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Welfare Regimes

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Reflecting the intensive debate on the economic and social prerequisites of democracy (cf. Lipset 1959; Przeworski et al. 2000; Merkel 2010) *establishing efficient welfare regimes - (Esping-Andersen 1990) appears as the most important element for democracy promotion, institutionalization and consolidation.* As described elsewhere (Cerami 2012), welfare regimes - understood as 'a particular constellations of social, political and economic arrangements that tend to nurture a particular welfare' (Taylor-Gooby 1996: 200)- play three extremely important system-stabilizing functions: a modernizing, a democratizing and a consolidating function. By helping to reduce inter- and intra-group inequalities, welfare institutions play a crucial modernizing function, helping to increase political stability and, thus, fostering investments. Welfare institutions also play an additional important democratizing function. By reducing the reasons for tensions (both inter- and intra-group tensions), they allow voices to be better expressed and represented, while helping to distribute more equally the democratic benefits among different social strata of the society (Offe 2003). Finally, welfare institutions play an equally crucial consolidating function, providing legitimacy to the newly established democratic order. To recall Albert O. Hirschman (1978), by reducing the possibilities for dissent *voice* of citizens, welfare institutions enhance the *loyalty* to the system and, thus, limit the options for *exit* and protest.

In terms of drivers of institutional change, historical legacies can probably be addressed as the most influential factors in determining the patterns of system transformation. Referring to two recent cases of societal transformations, the postcommunist transformations in Eastern Europe in the Autumn of 1989 and the revolutionary changes in the Middle East and North Africa Region (MENA) in the Spring of 2011, welfare state restructuring conducted during the initial transition period has been determined by the existing institutional set-ups that had already been established during the years antecedent to the falls of the regimes, and, subsequently, re-adjusted to the post-communist and post-patriarchal context. Introduced during the 1970s, historical legacies included, in this context, an ambiguous mix of universality and social insurance-based institutions in the case of post-communist countries and a residual but still highly clientelist system of social protection in the case of the MENA region. As far as the social equalizing performance of these welfare institutions is concerned, over the decades, both systems of social protection have used different de-commodification strategies for political objectives in order to artificially maintain the loyalty to the political regimes. In both regions, the 1970s were a period where policies aimed at tackling infant mortality, social inequality, poverty, unemployment, gender and public education unbalances were greatly expanded. However, these were also the years where the inconsistencies and

inefficiencies of these authoritarian welfare regimes became more visible. These inconsistencies and inefficiencies depended, on the one hand, on the necessity to invest an ever increasing amount of funds to ensure loyalty to the political regimes, whilst, on the other, they involved the formation of destabilizing systems of clienteles, with privileges granted to special categories of workers at the expenses of others. The bases for increasing anger among the excluded citizens and for political mobilization were, in this way, clearly laid down.

In *Eastern Europe*, the welfare regimes have played an extremely important role in the transition towards democracy, cushioning the unavoidable costs of transition. Unfortunately, the 2008 and 2011 global financial crises have put the democratic aspirations and achievements of several countries into question, with possible roll-backs from democracy taking place in the Russian Federation, in several members of the Commonwealth of Independent States (such as Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan), in the still democratizing South-East Europe (Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Kosovo Under UNSC 1244, TFYR Macedonia, Montenegro, Romania and Serbia) and, more recently, also in the more consolidated democracies of Central Europe and the Baltic States (namely Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia). In terms of institutional restructuring, the Eastern European systems of social protection have been characterized by an on-going institutional evolution, which has mixed, through a process of 'recombinant transformation', elements of the Bismarckian and Tsarist past, of the state socialist period with the post-communist consensus on privatization. Central and Eastern European countries have, in this way, developed around a new welfare logic, which has entailed both path-dependent and innovative components. Path-dependent characteristics have corresponded to the re-enforcement of Bismarckian-oriented policies as a heritage of the Austro-Hungarian or Soviet empire and the maintenance of egalitarian and universal aspirations as fostered during the communist period. Innovative elements of transformation have, in contrast, concerned the introduction of market-friendly welfare provisions introduced since 1989.

In line with the classical historical-institutionalist account (see Streeck and Thelen 2005), it can be affirmed that institutions and existing welfare legacies have significantly influenced institutional change in this part of the world, but other concomitant factors should also be considered as equally important in shaping the direction and timing of change. These have corresponded to decisive political realignments (i.e. changes in national political configurations, substitution of veto points, etc.), presence of critical junctures (i.e. 1989) and drastic events occurred in the international political economy environment (i.e. the oil crisis of the 1970s) (Haggard/Kaufman 2008). To this, the importance of international actors (i.e. World Bank, IMF, EU), of power politics dynamics (i.e. political and social battles for keeping the current systems of privileges) and of micro-causal mechanisms (i.e. loyalty-enhancing mechanisms) (Cerami/Vanhuyse 2009) should also be added to the list.

