

Poverty and the Traps of Postcommunist Welfare Reforms in Hungary: The new challenges of EU-accession

JULIA SZALAI*

Institute of Sociology
Hungarian Academy of Sciences
Budapest, Hungary

Izvorni znanstveni članak

UDK: 364.2(4-67:439)

Priljeno: prosinac 2005.

During the transition and accession process in Hungary the questions of the fairness and efficiency of the welfare arrangements came to the forefront of public discussions and political contestation. The key questions concerned the type of welfare state arising on the ruins of the old state-socialist regime. The author investigates whether new welfare state resembles any of the “three worlds of welfare capitalism”, what is the role of the EU in their formation, and whether differences are merely a matter of the level of economic development or deep-rooted systemic causes and policies. The first part of the paper outlines competing visions on the transformation of the socialist state and it is followed by the presentation of ideological and political arguments standing behind the implemented measures in the field of social policy and the wider role of these measures in overall economic transformation. The author argues that the consequences of these measures in social policy, most notably increased poverty, though often considered as transitory, proved to be more permanent. Also, economic recovery has not brought the improvement of social services and local welfare assistance as expected. The second part of the paper offers a critical review of causes that brought about such a contrast between the declared goals and the actual results of the reform. The author argues that, contrary to the initial expectations of increased efficiency, better targeting, and more social justice, the combined steps of funding cuts and decentralization of decisions failed to decrease poverty, while at the same time increased stigmatizing of recipients. The author concludes that Hungary’s recent developments point toward the crystallization of a distinguishable fourth type of the welfare state developing more or less independently from the influence of supranational welfare arrangements of the EU.

Key words: *Welfare state; post-socialist welfare policy; poverty; ethnicity; racial/ethnic conflict*

* Julia Szalai, Hungarian Academy of Sciences, Institute of Sociology, Department of Research on the Social History of Social Policy, Uri u. 49, 1014 Budapest, Hungary, szalaij@socio.mta.hu

INTRODUCTORY REMARKS

Backed by the controversial experiences of the decade-long history of post-communist transformation, a range of pressing questions on the fairness and efficiency of the prevailing arrangements in welfare came to the forefront of public discussions by the late 1990s in Hungary. The arising debates were fuelled by widely shared disappointments. Criticisms of the undiminished insecurity of daily living, the unjust and lasting sacrifices that “ordinary people” have had to make in the coupled processes of marketization and privatization, and also for the evidenced incompetence of the new democratic institutions of governance to halt the unstoppable growth of inequalities and the spreading of deep poverty all around have become increasingly sharper. The preparation for accessing (since then: joining) the European Union has turned these accusations to acute political conflicts about the envisioned scope, role, and competence of the country’s future “Europeanized” state. With an eye on the inescapable structural reforms, and at the same time, well aware of the current limitations on maneuvering, politicians, policy-makers, scholars and diverse vocal groups of the general public have urged a thorough and critical exploration of the causes behind the serious shortcomings of the near past in order to better navigate the country amid the altered conditions of the enlargement.

The key questions brought up for consideration are the following: What type of welfare state has arisen on the ruins of the old state-socialist regime? What have been the consequences of the unequivocally claimed rapid institutional decomposition of the once omnipotent party-state with its all-embracing domination over the lives of its subjects? Have the recently evolved democratic arrangements and the constitutional acknowledgement of basic citizens’ rights concluded in the advancement of a

new Western-type welfare state? **If they have:** do the new structures resemble any of the “three worlds of welfare capitalism” so eloquently outlined by Esping-Andersen some 15 years ago (1990)? **If they have not:** are the departures merely a matter of time and economic growth? Or, are there deep-rooted systemic causes, ill-shaped policies, and sharp social conflicts in the background of failing to fulfil the fundamental functions of welfare in compromising labour and general well-being, regulating and controlling inequalities, and providing the necessary safeguards to prevent social exclusion and political disintegration? Are the deplorable records of the Hungarian welfare state due solely to the unfavourable external conditions of the otherwise pressing task of economic adjustment, or does one have to seek the explanation in the retardant historical heritages and binding structural deficiencies still at play?

It is perhaps needless to argue at length why these questions are of great importance for the theoretical and political concerns alike. As to the theoretical implications, by exploring the deep-rooted causes behind the prevailing massive socio-economic segregation that proves resistant to any welfare policies for tackling poverty and social exclusion, studies of the post-communist welfare regimes can inspire the revision of earlier assumed one-to-one relations between certain policies/measures and actual social development. Further, these discussions can bring to the forefront a rather rich set of formerly unidentified interests, traditions, customs and attitudes with a great and unmediated impact on the shaping of welfare. Thereby, they can significantly enrich our scholarly understanding of the socio-political, economic and cultural functions that welfare policies can convey much beyond their ascribed professional roles.

The political implications of the above short list of questions seem to be of equal

importance. Whether the post-communist societies of East and Central Europe actually develop toward fitting into one of the coveted models of Western democratic capitalism, or they take their own route with meaningful departures – this is a matter with far-reaching consequences beyond the boundaries of the affected nation states. After all, unmet social rights, socio-economically founded sharp discrimination in practicing political rights, rapidly expanding economic and social marginalization, and the subsequent endangerment of social cohesion in a cluster of societies beyond the Elbe also have multifaceted implications for the West. In the short run, the gradual departure of Europe's "new democracies" from the main track of modern welfare state development – often conceptualized by the Western public as "ethno-cultural otherness"¹ – feeds Euro-skepticism and weakens the democratic attempts within the EU to speed up the integration beyond the free flow of capital. In the longer run, the departing "worlds of welfare capitalism" might end up in providing legitimization to policies on freezing (or, at least, seriously restricting) the free move of citizens, closing the "European border" before the eyes of migrants and refugees from the politically shaken and/or poorer parts of the world, and (re)creating the invisible walls of separation much in ideological-political concordance with the once so extensively suffered cold war. In short, the direction in which the welfare states of the so-called post-communist region develop is a critical matter for all of us: successful adjustment might carry promising potentials, while historically-structurally informed departures might bring about disastrous limitations for

the future of the entirety of the "old continent" and beyond.

