. Perhaps it was a causal nexus - the required quality was replaced with quantity. In spite of this unfortunate development, the Government did not initiate any in-depth analysis of this state and did not deal systematically and conceptually with the problems of the civil service in general or the personnel policy of State administration, in particular.⁶ In considering the establishment of a public administration school or another focal point for civil servants' education and training, two factors play an important

role: the reform period and the role of generalists in state administration.

6.1 The turbulent atmosphere of reforming countries in the 1990s necessitates a proactive training process to replace the ad hoc reactive system. Such a school is required to provide pre-service education in the format and scope required by the strategy of public administration reform adopted by the Government and for in-service training. At the same time, it should play an important coordinating role with other universities and higher education institutions which cater for the training of civil servants.

It should be noted that the most prestigious western European schools of this type were established after the 2nd World War or subsequently, be it the Hochschule für Verwaltungswissenschaften in Speyer (FRG), the

Ecole Nationale d'Administration (E.N.A.) in Paris or the Civil Service College in Sunningdale in the U.K.

A public administration school should play the role of a central coordinator in the education and training of civil servants. It should be authorized to cooperate with foreign donors and international organizations and to carry out analyses and evaluations of training needs.

6.2 Although it may seem that public administration is so specialized that most civil servants are specialists in limited fields, this is not strictly true. The principal roles in the civil service must be held by officials with a broad profile who are capable of conceptual thinking and policy-making. In other words, they must be generalists responsible for the drafting of group tasks, departments, sections, i.e. primarily people in executive functions. It is this very group of senior civil servants or top managers who bring about the required changes.

These officials in particular should receive a broad-based education provided by the study of administrative science which is a typical multidisciplinary study. For this reason, some authors maintain that administrative science is a complex set of scientific fields rather than one scientific discipline. The reform theory itself is an important field in this study. It is essential that civil servants are educated in the theory of reforms which they are to draft, prepare and co-implement. The creation of a new administrative thinking or an administrative context must be based on the study of the fundamental issues of the rule of law, regulatory reforms, democracy in general and democracy of public administration in particular and the broadly conceived issues of a civil servant's professionalization including the problems of ethics and communication.

7. The civil servants' training system in the concept outlined cannot be developed without a basis for civil service reform which is one of the key prerequisites for public administration reform. Without civil service reform it is impossible to expect higher professionalization of civil servants. The isolated steps taken so far cannot produce any great improvement. It has often happened that employees who had received specialized in-service training, later left public administration and made use of the acquired knowledge elsewhere, particularly in the private sector. An opinion exists that this does not really matter since our target is to have a greater number of better qualified people, wherever they work. However, this altruist attitude can hardly help to improve public administration performance. On the other hand, we also know that not all training activities, whether run

by domestic or by foreign institutions, have fulfilled expectations. Some of them brought about very little new or useful knowledge. Therefore, the screening of offers requires great care, circumspection and especially experience, all of which we have collected a great deal of in the past few years.

In my opinion, if we are to improve the quality of public administration, we must adopt a comprehensive and coordinated public administration reform strategy, an important component of which must be the reform of the public (civil) service. A decision on such a strategy is an essential political step which must be followed up by the implementation of administration reform in various areas: drafting of dozens of new laws, establishment of institutions, procedural rules as well as financial and human resources development.

The number of normative acts concerning the relations between public administration reform and civil servants' training includes primarily the Civil Service Act which must codify, *inter alia*, the duty of the respective authorities to provide the required practical knowledge in their service sector. This must apply both to those who will be preparing to join the civil service and to those selected for appointment to senior civil servants' posts.

Although I am in favour of an immediate solution to the next phase of public administration reform, I am fully aware that in the conditions characterized by a shortage of both financial and human resources, it is a task which is extraordinarily difficult. However, there is a realistic hope for obtaining funds for its implementation from the European Commission, for instance from the Phare programme.

Section 6
Executive Development in
Local Government

THE CHALLENGE OF CENTRAL AND EASTERN EUROPEAN LOCAL EXECUTIVES DEVELOPMENT: A WORKING GROUP INITIATIVE

*Alexander Kovriga**

The Context

To master transitional problems and 21st century challenges, local executives of central and eastern European countries need a complete set of new competencies.

The unprecedented complexity and rapid changes which characterize today's management environment, pose urgent challenges for those who will lead local, city and regional governments into the 21st century. A turbulent world economy, changes in the emerging economies in transitional countries, evolving management and leadership styles, and sweeping advances in information technology are dramatically altering the landscape.

Globalisation has surely become one of the most powerful and pervasive influences on local and city governments and communities, business and lives at the end of the 20th century. The flow of information, travellers and shoppers which link the world are revolutionary in their impact. Increasingly, the daily effects of globalisation are being played out, not at international conferences of economists, or in boardrooms of trans-national corporations, but in local and regional governments' halls and even in small and medium sized offices. Every city, local community, business or profession, even those that believe they are purely domestic, are affected by global forces and trends. Globalisation is causing a shift in the roles of local government and business.

As the technological, market and organizational complexity of business grows and the pace of changes increases, so does the importance of executive work. In order to master innovations and be competitive, corporations must have flexible and changeable management staff, and their executives in particular should have the ability to lead such changes and innovations in a very complex environment. Their future progress depends on this. The earlier these organizations learn how to develop their

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executives' capabilities, the sooner they will gain a competitive edge over others.

Due to our special situation, the impacts and influences of globalisation trends in central and eastern European countries are linked with a set of "transformational" and "transitional" processes. Officials and executives at the top levels of local government in these countries are crucial for any management improvements, professionalization in administration and local development. Their role is an important one, and they are core forces not only in converting and managing global challenges to the advantage of both local communities and global businesses, but also in transforming institutions in transition to a civil society and market economy.

Today the executives and senior managers must master the new realities and new conditions of a post-modern dynamic world of "knowledge-based societies" and "knowledge-based economies". One of the key forces, which serves to carry the message of change to leaders and executives of business and governments world-wide is that of developing the market of "life-long executive education, training and development".¹ In order to be prepared and handle all new challenges, executives must become involved in the life-long learning and development processes. They must also update their professional, management and leadership skills and knowledge.

Executive Education and Development became a well established and increasingly important area of educational services during the last decade. We can find different types of sophisticated learning programs which management schools and training centres use to serve executive development challenges. These programs require advanced learning techniques, a cutting-edge knowledge base and a special facilitating environment which will entice business managers to pay very expensive course fees. Schools are using this kind of training program for their own improvement and further development. Before directly interacting with executives in their special training programs, they need to advance beyond the company's management team by studying and developing 21st century managerial competencies, skills and knowledge. They must define a code-of-practice and be able to address the real issues and strategic imperatives of business. Executive courses should be relevant and based on sound fundamental principles.

¹ Gintowt-Jankowicz M. *Public Personnel Management and Training of Civil Servants*. United Nations Workshop on Administrative Modernization in east and central European countries. Maastricht, The Netherlands: The United Nations (November 30-December 3) 1993.

They must be able to furnish top-notch competitive intelligence and novel ideas on corporate competitiveness and sustainability and explore up-to-date methods and frameworks for measuring and managing a company's performance. To provide this competitive activity, schools should have some sort of special internal research and development programs which will give them the ability to increase their advancement and be well prepared to meet any challenge from demanding acting managers. Marketing executive education services can be a very profitable business for management schools. There is a rich source of practical management problems, knowledge and competitive environment for encouraging faculty development. In this regard there are many different research projects and initiatives, unique forms of academia business co-operation and variations of learning products and techniques which are produced by executive development practice. Schools now compete with each other on a global scale. In order to strengthen their market position, 33 world leaders in executive education have united into one "International University Consortium for Executive Education".

The Issues

Do Public Management and Public Administration schools and training centres behave in the same way? Do they have the same approach for creating services? How are they improving their knowledge base and defining state-of-the-art public executive practice?

On the whole, the development of this practice is slower than in one business sector. Investment is also much lower. There are still many questions to answer and problems to solve.²

Public Management schools and centres must master this situation and new area of activity. It is extremely important for Central and Eastern European transitional countries.³ In fact properly established, "services for local executive development" with "high standards" and furnishing advanced visions will play a crucial role in transitional problems, and economic development.