Important to note is that the process of institutional restructuring and evolution has materialized in several sequential stages that corresponded to peculiar welfare reform trajectories and associated politics of reforms (see Table 1). These have involved a (1) politics

of expansion for legitimization during the 1960s, 1970s and early 1980s, (2) a politics of expansion for compensation during the first half of 1990s, (3) a politics of retrenchment through privatization during the second half of the 1990s, and (4) a politics of recalibration during the years 2000s and 2010s. The objective of these four distinct reform trajectories and politics of reforms was, respectively, (i) to ensure legitimacy to the communist regime thanks to an increase in external debt and in social insurance institutions, (ii) to cushion the economic and social costs of the early transition towards a market economy through an abnormal expansion in welfare benefits (especially early retirement policies), (3) to ensure system and financial stability through a necessary reduction of state involvement in the economy and in the systems of public welfare and social security, and (4) to recalibrate the newly established systems of social protection to the new emerging economic and social problems (for the latter cf. Hemerijck 2012).

[Table 1 about here]

Since the Arab Revolts of 2011, an increasing academic attention has been devoted to the study of welfare regimes in the *Middle East and North Africa*. As in the case of Eastern Europe, this is a highly differentiated region, which includes countries characterized by substantially different levels of socio-economic development with different institutional structures and welfare performances. These range from the extremely oil rich nations of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) to the less affluent economies of the Mashreq (Iraq, Jordan, Lebanon, Syria, West Bank and Gaza, Egypt) and of the Maghreb (Algeria, Libya, Mauritania, Morocco and Tunisia).

Even though no simple classification is, at the moment, available, a detailed look at the key institutional features in Bahrain, Egypt, Iran, Libya, Jordan, Syria, Yemen and Tunisia shows that during the past four decades several confessional resource dependent welfare regimes have emerged in this region, whose main features correspond to the: (i) captured nature of resources, (ii) confessional orientation and (iii) resource dependence. The first common characteristic of these highly differentiated welfare regimes can be attributed to the captured nature of resources by the political elites with its market and with its distortive mechanisms in social protection. As in the case of other oil and gas rich countries of the Commonwealth of Independent States, the revenues from natural resources or from state assets have been captured by the political elites, who have, subsequently, and in a highly discretionary way, redistributed the benefits according to their short-term political and economic objectives. These have involved subsidizing goods, services and fuels, non productive jobs in the public and private sector, ultimately, offering cash benefits to individuals when the latter were not sufficient to ensure social peace.

The second characteristic of these welfare regimes in transition lies in the confessional orientation of the system of social protection and in its particularistic way of redistributing welfare benefits and social services. In the MENA region, access to social services and distribution of welfare benefits depend, for the most part, on non-state religious actors (Karshenas and Moghadam 2006). By devolving the tasks to decentralized religious non-state

actors (or clans and tribes as in the case of Libya), the pressures caused by the state inefficiencies in public administration have, in this way, been reduced. Simultaneously, the religious attachment of the population has also been increased and with it the loyalty to the dominant political elites.

The third and final characteristic lies in the severe economic vulnerabilities and dependence that these countries have to exogenous economic shocks. In the case of the oil and gas rich economies of Bahrain, Iran, Libya and Yemen, the source of stability and legitimacy of the political, bureaucratic and moral order has been attached to the collection of oil and gas revenues. Fluctuations in the level of prices have, as a consequence, fostered economic growth when high but have also been extremely destabilizing when low. Similar to the case of the Russian Federation, most of the countries in the MENA region are characterized by an 'oil-led social policy' whose positive performance in terms of economic modernization and poverty reduction greatly depends on their capacity to manage, in an efficient way, the revenues from natural resources.

The establishment of a differential access to social security provisions has succeeded, however, to ensure only temporary social peace and loyalty to the political regimes at the expenses of a more long-term system stability. The most emblematic examples are represented by the generous concessions given to angry populations in the aftermath of the Arab Spring in the form of food and fuel subsidies or to the special coverage granted to loyal government officials and civil servants at the expenses of more balanced and inclusive social policies. In terms of welfare state restructuring, even in the Arab case, the importance of welfare institutions and of previous cultural legacies can be addressed as determinant in institutional transformation. However, the important role played by power politics dynamics put in place by openly authoritarian and paternalistic leaderships should also not be neglected. In addition, as argued for the Eastern European case, the structure of the economy and its vulnerabilities to the global economic system has mattered, and quite a lot, to shape the timing and direction of change, as the recent riots in the region following the global financial crises and the rise in food prices demonstrate.