Obviously, the above questions and their broad implications cannot be explored at once, and certainly not by a single author in a single paper. My aim is much more limited here. Through the study of the Hungarian developments of the past decade and a half, I will present a case with lasting departures from the classical paths of welfare state formation where the deviations can be studied **in their making**. As I will argue, the root of the departures can be identified in the unprecedented historical task of converting the one-time party-state and its planned economy to a modern democracy with the unchallenged domination of the market, and what is more, to accomplish the swift conversion with one and the same motion in all the decisive fields of political, economic and social life.

Although the rapid **decomposition** of the old institutions was a unanimous claim articulated by all the major political actors at the start of the transition, it has led, however, to unforeseen troublesome results. The process has quickly turned to the **desertion** of the state (Standing, 1997.), and simultaneously, to the strengthening of sharpened social struggles over its remnants. A most serious consequence of these developments has been the evolvement of a dual structure with the increasingly deeper captivation of the coexisting corporatist and liberal drives to utilize the state's power and resources for providing protection on the market, and simultaneously, "freeing" the state from its classical welfare commitments toward the poor. Soon these developments have concluded into the effective ghettoization

¹ There are clear indications in the Western press of intensifying hostility and suspicion toward the East-Central European "newcomers" in the core countries of the founders of the EU (first of all, in Germany and the UK). Most probably, these symptoms are rightly conceptualized by a number of sociologists and political scientists as the manifestations of a new variant of white racism against whites (Minutes of the Workshop..., 2005.).

of welfare, which in turn, has accentuated the processes of marginalization and social disintegration.

As I will attempt to show, the structurally ingrained duality of the state's welfare functions and the concomitant evolvement of a corporatist-liberal mix in policy-making are not accidental and easily alterable outcomes. In the light of them, it is probably justifiable to call for a revision of our conceptualization of the existing worlds of modern welfare capitalism. There seem to be good reasons to look at the Hungarian case as an example of the historically informed construction of a **fourth** distinctive model.

In building up the argument, I will first briefly outline the major steps taken in the field of welfare to assist the grandiose task of post-communist transformation. I will present the ideological foundations and the political rationales behind the drastic restructuring while simultaneous financial impoverishment of the state's provisions to serve the two twinned primary goals of the time: the swift transformation of the property-relations through massive privatization, and the speeding up of the institutional transition from a planned toward a market-ruled economy. The consequences on diverting the prevailing redistributive policies and welfare institutions to compensate for the losses of the impoverishing middle-class, while assisting adjustment to the market will be demonstrated through a quick overview of the binding historical heritages of late socialism in their efficient conversion into powerful forms of interest representation during the changeover. The simultaneous implications on the steady growth and deepened socio-economic segregation of poverty will be shown through a closer look at the overt and covert functions of decentralized welfare provisions constructed for those who remained excluded from the nationwide bargaining process over the public resources: the poor.

The final part of the paper will attempt to draw some general conclusions. By confronting the findings with Esping-Andersen's characterization of the decisive traits of the corporatist and liberal models, respectively, I will point to the distinctive nature of the new Hungarian welfare state as the one being founded on their **mix**. As I will argue, the blend is different from its constituents: some features of the originals simply disappear, while others mingle in utterly new arrangements. This is why it seems to me problematic to characterize the Hungarian case plainly as a **stage** on the developmental ladder. If I am right, it is more appropriate to conceive it as a distinguishable **fourth** world of welfare capitalism, though still in the process of crystallization.

POST-COMMUNIST WELFARE REFORMS AND THE RISE OF A DUAL ORDER

Upon the collapse of communist state-socialism, the rapid dismantling of the once omnipotent state was seen, as said, as the key to achieve a genuine systemic turnover in Hungary (as well as in all other societies earlier under Soviet rule). In this unprecedented historic process, deep-going reforms of social security and welfare were put high on the agenda as those among the few unquestionable **preconditions** of genuine change. The urgency to meaningfully limit the presence of the central state in these areas was reasoned by a range of serious legal and financial considerations. As to the **legal** aspects, it was a widely shared view among domestic and foreign advisors, economists, financial experts, etc. that, without cutting off the strong bond between the centrally administered schemes of redistribution and the individuals' entitlements for benefits and provisions, the very essence of the systemic transformation would be jeopardized: neither the reallo-

cation of properties², nor the recruitment of labour, nor free entrepreneurship as the fundamentals of marketization were to be successfully launched otherwise. As to the **financial** side, the equally widely shared views on the former “premature welfare state” (Kornai, 1996.) implied that welfare expenditures had occupied a too heavy weight in the yearly state budget of the late 1980s, hence upon the turnover, they should be substantially reduced in order to reapportion funds for the primary purposes of transforming economic management according to the rules of the market, and further, also for substantiating modernization and economic adjustment.³

But another important principle behind advocating revolutionary reforms in the broadly meant sphere of welfare was to increase **social justice** and **efficiency**. It was a recurring motif of the criticism of social policy in the late period of communist state-socialism that – contrary to the declared goals of the regime – central redistribution, strictly linked to employment, acted rather to increase income inequalities than towards moderating them. Moreover, by originating entitlements from compulsory full employment, the misconstrued concept of “universalism” implied massive social injustices through also regularly canalizing the substantial provisions to the relatively prosperous strata of society. Therefore, when laying down the principles of the new welfare system, it was one of the fundamental goals to

eliminate “waste” – in plain terms, to ensure that only those really in need received supplementary sources through redistribution and only to the extent of their neediness. It could be hoped that with all this, the new system became not only more targeted but also more just: public money was to be spent only to meet the needs acknowledged by consensus, and only for those falling behind the widely agreed level of neediness. At the same time, the fortunate majority above this invisible, yet generally acknowledged line of true poverty was presumed to follow other paths opened up and regulated by the market (contribution-based provisions of social security; private pension-schemes; market-related benefits in health care, etc.). Hence, the new arrangements were thought to automatically keep apart the two purposefully designed sub-systems with their clear-cut mechanisms of distribution to meet two distinctively, but justly defined sets of demands.