² Kickert W.J.M. and Stillman R.J. II. *Changing European States; Changing Public Administration: Introduction*. Public Administration Review, Vol. 56, No. 1, January/February 1996, pp 65-66

³ Newland C.A. *Transformational Challenges in Central and Eastern Europe and Schools of Public Administration*. Public Administration Review, Vol.56, No. 4, July/August 1996, pp. 382-389.

All of the above was a “formative” or mental context for bringing together a special working group to explore the opportunities for joint work and collaboration on executive development in local government. This activity attracted scholars, experts and executive trainers from the Czech Republic, Kazakstan, Latvia, Lithuania, Romania, Slovak Republic, UK, Ukraine and the USA.

The first session comprised two written papers and three in-depth oral presentations. Representatives from those countries gave an analysis of both local executive education and development in Central and Eastern Europe, Western Europe and the USA.

Due to the innovative character of executive development services and institutional uncertainties in Central and Eastern European countries during transition, we started by exploring the general frameworks for “executive development” in the current situation.

The first paper presented by Dr. Artashes Gazaryan and Jurgita Kersyte (Lithuania), entitled “Professional Capacity Building for Local Governments in Transitional Countries: Training Design and Delivery” is an outline of some key methodological aspects of training for local government in transition countries. The paper is based on the international project “In Service Training as an Instrument for Organizational Changes” and “In-Service Training Research Project in Lithuania”, supported by the Local Government and Public Services Reform Initiative of the Open Society Institute. The paper concludes with “methodological recommendations” to trainers on training programs design and delivery for local governments’ capacity building in CEE and CIS countries. By analyzing their own experience of successful training courses, the authors build up a pattern of well organized, well prepared and efficient training courses for local government. There are seven major components, some of which are: resources (time, training materials, accommodation, meals, rooms, equipment, financial resources, etc.); trainees (with their training experience and motivations); group composition (careful balance of different professionals and officials); course content; methods; tools and process design.

The next paper to be presented and discussed was by Yurii Polianskiy (Ukraine), Wendy Shelley and Dr. Aidan Rose (UK) and entitled “Re-Engineering the Stovepipe: Local Executive Development in Ukraine”. This study focused on the Ukrainian context and problems of local government professionalization and development which, to some extent, are typical to transitional countries. The authors argue that transitional problems, in terms

of public administration and local government reform, are comparatively easier for central European governments than for CIS governments. This is due to the level of integration in the state's or "administrative" economy, the level of penetration of state machinery into every corner of life, and the elimination of traditional socio-cultural institutions. Based on the analysis of current projects and activities, the obstacles for professionalization, training needs and possible strategy for further local government development were expressed, and the vision on major measures and actions to be developed and implemented were pointed out. The setting up of a "system for training, re-training and updating of public servants" is still in the initial stage. The low efficiency of acting institutions and academies "does not make a significant impact" on "professionalization of public service, formation of their legal and organization culture"⁴ At the same time it was stressed the crucial role which local chief executives play in projects for government's improvements and effectiveness of training and development. It was shown how important it is to have special tools and methods to create a learning environment and really workable courses for such special audiences as executives during the uncertain transitional period.

These two presentations evoked questions and with the discussions which ensued concerning different experiences from the Czech Republic, Latvia, Romania and the UK, we drew up a list of questions and statements to enable us to define a framework for the further study in this field and possible collaboration.

First of all we concentrated on the following questions: What does "Executive development" mean? How are we evaluating the performance of our chief executives?⁵ What sort of items could be subjects for development as a special activity? Who could lead or undertake this activity? Who can be an "executive developer"? How could this activity be introduced and developed in the CEE transitional countries? How can we avoid its "old nomenclature approach" to training and development activity organization and implementation? Could local executive development be some sort of market service or should it be a specially organized system,

⁴ Gaspar M. and Wright G. *Organizational Culture Barriers of Local Government Management Development: The Hungarian Experience*. In "Developing Organizations and Changing Attitudes: Public Administration in Central and Eastern Europe". Proceedings: NISPAcee conference, Tirana, March 28-30, 1996, pp. 111-130.

⁵ Carlson M.S. "How are We Doing? Evaluating the Performance of the Chief Administrator", *Public Management*, Vol. 79, No. 3, 1997, pp. 6-11.

vaguely incorporated into the national organization of public administration machinery? Who are the clients for executive development services? What kind of advancement (in knowledge, skills, etc.) do we need in order to be prepared to face the challenges of local executive development? Which institutions, i.e. state or non-governmental professional agencies could play a major role in the initiation and creation of events and programs which will attract and facilitate executive development?

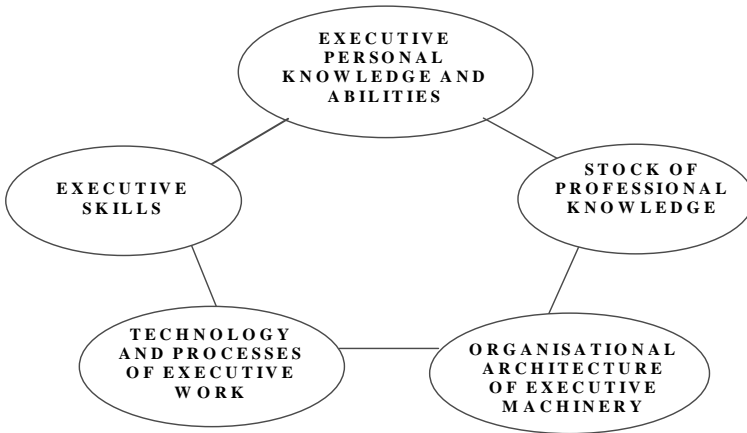
In a summary, the papers, presentations and discussions described above showed that the challenge of “life-long learning and development of local government’s executives” in CEE countries is linked to processes at the “international level”.

To respond and successfully handle the new challenges, local and regional government executives in central and eastern European countries have to master a completely new set of competencies. They must commit to life-long learning. Due to the traditions and heritage of the soviet era in the CEE transitional countries, the processes of social, cultural and economic development at the local and regional level, very much depend on the attitudes and activities of local and regional governments’ chief and senior executives. We cannot overcome “transitional obstacles” if our local governments’ executives do not become involved or play a major leadership role.

A further observation was that we must use current trends and “global impact” on local governments’ development and exploit a networking possibility for strengthening our expertise and learning resources. On the basis of preliminary discussions the group agreed on several statements including:

To be able to successfully face new global and transitional challenges, local executives need a special “support system” which we called “The Sphere of Executive Life-Long Learning and Development”. This system must be developed over the next few years and since it is a large social-cultural innovation, it requires a special capacity and institutional building. We understand that the formation of well-functioning executive development programs in today’s situation requires long-term efforts and international co-operation. The outcome of this working session was that we could consider executive development as a set of fundamental socio-cultural processes which could be developed with the following essential elements:

Figure 1



Other assumptions concerned the channels and means by which the processes of executive development should be implemented and include:

- Training (and Regular Skills Updating)
- Education (as Fundamental professional education)
- Consulting Assistance and Services
- Expertise Support Services
- Research and Development Services
- Academic Publications
- Professionally Oriented Journals and Magazines
- Professional Clubs, Associations and “Corporations”
- Mass Media Special Facilitating of Development Programs

Due to the complex situation existing in the field it was decided to begin collaboration with pilot projects which could be on a small scope but which must be successful. The main objectives of this activity are:

- To identify the processes, channels and an acceptable environment for executive development in a 21st century knowledge-based economy and society.
- To identify key socio-cultural, organizational and other factors influencing the process of executive development.
- To identify problems and successful patterns for transitional countries’ executives’ training and development.

- To find certain transferable elements (techniques, methods, etc.) suitable for exchange and dissemination.
- To identify the topics which should be studied for the improvement of this practice.
- To study what their competencies should be and create a competency profile for the 21st century.
- To identify the criteria and mechanisms and problems for executive performance evaluation.
- To elaborate the forms of exchanges of experience by executives from different countries and regions.
- To study what kind of experts, information and intellectual support executives should have in order to facilitate their life-long learning and development.
- Identify the patterns of professional ethics development.
- Case studies for executive development preparation.

It is evident that executive development is a major challenge and requires different resources.

