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# Transformation of the welfare state in Lithuania: Towards globalization and Europeanization



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## ABSTRACT

This paper is designed to shed some light on possible impacts of globalization and Europeanization on social security reforms in one of the new EU member state - Lithuania. The paper is based on 67 expert interviews conducted with the political elite, academics, journalists, senior civil servants, interest group representatives and the economic elite. The paper highlights the higher influence of globalization through the activities of such supranational agencies as the World Bank and the International Monetary Fund compared to the impact of cognitive Europeanization on social security reforms.

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## 1. Introduction

The welfare state evolved in Europe on the foundation of the nation state (Hort, 2004). However, in the XXI century the welfare state seems to be slowly crossing national boundaries. Scholars have been discussing the European Social Model, global social policy and the influence of globalisation<sup>1</sup> and Europeanization<sup>2</sup> on changes in the national social policy arena of a given country.

This paper is designed to shed some light on the possible impacts of globalization and Europeanization on social security reforms. Specifically it will survey with regard to the globalization the activities of such supranational agencies as the World Bank (WB) and the International Monetary Fund (IMF). With regard to Europeanization, it will survey, namely: the cognitive impact of Europeanization; the use of European Structural Funds (ESF); and cognitive compliance with the European Social Model (ESM).

This is important for many reasons. After more than 20 years of transition Lithuania is still among the laggards of the EU according to the social indicators: poverty, deprivation, income inequality, shadow economy, and minimum wage. The social protection expenditures are also among the lowest in the EU (Aidukaite, 2011). In addition, post-communist economic and social restructuring has coincided with ageing of the population, increasing outward migration and the increasing impact of globalization and Europeanization in recent years. It becomes important to understand whether and to what extent various global organizations and the EU shape social security reforms in the new EU member state of Lithuania.

<sup>1</sup> "Globalization" covers many phenomena: economic, but also political, technological and cultural. The activities of such supranational agencies as the International Monetary Fund and the World Bank are seen as manifestations of globalization (Deacon, 2008; Palier and Guillen, 2004; Tsukada, 2001; Yates, 2001).

<sup>2</sup> "Europeanization" refers to the domestic impact of the EU. It involves a response to the policies of the EU across existing member states and applicant countries. Europeanization is often considered in the scientific literature as a form of regional globalization (Featherstone and Radaelli, 2003; Schimmelfenning and Sedelmeier, 2005).

While scrutinizing the impact of the EU and other global actors on social security change in Lithuania, this paper will focus on important questions to which the researchers are trying find the answers: Do globalization and Europeanization make any impact on social policy change in the new EU countries? What is the impact of the EU and the WB on social policy change in Lithuania? Does the ESM have any future in Lithuania?

This study is based on the 67 semi-structured expert interviews conducted in 2011 (January–July). The interviews were carried out as part of the project “The transformation of the welfare state in Lithuania: the origin, specific features and main causal forces behind its development” (2010–2011), financed by the Research Council of Lithuania. The interviewees were carefully selected to represent the following groups of the Lithuanian elite (who are/were, directly or indirectly, involved in social policy reform and development): the political elite (politicians, government representatives, members of the major political parties); academics (leading scholars in the field of social policy); journalists (representatives from the leading newspapers); senior civil servants (working in social policy fields); interest group representatives (trade unions, employer confederations and NGO leaders); and the economic elite (senior representatives of industry, business and financial institutions). Together the 67 interviews provide a very broad picture of expert/elite knowledge, experiences, attitudes and opinions concerning social policy development. Thus, this paper assesses the impact of globalization and Europeanization in Lithuania through the lens of the elite, their knowledge, experiences, and attitudes.

The interviews conducted for the purpose of this research can be classified as “the systematizing expert interview” as described by [Bogner and Menz \(2009\)](#). The purpose of this type of interview is to obtain systematic and complete information about the phenomenon being investigated. The focus is not on the interpretative character of expert knowledge but rather on its capacity to provide researchers with facts concerning the question they are investigating. “It is not the experts themselves who are the object of the investigation; their function is rather that of informants who provide information about the real objects being investigated” (p. 48).

The analysis of sixty seven expert interviews has passed through major stages of the qualitative analytical process as described by [Meuser and Nagel \(2009: 35–36\)](#): transcription, paraphrase, coding, thematic comparison, sociological conceptualization and generalization. The paper displays final stages of the analysis. The specific characteristics of commonly shared knowledge of the expert interviews are condensed, categorized and the findings are empirically generalized displaying the most illustrative quotes. The empirically generalized findings are linked with the major assumptions of the previous research.

Before moving to the expert interviews analysis, first, I will shortly review the design of the social security system in Lithuania and its most recent changes. Then, I review major theoretical assumptions concerning the topics of globalization and social policy, and Europeanization and social policy. In doing so, I also review prior research written on the impact of the EU and other global actors on social policy change in Lithuania.

### 1.1. *Social security system in Lithuania: achievements after 20 years*

As stated by some observers ([Guogis, 2010](#); [Guogis and Bitinas, 2009](#)) in 1990 Lithuania laid the fundamentals for a Bismarckian model of social security, consisting mainly of state pay-as-you-go social insurance system and social assistance and additional special benefits. However, the system of social policy has become less universal and comprehensive, if compared to the Soviet period. These changes concern pension insurance funds, housing, health policy, higher education and other social policy domains ([Aidukaite, 2004, 2009](#)). Some scholars ([Bohle, 2007](#); [Lendvai, 2008](#)) have even grouped Lithuania, together with Estonia and Latvia, as closely falling into the neoliberal model of the welfare state based on macroeconomic indicators of low welfare state spending, high income inequality, low minimum wage and low degree of decommodification in these societies. The path towards liberalization had been especially visible during economic recession and crises that Lithuanian economy has experienced during the past twenty years: 1993 – economic recession caused by the separation from the Soviet Union; 1999 – economic crisis in Russia, which affected also Lithuanian economy; 2008 – global financial crisis ([Aidukaite et al., 2012](#)).

The recent study carried by [Aidukaite et al. \(2012\)](#) indicates that policy makers in Lithuania assume that the economy determines the capacity of social policy and therefore the economic development has to be prioritized instead of social goals. This attitude makes social policy dependent on the economic and financial circles and therefore makes it very easy to manipulate. This was especially apparent in the period of economic growth until 2008. During economic growth, some benefits were raised: pension benefits, universal child allowance was implemented payable to every child up to his/her 16th birthday. During the economic crisis of 2008–2009, the benefits which were expanded during the economic growth period were cutback and some even retrenched.

Nevertheless, if we study social security programs in detail, there is still evidence to claim that Lithuania has not developed into a liberal welfare state system. In Lithuania the insurance-based schemes play a major part in the social protection system and this is not surprising seeing as the former Soviet system was based on employment. The same programs cover everyone ([Aidukaite, 2004, 2009](#)). However, some scholars ([Guogis, 2010](#); [Guogis and Koht, 2009](#)) indicate that clientelistic elements have also remained quite strong. There are special pensions for officers and soldiers, judges, scientists and public figures in the system of social protection. Below I will shortly discuss major social security schemes to illustrate the design and generosity of social security system in Lithuania.

There are relatively generous sickness and maternity (pregnancy), parental (payable to one of the parents who is taking parental leave) and paternity (payable to a father) benefits in Lithuania. These benefits are based on social insurance

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