The technical and practical considerations underlying the transformation were linked to the assertion of these new ideas of justice and efficiency. While the universalistic considerations and welfare aspects of the centrally distributed provisions and social security benefits weakened strikingly with the introduction of a sequence of new regulations, the dramatically reshaped division of roles between the central bodies of welfare distribution and the newly empowered local authorities⁴ left the definition of

² Although the process is customarily called “privatization”, in order to stress its fundamental difference from the respective Western-type version, it would be more accurate to call it “property re-establishment”. After all, the essence of the operation lies in two coordinated sets of action: in denominating owners in substitution of the once faceless all-encompassing ownership of the communist party-state on the one hand, and in dividing the “wealth of the nation” among them, on the other. In contrast, privatization in the Western sense of the term means an ordinary market-transaction between two identifiable actors, the state as the seller and the future owner(s) as buyer(s).

³ Claims on restructuring the state budget and allocating substantial parts of it for “upgrading” the state’s properties prior to privatization were further accentuated by the severe indebtedness of the country and the chronic shortage of domestic capital.

⁴ Beside considerations on more efficient and less wasteful economizing with the scarce public funds, dramatic decentralization – and the concomitant substantial empowerment of the local governments to make decisions

the scope and content of “customarily acknowledged” needs to thousands of distinct urban and rural communities. With this, the new decrees implied that in the area of needs at the most **minimum rules** could be set up with general validity, but at the same time it was also made clear that henceforth the **central state was not prepared** to give either legal or financial guarantees for their satisfaction.

The new principles and their implementation proved extremely efficient: the change was sweeping. Within just a few years, a logically constructed, fully-fledged welfare regime has evolved with two distinct sub-systems. Put into clear legal and institutional arrangements, it is by now the rules of the market that navigate people with regular earnings and/or interests to business-related benefits, tax-reductions, contribution-driven social security provisions etc. in the first sub-system, while it is primarily a range of locally defined and gravely limited welfare provisions that are to complete (or entirely substitute for) the scarce, irregular and low earnings, unemployment benefits and other temporary incomes in the second. In other words, with the dual arrangement put in work, it is in fact a dualistic vision of **two coexisting but separated societies** that has been firmly institutionalized: one for the “ordinary” people quickly adapting to the new dominates of the market and another for the incapable poor.

Thus far and at a first superficial glance, one can greet here the victory of neoliberalism: after all, it is exactly the dividing line of success/failure on the market that provides the justification to direct people

within the above mutually exclusive arrangements of welfare.⁵ However, at a deeper scrutiny, the picture significantly changes when looking at the role that the **state** plays in making the division. Then it becomes clear that it is not the market per se, but the **marketized shares drawn from the state’s revenue at the expense of welfare** that are at work in the background. In other words, the dual arrangements in welfare do not arise from a clear *separation* of the market and the state; instead they reflect deep socio-political inequalities in access to **power over the state**, and help to manage the long-term rivalry of the affluent and the poor for the **very same** scarce resources and institutions.

Let me briefly outline how such a strange development has come about. The origins date back to the social history of the 1980s. By that time, Hungary’s great invention, the so-called second economy became an integral part of the working of the old regime. As a number of studies convincingly demonstrated, the way of life put on two pillars (that is, to base livelihood on work in the formal, state-regulated segment of the economy **in combination with** an intensive participation in the family-run micro-level productive endeavours) became a model followed by no less than some three-quarters of the households (Szelényi, 1988.; Kemény, 1991.; Juhász, 1991.; Gábor, 1992.; Vajda, 1992.; Laki, 1998.). The widespread practice had numerous fruitful consequences that importantly contributed to Hungary’s pioneering position among the transitional economies of the 1990s. Just to mention a few: the second economy became the major vehicle of modernizing the coun-

in a wide range of public matters – was seen as the embodiment of the concerted determination of genuinely driving back the central state as the source of potential subjugation.

⁵ Whether one *likes* such an arrangement is an utterly different matter. Here it is my sole aim to state that, as to their appearance, the rapidly introduced new welfare arrangements seemed to be in full concordance with the strong neoliberal claims of such powerful institutions as the IMF or the World Bank. – We will see soon that the appearance was rather misleading.

try's services and infrastructure; it served as a workshop for acquiring craftsmanship and market-related skills for later use in entrepreneurial activities; the released flow of accumulated assets and savings, once frozen under political coercion, later helped to overcome the sudden drop of livelihood amidst the severe transitional crisis of the early 1990s.

However, these positive traits were but just one side of the coin. For one cannot be blind to the fact that the forced and lasting cohabitation of the two economies also had some deeply problematic implications. In the context of the current discussion, it is the creation and reproduction of the hardly separable relation between the state and the market that requires special attention.

Given the unquestionable domination of the rules and requirements of the state-controlled first economy above the second, the scope, time and energy that people could devote to their productive activities in the private sphere had to be adjusted – better to say: subordinated – to the pulsation of the planned sector. Further, their participation was never a matter of innate rights, but that of politically conditioned permissions. One had to **deserve** the tacit consent of the chiefs for temporarily being away from the socialist workplace for fulfilling some pressing productive tasks “at home”, and had to be aware that such consents were immediately withdrawn upon the slightest indication of “disloyalty”. As a consequence of the endless bargaining amidst the undefined and slippery rules of the game, a constant struggle has been waged to shift the invisible borderline between the two economies and make the concessions for quasi-private

business a matter of acknowledged rights. This nationwide silent movement was probably the most important collective deed of Hungarians in the post-1956 decades; it proved compelling enough for the ruling Party to induce a number of smart innovations to prevent political discontent with unpredictable implications.⁶