The WG believed that one of the most important issues for its further development is to put a process in place to have a network of experts, trainers and scholars. We also believed that the creation of a publicly accountable, more open and transparent executive machinery in the region, depends on further internationalization of the Executive Life-Long Learning and Development as an academic field as well as in practice. It will be impossible to develop and implement any relevant projects in this sphere without the proper financial and organizational support. We also need to explore what kind of projects already exist and increase the flow of information on this activity.

PROFESSIONAL CAPACITY BUILDING FOR LOCAL GOVERNMENTS IN TRANSITIONAL COUNTRIES: TRAINING DESIGN AND DELIVERY

*Artashes Gazaryan and Jurgita Kersyte**

Introduction

Any rapid process of global political and economic transformation in society may cause extreme instability, requiring a great deal of administrative capacity to control and prevent it from taking the wrong direction. This administrative capacity is exactly what countries under transition lack most of all. During transformation, dynamic changes in human resources and areas of activity take place. It places professionals in areas where they have no professional expertise, leading to a general collapse in their effective professional potential. This same process is occurring within public administration, largely due to crucial political changes, resulting in the need for an enforced administrative capacity to deal with them. Since the ultimate path of development depends on the balance between the ability to solve problems and the complexity of those problems, it is clear that societies under transition must face difficult challenges.

Reconstruction of the functions of local government in a period of critical socio-economic changes demands immense reconstruction of the operational structures of public administration and the management of service provision. However, the scope of possible changes relies strictly on the scope of available professional skills, which are necessary to operate in the re-designed public organizations. The experience of 'wild jumping re-engineering' demonstrates the hopelessness of efforts to implement dynamic and sustainable models of up-to-date public management before putting in place the corresponding development of human resources.

Hence, the specific background of public officials in post-communist states may be characterized by a lack of relevant education and managerial skills corresponding to the public administration activity in a democratic and market oriented society. Three strategies could be applied to meet the challenge: learning before doing, learning when doing, learning after doing. The first strategy was hardly applicable during the initial steps of

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what was called the “new democracies”. The second strategy was not very effective due to the very short term in office for top local officials and the third required recognizing personal mistakes, a trait which was unacceptable for those who were candidates in the next elections.

Since real and sustainable democracy cannot be separated from the effectiveness, efficiency, and good quality of public services, two aspects of public administration reform would appear to be the most important in transitional countries: changing attitudes of civil servants towards their mission and duties and changing their performance procedures and standards. They should start to take on different tasks and do them differently and the only way to do this is through training. The impact of in-service training should lead to a real improvement in the quality of public services due to the more effective and efficient use of available resources, improved competitiveness of new democratic regimes, and increased opportunities for them to survive.

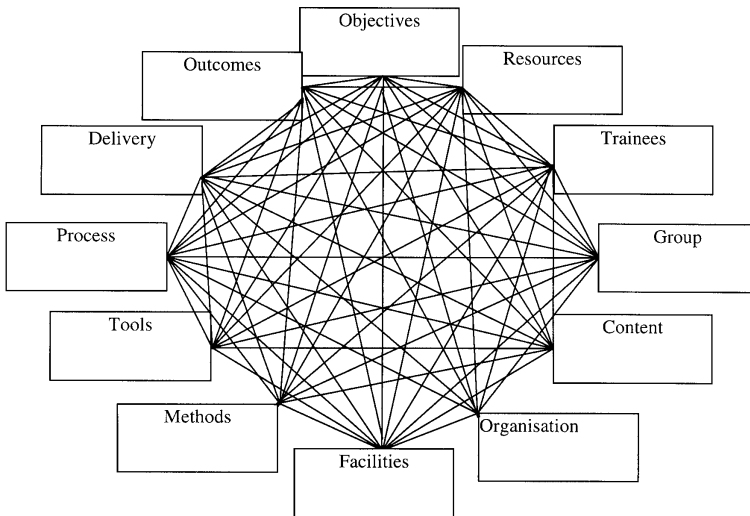
To build up sufficient domestic potential for the satisfactory management of public affairs, any country under transition should pay particular attention to developing domestic capacity building systems.

There are various critical conditions in order that in-service training can play a positive role. This training must be of a high quality, properly organized and provided in a sufficient quantity to build up the potential of any given local administration to be able to break down the barriers of the old administrative mentality and the new administrative ignorance. In this paper, we would like to discuss some methodological aspects of training for local governments in transitional countries. Our recommendations focus on the training impact on organizational changes and capacity building of local governments in solving their problems when providing services to the community.

Methodological Recommendations

The basic criteria for evaluation of the success of training lies in the changes which will happen in the working environment of those who have been trained. It does not matter how happy the participants were at the end of the course. If nothing changes, then the course is of no value. In fact, the training impact depends on the quality of the whole system of training events, combined within several essential components. These are illustrated in Figure 1.

Figure 1
Training event as a system



We would now like to discuss the various elements of a training event with special emphasis on the training objectives. For this paper, we have assumed that this objective is to produce a change in local government executives' practice and their capacity for solving problems.

1. Resources

Optimal efficiency of any training event can only be achieved when the objectives match the available resources. One of the most critical resources is time.

Officials in countries with very little understanding of the nature of training events often try to include in the training programme more topics than it is actually possible to process within the time allocated. They tend to think they are smart enough and therefore do not require lengthy explanations. Training must not simply be a case of telling participants how they should work and live. They may listen, understand and agree, but this does not mean they will change. Participants must feel they are participating and be given time to transform what they learn into new skills.

For example, the theoretical explanation of a problem takes approximately 20-30 minutes, including a review of the most common mistakes made. Participants are then happy, say it is interesting and that they have understood the issue. However, when asked to solve another problem, they find it difficult and it takes a considerable time before the majority of the group are able to correctly identify the problem. Goal-setting takes another half day. Action planning takes yet another day. In the end, the grasp of the problem and its formulation may be drastically changed and then additional time is necessary to put things in order and complete the task. Before the task is completed and positive feedback received, trainees might feel inept and, instead of increased self-esteem and a willingness to change, participants may remain disappointed and try to avoid future disappointments. In this way, training may prevent the required changes, rather than facilitate them.

At the same time, a training event should never last longer than is necessary to accomplish the task and meet the client's objectives. Participants will be disappointed if they feel they have spent more time than was necessary to achieve the same results. Lazy trainers who work as little as possible on their courses will inevitably lead to lazy participants since they will have no incentive, intellectually, to become involved.

The training process requires time not only in terms of quantity, but also in terms of quality. Timing is also important - whether it takes place during working hours or at weekends. Top ranking officials prefer using weekends in order to save working time, whilst others may prefer to safeguard their weekends.

For half-day in-house training, it should be noted that class participation varies between morning and afternoon. Participants are more alert at the beginning of the day and absence from the office is easier to plan for.

Public officials often fail to take into account the relationship between the price and quality of training when setting the objectives for an event. Training should always be of a good quality. However, trainers, materials, accommodation, meals, rooms, equipment, refreshments, recreation activities all cost money and a less experienced trainer will cover less in a given time than an accomplished trainer.

Therefore, the objectives should match the financial resources which have been allocated. It is also important when working with public organizations, that the actual cost of training can be justified by results. Officials are often suspicious when it comes to paying for training as they are accustomed to having this service free of charge, either paid from the

state budget or by international donors. It is therefore a challenge for training organizations to justify the costs involved. At the end of the day, there should be no doubt that the money spent, was used effectively.

2. Trainees

The training process should consist of co-operation between all counterparts (organizers, trainers, and trainees). Trainees should feel that they need the training given. Motivation is the basic element required to produce positive changes in trainees' thinking.

We must also take into account trainees' de-motivation, which may be caused by: 1. a working environment which does not encourage improving qualifications. Practical experience may give participants different ideas on how to be successful and attain promotion. In post-communist countries management skills are not normally amongst the most important criteria, since there is no professional elite in public administration and anyone who is suitable for top leadership may be appointed to any position. 2. A previous negative training experience may also be another reason for de-motivation. It may be that there is nothing new for trainees to learn. Groups of foreign trainers, funded by international donors, would run around post-totalitarian countries selling the same old stuff (accessories, games, models, etc.) with no co-ordination or consideration of the actual state of affairs in the market. Repetition of subjects already taught can easily destroy a positive attitude to training. Previous training must be taken into consideration and influence the program and content of the course.