In terms of welfare restructuring, even in this case, institutional evolution has materialized in several sequential stages of transformation that have corresponded to peculiar welfare reform trajectories and associated politics of reforms (see Table 2). The 1970s and 1980s were, also in the Arab case, the years of a (1) politics of expansion for legitimation where the new authoritarian regimes attempted to increase their support and legitimation among the population thanks to a growth in oil revenues coupled with more extensive redistributive social policies. Infant mortality, health care disparities, inequality and poverty were, during these years, greatly reduced. The first half of the 1990s coincided, instead, with (2) a politics of maintenance for compensation, being immediately followed during the second half of the decade and early 2000s by (3) a politics of retrenchment and austerity. During these two decades, the abnormal welfare expansion that had occurred in the 1970s and in the 1980s was necessarily subjected to drastic cuts. The reasons must, in this case, be searched, on the one hand, on the fact that these countries were, in effect, growing beyond their possibilities, but also, on the other, on an unprecedented growth of political and administrative corruption.

Political elites in the region succeeded, in fact, to capture an immense share of the country's wealth and, thus, reduced the possibilities for a sustained and more balanced socio-economic development. The 2010s are, therefore, the years of (4) a politics of transformative recalibration where old privileges acquired by these elites are supposed to be reconsidered and re-adapted to new increasing democratic and redistributive needs.

[Table 2 about here]

Concluding Remarks

A closer look at the driving patterns of institutional and system transformation in Eastern Europe and in the Middle East and North Africa shows that no single factor can be addressed as exhaustive to fully capture the *timing* and *direction* of change (for an extensive theoretical review, see Kollmorgen 2011). However, even though no single receipt is available, it has been shown that institutional legacies and path-dependencies have been crucial factors of institutional and system transformation. Close to these highly important features, the structure of the national economy, its vulnerabilities in the global environment, the patterns of acquisition and redistribution of resources, as well as critical political realignments and power politics dynamics should also be included in the list of crucial variables (for a summary, see Table 1 and Table 2).

A first tentative conclusion is, hence, that not simply institutional mechanisms matter for a complete understanding of welfare reform trajectories and outcomes, but also transformative social mechanisms, such as those linked to the new conflict lines that emerge as a result of the creation of new social risks and cleavages. In the course of the chapter, it has been argued that the welfare regimes in both regions have played a crucial role in the process of system transformation, helping to ensure, in the words of Albert O. Hirschman (1978), *loyalty* to the systems, while providing *voice* and reducing the *exit* options of citizens. As argued by Kollmorgen (this volume), worth noting is, in this context, the role played by historical experiences with welfare politics in transformations as a means in coping with complex types of institutional and social change. Notable examples are represented by the turn in welfare politics that occurred in these regions over the decades, or, to expand this discussion to other parts of the world, in Japan after 1868, in Germany and in Italy after the defeat of the Nazi-fascist regimes. These patterns of system transformation provide important empirical evidences of the different ways in which important elements of path-dependency can be mixed, being recombined together, with equally important moments of path-departure.

To conclude (and to propose new avenues for future research), this chapter calls for a more comprehensive approach to the study of system transformation(s), in which not only *institutionally-based lock-in processes* are analyzed, but also *agency-related path-generating mechanisms* are investigated.

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Tables

Table 1 Welfare Reform Trajectories and the Politics of Reforms in Eastern Europe

Types of change	Context	Content of the policy	Politics of the reforms	Political Strategies
Expansion for Legitimization (1960s, 1970s and 1980s)	Economic downturn	Preservation of full employment; Change in the generosity of the benefits (upwards)	Politics of Expansion for Legitimization	Loyalty-enhancing
Compensating for the Transition (1990-1993)	Economic collapse following the dissolution of communism	Increase in contributions and in social insurance benefits	Politics of Expansion for Compensation	Compensating for transition. System-legitimizing
Retrenchment through Privatization (1994-1999)	Severe economic deterioration. Neo-liberal policy ideas and discourses	Expansion of private provisions	Politics of Retrenchment through Privatization	System-stabilizing
Re-calibration (2000s and early 2010s)	Global recession. Re-orientation coordination of economic and social policies in CEE. Renationalization in Russia and Commonwealth of Independent States	Reconsideration of neo-liberal approach in CEE. Reconsideration of democratic approach in the Commonwealth of Independent States	Politics of Recalibration	System-stabilizing. Loyalty-enhancing

Table 2 Welfare Reform Trajectories and the Politics of Reforms in Middle East and North Africa

Types of change	Context	Content of the policy	Politics of the reforms	Political Strategies
Expansion for Legitimization (1970s and 1980s)	Increase in oil prices and state revenues	Expansion welfare benefits. Increase in political corruption and clientelism	Politics of Expansion for Legitimization	Loyalty-enhancing
Maintenance for compensation (1990-1994)	Deterioration of economic conditions. Fall of oil prices	Early attempts to maintain the same system of privileges	Politics of maintenance for compensation	System-stabilizing. System-Legitimizing
Retrenchment and austerity (1995-2010)	Severe economic deterioration. Increase in oil prices since 1999 vanished by state capture of resources	Severe reduction of previous entitlements. Increase in privatization	Politics of Retrenchment and Austerity	System-stabilizing
Transformative re-calibration (2011 –onwards)	Arab revolts of 2011	Reconsideration of previous system	Politics of Transformative Recalibration	System-stabilizing. Loyalty-enhancing