Most of these innovations were introduced in the field of social policy. Gradually more and more steps were taken to “reinterpret” the functions of the existing benefit schemes and services and make them accessible as legalized channels for temporary withdrawal from the state employment amid the otherwise maintained framework of compulsory full employment. Hence, disability pensions became a tacitly acknowledged legal path for early retirement in order to intensify production in home-based agriculture (Szalai, 1991.); the three-year long child care leave became a state-financed period for home-based service-work (Vajda, 1997.); sick-leave was greatly utilized to provide live labour for private house-building or gardening (Farkas and Vajda, 1988.), etc. These and similar reinterpretations made it clear from the outset that it was not only the time frame of private production that became semi-legalized this way. As to the enduring consequences, the ways and forms of the involved financial contributions were probably even of greater importance. For it was an ever increasing portion of the public funds in social security and state-provided welfare that were canalised to private production: they became customarily used as “salaries” for unpaid informal work, and/or as extra payments in addition to one's (oth-

⁶ The unceasing fear from a repeated revolution was the single most powerful guiding principle of the Communist Party's rule throughout the post-1956 decades. The 33 years history of the “jolliest barrack” of the (Soviet) camp – as Hungary was ironically called from the late 1960s onwards – cannot be understood without the delicate compromise that those regaining power on points of Soviet bayonets tried to establish with the defeated revolutionary nation. The core of this compromise was to “liberalize” coercion to the very limits of the regime while maintain it to the very essence of it.

erwise low) earnings in the formal sphere. Though this way a rapid erosion of the benefit-schemes has evolved to the detriment of those living solely or mainly from such sources, and henceforth the political innovations had their grave contribution to the spreading of poverty by the late 1980s (Szalai, 1990.), but the most severe consequence came to the light only later. For the most troublesome development was the unnoticed (and certainly unintended) **jointing** of the two distinct systems that never again could be broken up.⁷ The structurally constructed engagement of the state and the market has long survived the motifs that had called it into being. However, this is no surprise. As I will show below, there is a wide range of old and new, transient and lasting interests that provide the backing to maintain it at all costs.⁸

In the first place, the economic motives are obvious. Independent economic activity entirely separated from the state requires a stable capital backing and a firmly established market, but neither of these conditions could be created in the preceding decades of state-socialism. As mentioned, the freeing of the frozen assets and concealed savings driven from prior years-long work in the second economy were enough, at best, to provide funding only for the entrepreneurial start-ups upon the systemic turn. However, they proved seriously in-

adequate for continuous financing, capital investment, technical innovation, marketing, etc. In brief, the mere survival of the domestic business, and together with it, the country's potentials to keep pace with the sharpened competition on the world market have been at permanent risk. This is why the need for the state pillar in the raw material sense has been a built-in constituent of Hungarian embourgeoisement ever since. In a rather early recognition of the fact, Hungarian entrepreneurs have thus arrived at a general consensus that it was a primary duty of the **state** to take the responsibility for their success, as well as it was its moral obligation to pay back the stolen decades, and provide enduring support for catching up. And this is why, in clear reflection of their common interests, self-employed craftsmen and owners of the largest domestic firms were ready to promptly unite in encompassing chambers and business-associations that have grown influential and powerful enough to become the prime partners of the subsequent governments irrespective of their political stands. Thus the new Hungarian bourgeoisie has attained genuine success in the domestic arena: its corporations testified acknowledgeable performance in maintaining a decisive say in planning the utilization of the collective funds with a steadily increasing share of business up until now.⁹

⁷ In the old days, such a jointing obviously did not cause any serious deficiencies: after all, both the public sphere and the limited market of the second economy were under the strict control of the omnipotent party-state. However, the interlocking has long survived the old system: during the past decade and a half, it has proven strong enough to divert any attempts at separation.

⁸ Strangely enough, the earlier outlined liberal drives – though in full contradiction to their ideological foundation – have been of great assistance to smoothly reproduce the blurring. Later I will return to the forces that oddly create a high degree of concordance between corporatism and liberalism on the Hungarian stage.

⁹ By the very nature of the process, it is extremely difficult to measure the exact magnitude of the yearly amounts diverted from the state's revenue to private business. However, a number of case-studies among small and grand entrepreneurs, and further, the scattered data in the yearly reports of the biggest business chambers, the State Privatization Agency, the Ministry of Finance, etc. provide enough evidence to estimate that direct state support to private business makes up at least some 6-7 per cent of Hungary's yearly GDP. This is a truly substantial portion, no less than 2.0-2.5 percent higher than the yearly share of the entirety of the public health care sector (Voszka, 2003.; Laki, 2003.; Laki and Szalai, 2004.).

At the same time, the need for the financial presence of the state has been kept alive by the fact that economic restructuring has induced erosion even in those market relations that had hitherto been regarded as more or less stable and “everlasting”. The privatization of the state firms has disrupted the state orders thought to be secure, while the collapse of the traditional eastern markets and the rather difficult access to the western ones in substitution have confused and endangered the established export relations. Furthermore, the intense inflow of foreign capital and consumer products has also resulted in heated competition on the fronts of domestic sale. All this has greatly increased the risk of full independence and invoked for a strengthened buffer role of the state.

However, the causes for claiming the state’s long-term protection for establishing independence from it include not only direct economic components, but also cultural and attitude factors. Above all, it is worth mentioning the apparently lasting boomerang effect that has accompanied liberation from the political power of the state. Paradoxically, the decades of resistance to the state as the oppressor have been quite clearly being reversed, and while the various corporate bodies and interest alliances only clung to the state distribution policy out of fear and defencelessness, now they make angry claims on it. Behind the opposing principles of privatization intended to “regulate” the plundering of public assets, intensely competing demands for compensation can be detected. Widely varying groups consider that the time has come for “the” state to compensate them for their historical grievances and their decades of “lag-

ging behind”, to give them open assistance for the advancement they “deserve”, but have never achieved – and they do not cease to outbid each other in submitting various claims for compensation that are “legitimate” when considered separately. Having the arguments that justify these claims accepted and embodied in the legislation and, consequently, in the annual plans for central financing, is a question of rude political force: in this way, the access to the public funds has mostly been the direct function of the latent bargaining positions established prior to the systemic change. However, the costs involved are not only those paid to the claimants. One also has to take into account the indirect ones. The most important are the costs of the bureaucratic staff that is urgently needed to manage and administer the steadily spreading exemptions and the adjoining growing funds. Due to the simple technical associations involved, the number of full-time employees in public administration has increased by no less than 25 percent between 1992 and 2002, while employment in the overall economy has suffered 3 percent shrinkage in the meantime (Laky, 2004.).