3. Group Composition

Mayors or chief executives require training as much as other officials, if not much more. However, they are often sensitive in terms of demonstrating their shortcomings in a training course. Worrying about how they will be perceived, they may be reserved and over cautious in mixed groups. At the same time, other participants tend to look upon them as the appointed leaders in the groups and this may prevent normal role development.

It is much better to have mayors and chiefs-executives trained in groups with their peers as they feel more comfortable, become more involved and are more enthusiastic. This preliminary training gives them a new understanding of certain issues and provides a good background for future changes in their organizations.

4. Course Content

The actual training content must coincide with the theme of the course (e.g. in term of skills to be acquired or improved).

For example, the objective of the course may be to improve negotiation skills. However, to be able to participate one would require a good understanding of the decision-making process, co-operative behaviour and have developed good communication skills.

When working with local governments on the improvement of relations between executives and politicians, it is not sufficient to give the usual course on team building or something similar. A preliminary lecture explaining the nature of local democracy and the basic principles of interrelations between councillors and officers, with some reference to domestic legislation is required. It may also be useful to include exercises in problem identification, policy making, and goal setting.

At the end of training courses, it may be useful to talk about strategic management, organization culture, managing change, and to develop corresponding action plans, although action planning may be not seen as an objective at the beginning.

Successful intervention in practice requires complex relevant skills. Partial improvement of one given skill may be sufficient if all other skills are already held. If not, the relevant items should be included in the program. This creates additional problems with training in transitional countries. Too little will be achieved if the course is short, but at the same time, training of 4-5 days may not be possible for most participants

5. Methods

During training, participants may be told what and how to do things in practice. They may repeat certain patterns and acquire the corresponding skills, but forget it two days or two weeks later. People tend to forget what they have discovered or personally understood. In many cases the approach based on prohibiting any statements from the trainer is more effective.

Trainers should not forget how important feedback is, if mentalities are to change. Trainers must ensure that all information given to participants is correct and up-to-date, otherwise they will be blamed for any misunderstanding and use this as an excuse not to change. The task is even more difficult when we attempt to introduce new patterns of behaviour.

The whole process should be organized in such a way that trainees feel a sense of collaboration, that they are learning from one another, and arriving at interesting conclusions. They will only learn from that process, not the trainer.

Sometimes a trainer can be a kind of “guru” who has all the answers, but for this he must have a strong grasp of the subject and a wide practical experience. His age and education, in comparison with those in the group should also be sufficient not to put participants at a disadvantage. It is a tricky situation since participants may decide to challenge him/her by demonstrating how much more knowledgeable they are than he/she is. The trainer may find it difficult to save face and may not be assertive enough to cope with such challenges.

The best results will be achieved when the trainer is flexible, acting as a “guru” at certain times to build up respect and confidence and withdrawing at others.

6. Tools

A specific feature of the “transitional” audience is the very different backgrounds of those who attend a course. There may be a highly educated professor or an ordinary worker together in the same group. Some are experienced well-known politicians and others have no political interest at all. Any political leanings expressed may cause hostility. What they share is a common interest in the outcome of their training and who their trainers and colleagues are. This should be covered at the beginning of the session. Also important is that trainers should make their audience aware of their backgrounds, experience and achievements, especially for the older trainee who might feel he is better qualified than the instructor.

Oral presentation of the models is one of the most difficult tasks in training courses for adult professionals. To enhance group participation trainees should encourage individuals to define, for example, their understanding of topics such as “politics” or “quality”. In this way ideas are exchanged and participants’ interest increases.

As already mentioned, a trainer must take into account the different backgrounds of the class. He should not automatically cover a subject which probably most participants are well aware of in order to cater to the few who are unaware, but wait to be asked. This will reduce any frustration on the part of those who already have an in-depth understanding of the subject. The class should also be led to drawing their own conclusions.

At the start of courses on Personnel Management, we tell our trainees “There are no people in the world who like to work badly. Everyone needs positive feedback on a job well done. We all seek respect, if not from others, then at least from ourselves. We have never met anyone who was happy knowing he was doing something badly. Have you? [‘No...’] ‘Nevertheless, you have probably met someone who works badly, haven’t you?’ [‘Yes!’]. ‘Why do you think they work badly if they obviously know they are doing this? Do you agree that people should not be blamed for doing something they do not want to do? Who then should be responsible?’ This makes each trainee think, not about bad workers, but about himself ... and he is keen to learn more.

Very often trainees are quite happy to sit and listen to lectures all day. However, the trainer should not forget that the real changes in trainees’ mentalities and skills come about, not by listening to the trainer, but by applying new ideas themselves in exercises relevant to their work.

Trainers must also be careful on their choice of case studies and their relevance to the countries of participants attending a course. For example, in one of our seminars for Lithuanian municipality leaders, the Chief Executive of a London municipality told the story of how they had solved the problem of financing for a new school. He explained that they had no funds and had asked a team of consultants to study the problem. The consultants found a way to save \$2,000,000 through the more effective management of other services. None of the 20-25 participating mayors and vice-mayors expressed any interest. One did ask how much the municipality had paid the consultants and the answer was ‘about \$300,000’. The Lithuanian audience found this very funny and said “You are very rich in London. We cannot afford to pay consultants. We do not even have enough funds to pay for our main services”. The guest from London went on several times to repeat his reasons for using consultants, but almost no-one understood him. Lithuanian local governments do not and have never had a free hand in generating or using their budgets effectively. They receive funding from the Ministry of Finance which, of course, does not cover consultants’ fees.

Sometimes a trainer may use examples from the same or a similar country and the same or similar ‘legislative period’ (since legislation changes often during transition). However, for all practical exercises, only real stories and situations presented by the members of the group make any sense. Any attempt to use a case study from Australia or a story designed

for the “average European country” will only appear funny at best but in the worst scenario, will only serve to demotivate or anger.

On the other hand, some trainees may be looking for pre-conceived recommendations they can use rather than examples for explanation. Trainers must be cautious not to give recommendations which can be construed as the correct path to follow. Neither must they waste time on irrelevant matters.

To achieve the best results, participants should be asked to solve the kind of problems they face daily in their workplace. This gives added incentive to work out a solution that they can take back with them. It also gives credence to the ability and efficiency of the trainer. However, certain conditions must be laid down.

Firstly the trainee who raises the problem must be prepared to be open and provide all relevant information to the group, in order to make finding a solution possible. This is not always easy. We once had a group in which some participants were from the same city, but were not all from the local administration. The Chief Executive of the city put forward a problem to solve and the class was split into two working groups. The first group had no success in finding a solution and after a day were extremely frustrated. The second group, on the other hand were successful. The reason for their success was that the Chief Executive had shared information with the second group which he could not disclose to the wider audience. The group went on to choose another problem which they solved successfully.

Secondly the problem proposed should be real. Some participants may try to put together an imaginary problem for discussion, or to submit a problem which had already been solved in their place of work. This is counter-productive since the conclusions may be used as an argument to put pressure on peers at the office.

Thirdly the study cases should not be too complicated, so that they can be successfully concluded during the training event. Participants should go away feeling positive about the course as a whole.

Good planning and not just good intentions on the part of the trainer are of the utmost importance. Time must be allotted for action planning at least once a day, especially when trainees express a need for this. On the other hand, if trainees show no interest in this aspect, then something is lacking in the training.

The positive changes, which we identified as part of the follow-up to training, were not due to good intentions, but to appropriate actions. The success of these actions became the main driving force behind change.

7. Process design

It is important before discussing the programme and methods, to allow participants to express their expectations from the course. The actual programme will then look like a compromise of the different expectations of the participants, rather than a conflict between the organizers' ideas and individual's expectations. It is, however, necessary to explain why the program is the way it is, what the reasons were for including certain items and placing them in a certain sequence.

Most people in CEE and CIS do not know the definition of training. This should be also explained. Hopefully, trainees will not only gain new knowledge and skills, but will also be able to put them into practice. Of course, the success of the training depends on the trainees themselves. Even the unpleasant tasks may be of some value at a later date.

It is also important to bear in mind that participants are perhaps not happy to be attending a course. The driving force behind any change is a feeling of dissatisfaction with a current state of affairs, e.g. an inability to deal with a particular situation. If trainees do not feel disappointed with what they are, or what they do in their jobs – then why change anything? The ideal outcome should be to change bad practice, disappointment, and negative emotions into motivation - increased effort – better practice – increased success – positive emotions – and confirmation of improvements in a changing environment.