In this sense, one can definitely say that the program of slimming the state down has so far led to its actual fattening up. However, this irony of history has rather serious financial implications: the portion spent by the central state for financing itself has grown from 30 percent to 44 per cent of the central budgets of the respective years of 1996 and 2003.¹⁰

Some other arenas of social life throw an even clearer light on the indicated ambivalences towards the state. The large number of civil societies, associations and founda-

¹⁰ Own calculations. Source: www.fn.hu/index. (In the computation, it is only the centrally run units of public administration and services that I took into account as those financed directly from the central state budget. In other words, the two large spheres of public health care and education were not included, as 85-90 percent of their organizations are under the authority of local governance.)

tions that have been set up amidst the new democratic conditions are model cases of the simultaneous demand for self-organization and for bureaucratic recognition.¹¹ On the one hand, they have gained a vital role in providing a wide range of services, especially in those areas where public provisions had been non-existent for decades (e.g. re-training programs, home-care for the sick, alternative medicine, business consulting, etc.). On the other hand, they have capitalized on their very indispensability and claimed ample funding from the agent whom they substituted: the state. In this duality, they have been uninterruptedly and faithfully continuing the traditions of the second economy – though now within institutionalized frames – which demanded, as said, undisturbed autonomy in defining the terms, and support from above for coming up them. As to the size of the slice that this way the corporations embodying “civil interests” can cut these days from the collective cake, a few statistical figures signal rather remarkable success. In the year 2000, the provisions they received in the form of direct state subsidies mounted to no less than 3.5 percent of the central budget, and this amount made up no less than 28.4 percent of their total revenue. In other words, within a short decade, the historically new civil sector has been heavily geared into the state, and the bondage has become so strong that any political attempts at cutting it back would imply the risk of the immediate collapsing of the entire sector.¹²

The situation is similar in the collectivised acquisition and regulation of personal income. Enterprise managers and trade union activists are unanimous in protesting against all forms of central restriction of wage bargaining (interpreting even the attempt to reach uniform agreements as a sign of central intervention into what is by now private production). At the same time and with the same momentum, they also heavily rely on the very same central state. They all use the old paths that have proven successful in obtaining individual treatment to win compensation from various bodies of the central administration, either because of the worsening market conditions due to sharpened foreign competition (e.g. the domestic pharmaceutical firms), or for the acknowledgment of the incomparable importance of the service they provide (e.g. recurrently claiming a centrally funded rise in salaries for teachers, health-workers, etc.), or for the extra costs due to the boosting prices on the world market (e.g. the Hungarian AA Community arguing on behalf of the “car-users’ collective” to claim state protection against the losses due to the rapidly rising price of oil), etc. – the list can be continued endlessly. Again, the claims taken piece-by-piece hardly can be labelled as “unfounded”. Nevertheless, together they end up in continuously tapping the public resources, and by doing so they contribute to the very reproduction of all the persistent insecurities, imbalances, and ambivalences discussed so far.

¹¹ Prior to 1989, any grass-roots attempts at founding even a most innocent civil organization (say, for providing home-care for the elderly in the village) were perceived (and prosecuted) as dissident political acts. Hence, NGOs were practically non-existent, and the “civil sphere” was largely made up from a few thousand local sports-associations. With the systemic turn, the situation quickly changed. Within a decade, the number of the registered foundations grew from 400 to nearly 20 000, and those of the associations from 8 400 to 28 400 (*Non-profit szervezetek Magyarországon...*, 2002.).

¹² Own calculations, based on the national account and on the data in *Non-profit szektor...* – It is worth adding that the state’s contribution proves exceptionally high in light of the respective indices of the productive sector. The contributions, subsidies and supports received from this latter segment of the economy, together with the gains made from the NGOs’ own business make up 22.8 percent of the yearly civil budget which is – as seen – substantially less than what comes through public channels.

To sum up, the inseparability of the state and the market, and together with it, the tight interlocking of the public and private spheres and resources of living seem profoundly ingrained in the post-communist Hungarian society and economy. As shown above, despite all the strong motives for full-fledged independence, the majority has serious reasons and deep-rooted interests in maintaining the bond – even though the overall costs have been skyrocketing. Though attempts at assessing the exact magnitude of the involved public funds are complicated by the very nature of the game that works against transparency, one can still come up with some informed approximation. By adding up the bits quoted earlier, and also taking into account also dynamic implications¹³, we are probably rather close to reality with estimating that no **less than some 38-45 percent of the yearly central revenue** is spent on assisting private business and market activities through a great variety of support schemes¹⁴ that are financed **directly** from public resources.¹⁵

While this magnitude seems shocking, still the biggest price to be paid cannot be expressed in currency – for the **structural traps** have evolved. The interlocking has

grown self-sustaining, and neither of the parties can break out of it. A parliamentary state has rather limited means for intervening. Instead, its role remains to maneuver amid the conditions of heated inflation¹⁶ and spiralling indebtedness¹⁷ that have been kept in coincidental motion by the endless bargaining mechanisms. Here and there, the new legislation tries to set the limit for one group or the other – but the next time the boomerang certainly kicks back.

There is only one arena where the door still seems to be open for repeated cuts: this is the domain of the welfare for the poor. Here the state can rely on a vast political consensus. All its efforts to apply extra strict rules without concessions are met by massive approval on the side of the majority, all the more so, because the matter itself appears rather debatable. After all, it is a widely shared and historically founded view among the non-poor that the poor have their own lot in their situation.