To produce the maximum effect, the organizers should ensure that not only are training objectives treated seriously, but also recreation time. Success also depends on what people do between training sessions to unwind after the tension they have built up during the day. Participants must be able to switch off.

Group recreational activities help to keep the group together and improve relations. This may help later in managing difficult relations in the classroom. Moreover, it provides the trainer with a unique opportunity to take preventive or corrective actions in respect of any small personal problems which can arise between participants. Simply having a glass of beer together may resolve a serious problem and avoid the necessity of

finding other solutions. Recreational activity helps participants to enjoy some social activity without having to worry about their official positions.

“Free time” is also very important for participants to learn from each other, to plan future co-operation and to establish networks. This might even be the most important outcome of the training event, if there is the right mix of motivated participants.

There are two basic pre-conditions for the training to be effective as a capacity building process i.e. a sufficient quantity and quality on the demand side from public administration organizations and the training organizations’ ability to supply. These preconditions are obviously inter-related. Demand should be encouraged by a wide range of training offered by the various institutions. This must be based on their capacity and training resources. However, capacity will not increase until there is sufficient demand. The largest hurdle to overcome is supplying enough quality training since if training is not of the required standard, demand will not increase.

On the other hand, to encourage demand, training should produce a visible positive effect in public organizations. It is therefore necessary to ensure that a sufficient number of officials from the same department or team follows the same training. They can then share their understanding and create the necessary environment to apply these new skills. If attitudes do not change, there will be no substantial change in the organization.

If in-service training occurs infrequently on random topics, is not of a high standard and is given to only some officials, then there is no potential for the process to succeed. Demand will not foster supply and supply will not cultivate demand. Instead of sustainable development, we may witness sustainable deterioration, where things go from bad to worse, resulting not only in lost time, but lost opportunities.

Note: In 1994 -1996 authors of this paper participated in the research project of the International Institute of Public Administration and International Association of the Institutes and Schools of Administration “In Service Training as an Instrument for Organizational Changes”. In 1997 this activity was continued by the “In-service Training Research Project in Lithuania”, supported by the Local Government and Public Service Reform Initiative of the Open Society Institute. The publications which were prepared during the project, may be used as a source of more detailed information in

respect of the different ideas developed in this paper. These publications are:

1. Lithuanian Administration Development Problems and the Role of Training in Resolving Them, *Administrative Studies*, Vammala, Vol.15, No.6, 1996, pp. 311-319.
2. *In-Service Training as an Instrument for Changing Attitudes and Developing Organizations: The Case of local Governments in Lithuania*, In: *Developing Organizations and Changing Attitudes: Public Administration in Central And Eastern Europe*, (Ed. by Jak Jabes), Bratislava, NISPAcee, 1997, pp.230-242.
3. *Reconstructing the Functions of local Government and Re-engineering the Management of Service Provision in Countries Undergoing Post-communist Transition*, *Humanities and Social Sciences*, Riga, University of Latvia, 2(15), 1997, pp. 73-92
4. *Lithuania*, In-service Training as an Instrument for Organizational Change in Public Administration, (Ed: Raymond Saner, Franz Strehl & Luchia Yiu), Brussels, IIAS, 1997, pp. 313-334.
5. *The Challenge of Training in the Period of Transition*, NISPAcee News, Vol.IV, No.3, September 1997, p.4 – 8.
6. *Some methodological recommendations on training programs design and delivery for local governments capacity building in CEE and CIS*, *Local Government and Public Service Reform Initiative / Centre for Local Government Studies*, Klaipeda, 1998, 30pp.

RE-ENGINEERING THE STOVEPIPE: LOCAL EXECUTIVE DEVELOPMENT IN UKRAINE

*Yurii Polianskiy**, *Wendy Shelley***, and *Aidan Rose****

Introduction

The creation of a vibrant, responsive, accountable and responsible system of government and administration at the local level is key to the reform process in Ukraine. The development of policy making capacities at the central level is a necessary, but not sufficient, condition for public service reform. Reform in Ukraine has been slow compared to many states in Central and Eastern Europe. There remains the need for major reform at the local level even after over half a decade of independence.

Healthy local government requires a number of pre-requisites. First, local institutions need to create meaningful relationships with the public. The public can be cast as citizens, tax-payers and users of services. As such they place complex and often conflicting demands on local political institutions and it is the role of officers and elected politicians to decipher those messages and transform them into policies and programmes. This takes place in a context where other institutions of the state are also making demands on local government, possibly at variance with local wants and needs.

Second, local institutions need clarity about their roles and independence from other institutions of the state if they are to legitimately be part of a system of local self-government. Ukraine's local institutions are, of course, not alone in depending heavily on centrally allocated resources for their existence. Part of the reform process needs to focus on establishing a financing system that is compatible with the conditions of local self-

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government. Additionally, accountability relationships are fundamental to efficient and effective public administration.

Third, local self-government needs a cadre of trained, professional officers who are in a position to advise politicians and implement policy choices. This paper examines training needs analyses that have been conducted in Ukraine.

Fourth, poor regions lack the resources necessary for economic, social and infrastructural development. Central institutions therefore have a key role to play in addressing difficult questions concerning the redistribution of resources. The paper points to deep-seated inequalities that exist between the regions of Ukraine. This has fundamental implications for the health of local democracy.

The Ukrainian context

Ukraine declared its independence in 1991 and has been establishing its governmental organization and procedures from the base provided by the Soviet legacy. Macro-economic stability has been achieved, though Gross Domestic Product is still declining. It has achieved partial political reform and two presidential elections and one parliamentary election have been successfully completed. New elections (based on a new electoral law) for the Supreme Council (Verkhovna Rada) and local councils will be held in March 1998. Half of the constituencies for the Verkhovna Rada will be elected according to the "majority" election system and another half according to the "proportional" system (parties lists).

There has been significant progress since independence in establishing state administration and the rule of law in Ukraine. Democratic government has been established at all levels. A new constitution has been introduced.

Ukraine inherited a Soviet administrative apparatus that was fashioned under a command economy and ultimately turned the country into little more than a colony of Moscow. Prior to 1991 there was effectively no machinery of government in Ukraine. All policy issues were decided in the parallel Communist Party structures and major questions of economic and social policy were determined outside the country itself. As Ukraine attempts to meet the current needs of transition, its administrative structures are ill-suited to meet the needs of an independent state that is attempting to reform its political, economic and social systems.

Central European governments have faced a comparatively easier administrative transition than CIS governments. Visegrad countries, for example, did not have the same high degree of integration in the command economy as Ukraine. Also, even during the Soviet period these countries had developed machineries of central government associated with statehood. They had experience of parliamentary democracy and rule of law. CIS countries including Ukraine had none of these advantages. In Ukraine the process of political and economic reform has been more fundamental and has necessarily taken precedence over administrative reform.

Ukraine is now entering a new phase of the state-building process. The adoption of a new constitution has opened up new possibilities for the establishment of an effective government.

Ukrainian society is becoming impatient with the slow pace and unevenness of reform, with inefficiency in government and poor services provided by government agencies. In recent months, public discussions have raised the need for serious changes in the structure and practice of public administration and this calls for a demand for an appropriate response from authorities. There were many events held on administrative reform issues, in particular two international seminars and symposiums in May and November 1997 “Administrative reform in Ukraine”, with many ensuing publications. At these seminars, concerns were raised that within Ukraine poor government performance is now a major constraint to the effective formulation and implementation of the government’s economic reform programme.

Ukraine needs a machinery of government which can move quickly and effectively to develop and implement policy. The following important measures have already been taken to improve public administration:

1. The establishment of the Institute of Public Administration and Local Government, Cabinet of Ministers in 1992 (restructured to form the Academy of Public Administration, Office of the President of Ukraine) to train senior public servants. During five years, the institution has graduated approximately 500 Masters of Public Administration. Branches of the Academy have gradually been established in Dnipropetrovsk (1993), Odessa (1995), Kharkiv (1996), and Lviv (1996) graduating an accumulated total of a further one hundred MPA students per year, specializing mainly in local government administration.

2. The passing of the December 1993 law regarding public service and the creation of the Directorate General for Public Service as part of the Cabinet of Ministers established the principles of a modern public service. However, the structure of decision-making remains highly centralized and top heavy with only limited schemes of delegation.
3. The creation of a President's Council on personnel issues which was charged with activities aimed at improving the quality of public servants.
4. In 1997 key laws were passed by the Verkhovna Rada that provided the legal framework for administrative reform; specifically laws dealing with the Cabinet of Ministers and local state administrations.