The antecedents of this widespread conviction date back to the years of late socialism, when poverty in the material sense was largely bound to non-participation in the nationwide movement of informal production (Szalai, 1997.). By not having any

¹³ It is important to emphasize that the involved funds largely follow a **one-way route**, and are transferred to the recipients without even the hope of later return to the state's revenue. This strange situation is partly due to the wide range of tax-exemptions, wavers, and similar favors that the respective regulations imply, and is partly a consequence of the widespread practice of tax-evasion. In sum, it is not only the size, but – probably more importantly – the essence of the relationship which makes the Hungarian case profoundly different from state support to private business in the West.

¹⁴ Just to list a few, these forms include the various sectoral subsidies, special public support-schemes to certain projects executed by private business, tax allowances and –refunds, publicly funded compensation-schemes, etc. and the adjoining costs of management and administration.

¹⁵ The overall amount is really extraordinary: it comes up to 13-15 percent of the annual GDP, meaning in other words that the yearly public support drawn into private business exceeds the state's **total** expenditure on public healthcare and education by some 44-67 percent!

¹⁶ Between 1990 and 2000, consumer prices rose by a yearly average rate of 14-35 percent. For the past years, inflation has been on the decrease though its rate was still above 6 percent in 2004. (Source: www.fn.hu)

¹⁷ Taking the year of 1999 as an example, the total of foreign and domestic indebtedness of the state's revenue amounted to 61 percent of the GDP. With this extremely high ratio, Hungary is far above the respective proportions of the seven other postcommunist countries that joined the EU in 2004. (In comparison, the index for the same year was 43 p.c. in Poland – granting her the second position in the row –, 28 p.c. in Slovakia and as low as 15 percent in the Czech Republic (Antal, 2004.).

extra resources from private endeavours, the poor of the 1980s became the primary victims of the above-outlined erosion of social security and welfare. Furthermore, they had nobody else to blame but themselves: amid the dramatically atomised conditions of self-protection through the second economy involvement, it seemed their **choice** to keep away. The collapse of the old regime did not induce any substantial change in this appearance, particularly because the majority of today's chronically poor came from families of the one-time outsiders of the informal sector, whose marginalization, in turn, could be traced back well into the decades of early state-socialism and before (Horváth, 1996.). However, for varied political reasons and a range of counteracting interests, the unbroken reproduction of their deprived situation has not been revealed until today. Hence, the public has little cause to revise its strong belief that it is primarily **themselves** whom the poor should charge for the unchanged state of their destitution.

The belief has massively resisted all the dramatic changes around. Neither the collective experience of deep economic crisis, nor the unbrokenly continued impoverishment of the poorest, despite the upward turn in the country's economic performance, rendered sufficiently strong evidence to falsify it. Thus, the broadly echoed personified arguments are still dominant: the poor are poor because they **behave differently**, they are somehow not like "us".

True, in contrast with the majority, the poor still have at best very limited access to the market: they are too young or too old, uneducated, the Roma, in bad health, or geographically badly placed and so on to find employment, or they have lost it long ago. It is also true that in the absence of earnings and market-related gains, the low incomes their households rely on are derived almost solely from the "official" sources

(public pensions, state-financed benefits, unemployment benefits, local welfare assistance etc.), which gives the appearance that the "public" is supporting them. The uniformity of their daily sources thus creates the false impression that in reality it is they who "use up" the thin trickle of already dwindling public sources. The majority are therefore in full agreement on continuously reducing the scope of their support: all initiatives for reducing "squandering" in this domain are given the green light. The liberal principles of economizing are more than welcome here.

Let me discuss now, how they are put into motion in the daily operation of the second sub-system, i.e. in the welfare assistance "just for the needy".

THE SECOND SUB-SYSTEM: THE GHETTO OF POVERTY WITH THICKENING WALLS

As outlined above, the creation of a publicly funded separate sub-system for providing efficient and just welfare exclusively for those in need was an inherent part of the liberal welfare reforms of the 1990s. While the primary goal certainly was to contribute this way to the desired diminution of the state, some further important considerations were also involved.

First of all, it was widely believed that poverty would automatically wither away with the economic recovery. The arguments were in line with the reigning doctrines in policy-making: amidst the conditions of continuous growth and the concomitant expansion of the labour market, the unemployed would become re-employed, run-down factories would be replaced by well-paying business, household incomes would rise, contribution-driven benefits for those out of work would increase, etc. In short, together with the elimination of its causes, poverty would shrink to a residual size and if at all, it would hit people only tempo-

rarily. Secondly, it was also believed that improved targeting and the local schemes built on the community's consensus would ultimately conclude in generous supports sufficient to help the poor to overcome their destitute state. Thirdly, by swiftly decentralizing a great number of former centrally administered schemes and provisions, poverty alleviation was also to be assisted also from another aspect. It was assumed that through empowering the local governments, the key decisions on people's daily living would arise from insightful knowledge and personal acquaintance and thereby fairness, flexibility and accuracy would be raised at once.

However, history has nullified all these expectations. As amply demonstrated by a number of independently run studies that have repeatedly arrived at the same conclusion (Spéder, 2002.; Havasi, 2002.; Szalai, 2002.; Bass *et al.*, 2003.; Szívós and Tóth, 2004.), despite all the modifications to the support system, all the technical refinements in its regulation, and all the vocational training of those dealing with the matter, there has not been even the slightest reduction in the degree of poverty in Hungary and social exclusion has even **increased**. Welfare assistance has obviously done little to help the poor. The question therefore arises: what have been the reasons behind that?

The answer can be given just partially by looking solely at the working of the system of local welfare assistance. As to its principles and constituents, the scheme is certainly neither better nor worse in Hungary than similar arrangements are anywhere

else. After all, means-testing, disciplining in order to teach the client to economize better and to be more diligent, providing tight supervision over all the miniscule deeds of the daily life of the poor, etc. are built-in components of such designs everywhere. Hence, they all carry the more or less uniform momentum of humiliation and the concomitant stabilizing of defencelessness with little personal energy left for those assisted to break out of the state of constant destitution.¹⁸ This said, one can then conclude that it is probably more the implied additional social, economic and political functions of welfare assistance within the **entirety** of the system of social protection that qualify it than any particular internal characteristics of the scheme as such.

When applying this broader approach, it is justified to say that Hungary's decentralized assistance scheme has met the expectation of its designers: its primary achievement has indeed been to carry out the purposeful transformation of the earlier all-embracing central state redistribution.¹⁹ Together with this, the scheme has accomplished a perhaps even more important mission: the canalization of an important part of the affected social groups into a sealed sub-division of provisions. True, without the great expansion of welfare assistance as a new, dynamic branch of the economy it would hardly have been possible to break up the former oversized system: while "guiding" large strata into the market-regulated field of provisions, it was profoundly needed to "evict" other large groups from the potential use of central funds – and the local schemes reacted on this call with great perfection.

¹⁸ Since the birth of Richard Titmuss' classical essay on the subject (1958.), a vast literature has repeatedly demonstrated these practically unalterable implications of means-testing.

¹⁹ A few figures indicate the scale of the change. Within the total of welfare transfers from public funds (comprising payments in social security, centrally distributed benefits and local assistance), the ratio of provisions from the central budget dropped from 24 to 8 percent between 1991 and 2001, while the respective proportion of local welfare provisions rose from 5 to 10 percent in the meantime. (Own calculations based on data in the *Yearbook of Welfare Statistics 2001* (CSO, 2002.).)

The involved change of place not only required the application of financial techniques for regrouping, but it also opened the way for important mobility processes. Another important function of the rapidly growing welfare assistance system was that, by creating thousands of new offices and tens of thousands of labour market jobs with decent middle-class positions, it created a refuge for many who had been in danger of losing employment amidst economic restructuring.²⁰

An examination of local supports in their natural community context reveals further important functions beyond these macro-level roles. After all, the scheme turned out to be very helpful in creating social peace and smoothly operating relations in the life of local communities. Firstly, it has provided a professional machinery and institutional background enabling the non-poor majority to deal with poverty as a minority problem separated from its own “normal” affairs; secondly, the system has offered efficient instruments for managing the fluctuation of the local labour markets; thirdly, it has rendered reliable guarantees for the endured supply of the human resources for the least qualified and least desired jobs.

In addition, the scheme of decentralized means-tested provisions in substitution of the earlier centralized arrangements has been of great assistance in maintaining the

impression that the “anomalies” in making justified distinctions among the poor for acknowledged entitlement were only incidental: they certainly could be eliminated by better and more precise local regulations, by better training of the providers and by refining the behaviour of the needy, especially their attitude to work. Moreover, this fragmentation has successfully hid the real selective functions of the system behind its welcome veil: the potential question of social responsibility for poverty has been almost automatically reduced to the question of improving the level of expertise of a few local welfare workers, a routine problem that could and should be handled within the walls of the local authority.

It is important to stress that while exercising the economic and political functions listed here – which at first sight appear foreign to the spirit of assistance – the considerations of fairness and neediness mentioned above lose nothing of their significance. Quite the contrary: the providers are not being misleading when constantly affirming that their work is guided primarily by these very considerations. However, by transforming the principles into hundreds of thousands of decisions on particular cases, they are continuously doing a delicate “translation” work in order to justify nothing but **selection**. In the final analysis, it is thus the **legitimization of the prevailing deep social divides** which is assigned

²⁰ A few figures are sufficient to illustrate the process. First and foremost the figures for higher education bear witness to explosive growth. While in the 1990./91 academic year 1 600 students were enrolled in the various forms of social training offered at the country’s universities and colleges (social work, social pedagogy, later child welfare service activity, Jewish community work), by 2002/03 their total number had risen to 11 000. In the meantime there had also been a dynamic expansion in the scope and number of institutions. For example, figures published on care for the homeless show that the number of daytime warming rooms increased from 14 in 1993 to 71 in 2001, and the number of soup kitchens rose from 27 to 43; over the same period the number of residential institutions providing temporary care grew from 255 to 344 and the numbers they employed increased from 12 000 to 20 000. Only a relatively short time series is available on family helpers due to the repeated reorganisation of the services. But the trend is similar: between 1998 and 2001 their number increased by exactly 300 units (from 462 to 766). Finally, the annual figures on the non-profit sector also indicate substantial expansion: between 1993 and 2002 the number of foundations and associations serving social purposes increased by around 1 300, from 2 759 to 4 008 (Source of the data: the annual statistical reports for the different areas.).

to them as their **chief role** in the broad division of labour. This fundamental trait of the assistance scheme is inescapable. By making distinctions between the needy and those who are not entitled to support, by always giving rationalization for this distinction, and by channelling the clearly separated groups of clients into different benefits (or treatment) paths, the local welfare distributors are actually rendering an official basis sanctified by the decision of an authority for the acceptance of hard social and labour market selection, and more generally, for the unquestionable confirmation of the institutionalised procedure of discrimination.

In this order the keyword is **distinction**, which, at the same time, has its clear indication: as said, it is the level of **need**. However, the level of need is not self-evident; it is surely not identical with income. For no just categorizations can be done exclusively on weighing up one's resources. After all, one knows from the daily experience what a huge difference can occur between two households living on the same amounts. One is thoroughly economizing, the other is happy-go-lucky, one spares on heating, the other throws away money on alcohol, etc. Hence, in order to make justice in selecting the "truly" needy and also to keep order and justice, some additional characteristics are needed – otherwise the idea fails in its entirety.

Hungary's invention is easy to guess: it is the centuries-old idea of **deservingness**. Deservingness as the principle of a "just" selection has proven remarkably effective: with the purposeful application of the concept, local governments achieved the impressive result of cutting back the take-up rates of public assistance by **no less than 65 per cent!** (Ferge, 2000.; Havasi, 2002.; Bass *et al.*, 2003.; Szívós and Tóth, 2004.) As recent surveys have unequivocally shown, only a relatively narrow circle of the needy can be sure that once the welfare

office has accepted them, they can count on its unconditional support. This is the circle of the **faultless** poor: elderly people with low pensions who keep their homes tidy and pay their bills in time, divorced women with low earnings whose children are neat and attend the school regularly, miners and factory workers whose financial situation, as well as their health, has been undermined by long illness, crafted skilled workers who lost their jobs when the local factory shut down and whose poverty, regarded as a **misfortune**, renders the ideal case to demonstrate what local welfare offices mean by "persons in trouble through no fault of their own", etc. In these examples, it is beyond question that the cause of financial decline lies in the **circumstances**, for which at the most those affected deserve understanding and solidarity.