However, the current arrangements do not allow for effective and informed decision making nor for the preparation of consistent and implementable legislation. Lines of accountability within the machinery of government are often confused and there is an overall lack of transparency about where the decisions are taken.

The government Commission on Administrative Reform was set up to work out the strategy for reform and measures for its implementation. It is headed by the former President of Ukraine, Leonid Krawchuk. The main concerns of the commission should be the following issues:

- the demarcation of the role and responsibilities of each tier of government in Ukraine. To this end, laws on the Cabinet of Ministers, Central Bodies of Executive Power, and on the Cabinet of Ministers in the Autonomous Republic of Crimea are under consideration;
- a review of the numbers and functions of ministries, committees and other bodies of the executive power, together with a review of their internal structures. The purpose of these reviews is to secure the transition to a functional principle of administration; (see Krawchenko, 1997)
- a review of central-local government relations and the role of local state administrations in the development of local self-government.
- a review of state administration considering issues of justification, effectiveness and cost. The review will propose measures to strengthen state administration; and
- a review of the role and functions of the Ministries of Finance and Economy and their performance, in relation to the economic reform programme and government fiscal management.

Public administration reform in Ukraine is not possible without reform of regional and local government, since most services are delivered at the oblast, rayon and local level. Despite almost total control over regional development by the central government, disparities between regions have increased. Almost half of GDP is now accounted for by four of Ukraine's twenty-four oblasts and Autonomous Republic of Crimea.

Effective regional government in Ukraine requires an adequate legal basis to: determine the degree of decentralization and the relationship between local government and other government bodies; to streamline ministries' local presence and to clarify the joint subordination. Sometimes there is joint subordination at local government level. Some oblast officials are accountable both to oblast authorities and to the respective ministry or agency e.g. oblast Department for Health Protection is accountable both to the Head of Oblast State Administration and to the Ministry for Health Protection.

The measures being undertaken in the course of administrative reform include

- implementation of the provisions of the European Charter on local self-government
- separation of power between jurisdictions
- clearer lines of subordination on certain matters which government reserves itself within an explicit framework of dual accountability
- clarification of the budgetary system, greater transparency in the resource allocation process, and endorsement of financial control.

Professionalizing the Public Service

The passing of the public service law in 1993 and the establishment of a Directorate General were significant steps in creating a professional public service, though the quality of public servants still remains low. Special attention has to be paid to the education and training of public servants. Training and career advancement must be organized according to the merit principle. Public servants have received little formal education in such essential areas as public finance, management, accounting, information technology and interpersonal skills.

Today's public service in which a preponderance of the staff possess detailed technical knowledge of a single production process is inadequate since the civil service requires more public servants with an analytical

capacity and individuals with experience in the methods of public policy analysis (Krawchenko, 1997).

In the specific context of Ukraine, the civil service issues have to be considered against the wider background of public employment. Originally the intention of the draft law of the civil service was to consider only those civil servants who were state servants working for the executive branch of the government. Later this was revised, expanding the categories by adding civil servants who work for councils, or other agencies such as customs, procurators, taxation agencies, courts and employment centres etc.. At the same time, postal workers, teachers and doctors are not considered as civil servants, as is the case, for example, in France.

Local Government in Ukraine

Compared with the United Kingdom which is heading for a 95% urban population, Ukraine retains a large rural community estimated at 32% with, according to the 1992 census, only five cities with a population of more than one million and 10,454 villages with a population of less than 5,000 residents, making the effectiveness of local government problematic. Local self-government in Ukraine is the right of a territorial community - residents of a village; voluntary union of residents of several villages; township; city - to resolve independently the local issues in a legal framework defined by the constitution and legislation. Local self-government is executed by the territorial community directly or through local-self government bodies: village, township, city councils, and their executive committees. The common interests of territorial communities of villages, townships and cities are represented by rayon and oblast councils.

The village, township and city councils consist of councillors (deputies), who are elected by the electorate of the respective village, township, or city by equal, direct and secret ballot every four years. The heads (holova) of a village, township or city are also elected by the electorate for a four-year term in office. The head of a village, township or city is a head of the executive committee of the respective council. Heads of rayon and oblast councils are elected by councillors and are the heads of the executive committees of the respective councils. Central government provides financial support to local self-government, providing 95% of local budgets.

The executive power in oblasts and rayons is held by local state administrations. The heads of local state administrations are nominated by the Cabinet of Ministers and appointed and dismissed by the President. The

rayon and oblast state administration can delegate responsibilities defined by law to organs of local self-government. Oblast and rayon councils can delegate powers defined by law to respective oblast and rayon state administrations. Local state administrations are accountable to organs of executive power of higher tier and to the respective oblast and rayon councils in the area of delegated powers. Local state administrations of the respective territory ensure the enforcement of the Constitution and laws, proper rule of law and order, execution of the state and regional programmes of social and economic development, budgeting process and co-operation with bodies of local self-government.

Priorities in the reform process

Local government should be seen, not only as a democratic institution but also as a service provider. Today, however, both citizens and business are considered dependents pleading for benefits rather than consumers of services which are theirs as a right. Service to the public is very slow and a cause of great frustration. A service user must go to too many locations and authorities in order to complete a transaction. There are too many regulations and restrictions on personal initiative and action. In Ukraine it takes 30 % of business' time to deal with all the requirements imposed by government, as compared to six or seven per cent in countries where it is easy to do business. Many licenses, permits, fees, and other restrictions should be eliminated.

A radical shift is required for local government in Ukraine to see itself as a provider of services meeting efficiency benchmarks. A major focus of administrative reform must concentrate on the impact of government under conditions of economic reform.

The Needs and Aims of Training

A key priority is the development of public servants and strengthening of the role of institutions whose mandate is to update and re-train public servants. The development of the system of local executive development is a part of administrative reform in Ukraine. In the future, Ukraine will have to adjust to the changes which are in place in the European Union in connection with the unification of a European internal market and legal system etc.

The methods of work used by public servants in Ukraine are outdated. Many in local government, in particular, have no modern knowledge of

administration, social psychology, conflict solving, theory and practice of management, or basics in economics and finance. These weaknesses pose real obstacles to effective administration.

Last year, 60,000 public servants were recruited to the service, constituting 21 % of the total number of public servants in Ukraine. The annual public service intake is between 40-45,000. The regulations demand obligatory training during the first year in a post.35 % of public servants in 1-3 grades do not possess higher education. This also applies to over 50 % of public servants in grade 7 positions. The scale of re-training of public servants is insufficient. In 1996 only 10 % of personnel were re-trained and that satisfies only half the need.

The basic principles of the creation and functioning of the public servants system are contained in the Personnel Programme of the Public Service. In November 1995, the President of Ukraine issued a Writ #1035/95 which validated "The Programme for Ensuring Personnel Support in the Public Service. The main points are:

- executive development is seen as a component of public service reform and central to the implementation of the personnel policy;
- to take into consideration future needs of the state including the implementation of innovative technologies, research findings;
- on-going and obligatory training of all public servants, based on professional development of personnel with career planning;
- combination of all types of training linked with post-diploma education such as masters, aspirantura, doctorantura programmes;
- implementation in training of the results of research and analysis of the present day practices in public administration;
- wide utilization of Ukrainian and foreign experience.

System and Strategy

The Ukrainian Academy of Public Administration, under the President of Ukraine, has a mandate to train masters of public administration and re-train public servants in grades 1-4. As a main institution of the system it provides methodological, scientific and information support for all institutions which train public servants.

The issues of local executive development are tackled by the Institute for Continuous Education and the four branches of the Academy of Public Administration (with their regional centres) and oblast centres. Whilst the Institute has no line responsibility for in-service training of staff in the

branches, it does have the responsibility to assist and supply materials and leadership in the areas of content and approach to the branches and regional centres. The Institute utilizes the services of the teaching faculty of the Academy, though theoretical and academic courses are not appropriate and often counter-productive to in-service training. Regarding the latter, it is preferable to keep this exclusively within the Academy's Institute for Continuous Education and the branches since the nature of in-service training is to serve the internal, practical needs of its sponsor - in this case the public service.

The Institute for Continuous Education offers many seminars, information dissemination sessions, and in-service training courses. In addition, it should undertake developing new in-service training workshops which incorporate the new methodologies and approaches and which will prepare public servants to work and excel within a meritocratic system dedicated to serve the public.

The training format is that the Institute shifts the focus from information dissemination of 3-5 day seminars, to two-week courses. Systematic training of local executives of grades 1-4 is ongoing. Many of the sessions are conducted in small groups. Most teaching programmes aim at updating participants in economics, political science, administration and social issues.

Centres for executive development are located in each oblast capital, the Republic of Crimea, and the cities of Kyiv and Sevastopol. They function under respective state administrations. The mandate of the regional centres is the development of local executives and managers of local state enterprises. The regional centres provide re-training and updating of local executives from grades 5-7 according to the accredited professional programmes, and develop those programmes independently or together with other training institutions of the system. The centres provide services for local executives such as short-term seminars on public administration issues. They co-ordinate their activities with the Public Service General Directorate, personnel departments of local organs of local self-government and executive power.

Drawbacks

Some chief executives of local authorities see development of their subordinates as their private concern rather than a professional need. There is a requirement to create a motivation mechanism which will spur local executives to update their knowledge and develop skills. There is also a

need to tie in the career and pay of a public servant with his/her qualifications, competency and abilities. This will create a situation whereby an executive will be interested in personal development.

First, since training institutions belong to different administrative organs, there are no clearly defined standards or demands for training and re-training of public servants. This is why the system of executive development lacks effectiveness at all levels i.e.:

- at the state level (Academy of Public Administration and other respective training institutions)
- at oblast level (oblasts training centres) and regional level (branches of the Academy) it is not *legally* defined which categories of public servants are to be trained at what institutions.
- financing of the training system and re-training is carried out from different sources (central and oblast budgets) and because of limited finance the training and re-training plans often do not come to fruition.
- there is no single body to co-ordinate and distribute international assistance for training and re-training systems. Today it is not systematic and applies mainly to the central institutions.
- there is no systematic approach to the development and testing of educational programmes; there is no feedback from organs of power; the evaluation of the training outcome is either not carried out or does not provide clear evidence of whether training was effective or not.
- the mechanism for the development and implementation of curricula for all components of the training system and re-training is not well developed.
- training the trainer is not carried out systematically and does not always take into consideration the specifics for teaching adults.

Second, the lack of job descriptions works against the integrity of the whole training process, combination of goals, essence, and methods of training; and to evaluating the effectiveness of training. Third, there is no delegation of responsibilities, especially financial. As a result, training institutions and their branches make little use of market mechanisms in their activities. Fourth, because of weak resources, the training institutions' needs in terms of information technology, computer networks and other facilities, are not adequate. Fifth, training institutions in oblasts and rayons do not have constant access to state information systems and are not connected with central state organs, UAPA or with each other through the computer network.

Needs Analysis and Evaluation in Training

Needs analysis is seen as the identification of a gap between the desired qualifications and competencies for a position (present day or future) and current qualifications and competencies of a local executive. The necessity of a needs analysis is justified by the goal to guarantee that the training programme will be appropriate for executive development.

All public servants in an oblast position can be divided into three groups:

- executives of oblast state organs.
- executives of rayon state administrations,
- executives in village, township, city and cities' districts councils;

Methods of needs analysis which have been used include:

1. propositions analysis where regional centres, together with local chief executives, define categories, priorities and skills to be obtained by participants. This involves the use of questionnaires of the local executives before the sessions and interviews and testing afterwards.
2. training quality evaluation: objectives, criteria, means. Screening of career paths, performance of local executives after training. Assuring high level of training quality standards. Refinement of teaching techniques, setting out the criteria and ways to enhance the efficiency of instruction.

For example, each group of local executives trained in Chernihiv Regional Centre are asked for their opinions on the training sessions. According to feedback, 98.5 % of participants are of the opinion that systematic re-training is necessary, 65 % are quite satisfied with the way sessions were conducted, 35 % are not satisfied because they see the duration of one week as being too short, and 62 % believe training should be once a year as opposed to once every two years, as is the case today. Most participants regard their future professional activities as requiring a knowledge in personnel, legal, finance issues in local government together with economic reform, state-building, humanitarian policy. After training, local executives pay more attention to budgeting, taxation policy, and changing attitudes to their responsibilities during new conditions brought about by the transition.

The Knowledge and Skills Deficit and Attempts to Eliminate it

The biggest knowledge deficit is seen as being in the areas of new and changing legislation and state policy. The training aims to provide local

executives with skills in professional decision-making, controlling and implementing decisions, better organization, as well as knowledge concerning the functioning and activities of local organs of power and present-day methods of communication.

Future priorities

The possible priorities might include the compilation of a list of public servants' posts, typical job descriptions and guidelines on position responsibilities. Central to the reform process is the development of standards in public servants' training e.g:

- training specialists for public service in educational programmes;
- re-training for qualifications at specialist level and master of public administration;
- executive development as professional training;
- publication of catalogues of executive development services.

Further strategies might include:

- creation of educational space, acknowledging public administration as a field of knowledge (this has been done already); define a series of institutions to train public servants of different categories and to register those institutions for training and re-training of public servants with the Ministry for Education, in order to develop curricula etc.
- development of a system for training and re-training public servants which, once established, will be self-regulated at all levels of power, i.e.: state, branch, and regional:
- training of trainers and managers for those institutions whose mission is to train and re-train public servants.

With the expectation that the capacity of the network of training institutions meets the needs of local government, the following should be done:

- develop a list of qualifications which local government executives should have;
- established the order in which they should be developed and agree with the respective institutions;
- work systematically to arrange staff internships in different public organizations;
- forecast trends and tendencies in local government, evaluate public servants and assess their future development needs.

The focus should be on performance based in-service training. In developing local executives, it must be recognized that the public service mindset is focused neither on service to the client nor on efficiency. Local government and public service are not preparing their managers and employees for future reforms. Training is required in this domain. Basic office management skills are not well developed. Organizational skills, delegation skills and reception skills require development. Local executives require training. Because land reform is still gridlocked and a few western corporations are trying to establish themselves in Ukraine, the need for establishing and training officials to assist such investors is not perceived or articulated. Human resources management is neither recognized nor developed in local government. Therefore there is no expressed requirement for such training. The lack of job descriptions and delegation of authority results in people waiting to be asked or told to do things. Management training is required to improve efficiency. Still functioning mainly under the former organizational framework, there is a vertical chain of command being maintained. Appropriate authority is rarely delegated down to a manager. Public administration reform will deal with this problem but in the meantime, appropriate training should be developed and delivered.

The administration of the system of training, re-training and development of public servants has to be perfected and this concerns public servants, training institutions and the public authority which is interested in having a competent and qualified employee. We must achieve close co-operation and interrelation of the three parties.

Some main principles in the basis of reform of the system of executive development are:

- executive development must be an integrated component of public administration;
- ensuring that executive development of local executives envisages further development of local government, its objectives, new complex tasks and functions of the authorities and new technologies of public administration;
- a durable and coherent feature of executive development integrated into career and pay related systems;
- achieve compliance with state standards in the field of training as well as flexibility in a combination of various types of training and intensification of the teaching process;

- take into consideration policy analysis, results of scientific research into public administration;
- ensure state order for executive development, involvement of state and local budgets;
- wide utilization of western experience in local executive development programmes;
- the development of a new system for public servants' training which can be carried out under difficult circumstances with a lack of financial, human and logistical resources.

The setting up of a system for training, re-training and updating of public servants is now in the initial stages. Its present day effectiveness does not make a significant impact on a highly efficient professionalization of the public service or in the formation of their legal and organizational culture.

According to the conclusions of the Canadian Mission Report on needs analysis regarding in-service training in Ukraine, the types of in-service training courses required by the four levels of government vary greatly. Also, the various geographical areas of Ukraine will require different workshops. Most importantly, however, the anticipated reforms will require a new vision for this training in Ukraine.

The types of in-service training workshops which should be considered for the future are the following:

Management skills

- management orientation programme
- human resources management
- financial management orientation
- managing services to the public
- project management
- office management: practices and procedures
- women in the work force

Specialized/Technical Skills

- position analysis and classification
- communication and negotiation skills

Institutional Priorities

The strategy for implementing in-service training will require co-operation from many sources, including the Administration of the President, the Public Service General Directorate and the Cabinet of Ministers.

International Assistance to Local Executive Development

Assistance to in-service training can be helpful in the following areas:

- defining local executive development as practical, specialized training for people who are already working for a particular tier of local government. The training should normally be on-site. It should be specifically for functions and tasks which local executives are presently performing or will be asked to perform in the future.
- establishing a policy on in-service training
- differentiating local executive development from academic education on the one hand and information dissemination on the other
- presenting new approaches to adult training
- presenting new methods and techniques to local executive development e.g. case studies, tutorials, workshops, role-plays, working in pairs and small groups, mentoring etc.
- development and adapting materials and courses, objectives, standards, tests etc. for generic and specific purposes
- development and implementing an overall, systematic approach for the management of training in all stages
- training the trainer
- programme evaluation and validation

The German government (TRANSFORM) supports many activities at the Institute for Continuous Education, the branches, and regional centres. Some of the main areas are: German instructor conducting sessions for public servants; development of lecturers at the Institute, branches and regional centres; providing printed materials; internships in Germany for public servants; local executives' development in regional centres; providing institutes with equipment and facilities; development of courses and teaching programmes.

Another project is the Institutional Strengthening Project (Ukraine), run by the University of North London since 1994 and financed by the UK Government's Know How Fund. It supports the Academy in its mission to reform the Ukrainian civil service and develop a cadre of civil servants educated to western standards in modern concepts of public administration.

This is achieved in a number of ways, including broad support for the continuing development of the Masters in Public Administration; assistance in the development of in-service training at the Academy's branches; support for networks, such as the Alumni Association and a contribution to the development of the Academy's infrastructure.

The second three-year phase of the ISP(U) builds on previous work with an emphasis on developing a greater regional focus. The aim is to ensure consistent standards of delivery of the MPA programme across the branches of the Academy to meet the needs of local government officials studying there and offer them a level of training equal to that delivered in Kyiv. New modes of delivery, such as long-distance and open university, are also a feature of the project's activities. This extends opportunities for study and training to those whose commitments do not permit them to attend a full-time course and therefore serves to expand the rate at which a cohort of public administrators trained in modern methods of management can be created. Both the UK and the Canadian projects also address the continuing and urgent need for appropriate in-service training, particularly in the regions.

Both the British and Canadian projects offer selected full-time MPA students the opportunity to take part in one-month professional internship programmes in the UK and Canada. The ISP(U) internship programme was previously described in a paper to the third NISPAcee conference (Hague and Rose, 1995). The programme equips students with relevant skills and experience which they are able to apply in their future work in local government. Feedback from former internship students and from host organizations in the UK shows that contact is often maintained beyond the duration of the programme, so that the regional bodies in Ukraine for which the students go on to work, gain from the contacts established outside the country.

The Canadian programme on in-service training emphasizes the following aspects:

1. policy and structural needs
2. a comprehensive policy on national, regional, municipal and rayon government level in-service training which would include, in particular, the following clarifications:
 - a statement on the role of the Public Service General Directorate, its mandate, responsibilities, authority to identify and cater for training needs

- a statement that the Institute for Continuous Education of the Academy of Public Administration be recognized as the leading national centre for in-service training
- the establishment of an in-service training advisory board
- the establishment of in-service training within and supporting a merit system in the staffing procedures at all levels of government
- a financing system should be established for in-service training
- the Institute for Continuous Education and the Branches should prepare, publish and disseminate an in-service training catalogue/calendar well in advance of each fiscal year
- the Institute for Continuous Education and the branches need well-trained, permanently employed in-service training staff, to develop and conduct workshops and other activities
- a study of the present structure of the public service and its current training activities should be carried out. Such a study should investigate, quantify and compare the human resources presently employed, versus human resources required, positions presently filled versus requirements, tasks performed presently versus tasks required, and present training versus training required.

Women in Management

Several studies have indicated that women in Ukraine bear a disproportionate share of the negative impact of economic transition (for example, 80 % of the unemployed population are women). Furthermore, many women public servants feel that their skills and abilities are not being drawn upon in the development of reform-driven public policy. As a result, many tend to have a negative opinion towards reform.

The Women's Executive Development component of the Canadian Public Service Reform Project seeks to provide women in the regions with better access to senior level government positions and thus greater opportunity to play a role in the reform process. Data collected in 1995 suggests the need for change. The data refers to two basic categories of public servants: Executives and Specialists. Approximately 75 % of Specialists (159,858 in total) and 25 % of Executives (53,283 in total) are women. Only 7 out of 157 public servants in the first grade of the executive category (deputy ministers) are women. Thus, few women are at the top decision-making levels in the public service.

It is clear that a great many women have enormous potential to contribute more to the reform process and that there is now considerable demand for well-targeted assistance to counterbalance some of the disadvantages they face in doing so. The initial Ukrainian Women's Executive Development Programme (UWEDP) has broken new ground, not just in Ukraine but more widely within the region as a whole. However, much more remains to be done if more women are to rise to the highest positions in the Ukrainian public service.

The UWEDP was created in 1994 on the initiative of the Canadian Centre for Management Development together with the Canadian Bureau for International Education, supported by Ukrainian officials. The main purpose of the programme is to assist a greater number of capable women to reach the senior ranks of the public service and to perform well at this level.

Eight Ukrainian women initially spent two weeks at the Canadian Centre for Management Development where they were prepared as future trainers for the programme. The same course was then delivered in Kyiv twice in 1995. The stage of 'training the trainers' came to be highly significant in the development of the UWEDP: the team of trainers comprises those who have both a Masters in Public Administration degree and practical experience of working in the public sector in Ukraine. Using the Canadian lectures and materials, the Ukrainian trainers have enriched the Programme with the specifics of Ukrainian history, culture and social relations. This has resulted in the creation of a training course for women executives which is unique to Ukraine.

Institutionalization and regionalization of the Programme are also key factors. Institutionalization has taken place through its establishment within the UAPA through the appointment of the UWEDP Co-ordinator as a staff member of the Academy and through the inclusion of a course on "Women in Politics and Public Administration" in the curriculum. Regionalization of the Programme has occurred through its delivery in different cities for the representatives of local government.

The successful experience of the UWEDP has resulted in further co-operation in the form of the Women's Executive Development Workshop for Central and Eastern Europe, a project supported by the Institute of Local Government and Public Service (ILGPS), affiliated with the Open Society Institute in Budapest and the Canadian International Development Agency (CIDA). Based on the notion that the Ukrainian model is close to

the needs of other countries in the region, Ukraine was selected as the location for the workshop which took place in March 1996. Women came from Kazakhstan, Kyrgyzstan, Poland, Hungary, Moldova, Russia, Romania and Georgia as well as from the regions of Ukraine and the aim of the workshop was to identify ways of improving the contribution of women public servants to the reform processes in their respective countries. This led to the formulation of country strategies: some participants decided to publish articles about the event, others reported back to their organizations and many indicated their interest in adapting UWEDP to their countries' specific needs.

Such initiatives act as an incentive to the development of other groups with similar interests, both within Ukraine and other countries in the region. In Kyiv, Women's Projects is a non-profit organization established two years ago to promote equal rights for women in the spheres of economics, politics, and political education. Most of its members are either civil servants or researchers who work in the Rada (Ukraine's parliament), government ministries and research centres.

Women's Projects has organized a number of seminars and training workshops for women, e.g. "Election Campaign for Female Candidates," "Women and Business," "Women in Politics", in which members of the Rada and the Minister for Family and Youth have participated. It also publishes an electronic magazine about gender problems, conducts research, and prepares drafts of bills for the Rada.

Also in Ukraine is the Kharkiv Centre for Gender Studies, which is an NGO that supports other women's NGOs, provides training, conducts research on women's issues and produces publications on the subject.

Based in Budapest, the Gender Studies Small Grant Programme (GSGP) was founded jointly in 1994 by the Open Society Institute and the Central European University Programme on Gender and Culture to support gender initiatives in countries in the region. The Programme responds to a wide variety of funding requests and priority is given to projects that are innovative, will result in increased opportunities for others to participate in gender related activities and will have a lasting impact. Activities may include conferences and workshops, curriculum development, acquisition of materials, translation of materials and research.

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