However, the majority of the poor who apply for assistance do not belong to this group. The local office workers – like the widest circles of public opinion standing behind them – share the already outlined strong view that is little subject to appeal on the situation and their own contribution to it. Expressed in its daily wording: "It is extremely rare that people are not at all responsible for their own poverty and they can certainly be expected to make at least some attempts to get out of it. Of course, the extent to which people are their own worst enemies differs from case to case." On the basis of such a widely held conviction, nobody would then question the rightfulness, and indeed the necessity, of taking into account the **degree** of the applicant's "faults", "errors", "failures" and "irresponsibility" in judging applications for welfare assistance to be given from nowhere else but the taxpayers' money. Hence, it is the primary duty of those assigned to spend this money to scrutinize each case in detail and decline all the claims that prove unjustified.

The errors, shortcomings and irresponsibility that can be listed as a basis when

making a decision come in many different forms, but there are two particularly serious cases of people's "own fault". One is "irresponsibility" shown in having children – because even if there is little money, the family can still live on it with good and far-sighted family planning. And the other is a "failed" attitude to work – for people can always do work of **some kind** if they really want to. A vast body of literature produced to refute them has still not managed to topple these two related dogmas.

It is perhaps hardly necessary to argue at length that the main force that keeps them alive is their clear **ethnic/racial content**, giving the local communities a handy confirmation for the conflict that causes the most tension in their everyday lives: the feelings of the non-Roma majority who suffered relative losses or at least have lived in a state of constant insecurity amidst the lengthy process of economic transformation, towards the Roma minority living in extreme and lasting poverty. Furthermore, the implied ethnic/racial differentiation also entails some beneficial outcome in the economic sense: it helps to keep claims for local assistance within limits. After all, amidst the arising competition and, in fact, heated rivalry between the Roma and non-Roma groups among the "truly" needy, it is always the "others" whom to blame for "eating up" the scarce local funds and for lowering the actually delivered sums while winding up the rates of refusal.

Of course, in demanding that the mentioned cases of "own fault" be carefully screened out, no one states (openly) that "we are talking here mainly about the Roma (and the lumpen poor who have become like them)". But even so, everyone understands

what is implied. And the practice of welfare assistance converts this widely inferred thought into money, while at the same time it also transforms the personified struggles of **openly** racialized pre-selection into the rule-governed cooperation of the office and its clients under the guidance of **covertly** racialized rules.

A recent survey on local welfare allocation reveals the hidden, but efficacious racial content of this second – rule-governed – stage, tailored exclusively for those who passed the first grade of pre-selection for establishing their "deservingness".²¹ The final result of the analysis can be summed up in a few short sentences. The data show in the first place that the more the children, **the higher is the risk to become rejected. Furthermore, if being accepted**, the sum ultimately awarded in welfare assistance is in *inverse* proportion to the degree of poverty – the **larger the family, the smaller the aid** granted to assist them. Additionally, it is clear from the findings that these associations apply **only** to the Roma families.

But before attributing the matter to the prejudices of the distributors of welfare assistance, it is worth to look at the regulations. Then it becomes clear that if the local authorities do give support to assist families with children, calculated **per child** they give slightly **more** aid to large families – both the Roma and non-Roma. However, poor Roma families usually comprise not only more children, but also more **adults** than it can be found in the respective non-Roma cases.²² Nonetheless, overcrowding is **not** a criterion for entitlement in the prevailing regulations. It therefore follows **logically** that the office recognizes neediness to a lesser extent precisely in those

²¹ The survey comprised detailed data of the welfare allocating practices of 30 local governments in the years 2000. and 2003. (Neményi and Szalai, 2005.).

²² Of course, this is not because of their "cultural otherness" but in the result of their greater poverty: with poorer housing, more sick family members in need of nursing, and less money, the only rational decision the Roma kin can make is to move under a common roof.

occurrences where there are most people: when it assists the Roma families.

The differences in the provided sums are rather small. Nevertheless, the symbolic value is rather substantial: after all, it is the very **act of differentiating** that really matters here. And by building it into the regulations (whether on purpose or out of certain blindness to social reality), the welcome messages are clear. The community in a constant battle with the Roma can be assured that “its” poor receive slightly more than those of the minority; the supported numbersome families among the non-Roma can gain some self-respect in comparing themselves to the Roma; the assisted Roma poor enjoy a similar advantage with a glimpse at their rejected neighbours, and above all, the earlier indicated rivalry as an efficient self-regulatory instrument to keep welfare claims within strict limits remains in motion.

The situation is more complex for the second qualified case of “own fault” – a “failed attitude” to work. Because in this domain applications for welfare assistance can be rejected on two grounds: if the applicant **works**, and if s/he does **not**. In the first case, because the work is being done “not in the right place” and “not legally” – in plain words, the income is earned **illegally**. In the second case, because although it is rightfully expected, s/he still does not take a job, or is “choosy” about accepting the (public) work intended solely for welfare applicants.

Let me show in some details how these considerations are applied in the daily practice of assistance.

The welfare office has many problems with the unregistered work. Firstly, it generates income for which the person concerned cannot be required to provide evidence, even though it is perfectly **obvious** that the family is not as poor as it claims to be. Secondly, and closely related to this: the

unregistered work casts a shadow on the relationship of trust, the welfare provider who has been “tricked” cannot do anything, even though they would help anyway. The only possibility left to them is **exposure**. They must order an unannounced investigation to display the abuse, using the full weight of their official powers to put a timely stop to this unlawful receipt of assistance (and safeguard their job in the eyes of her supervisors). Thirdly, unregistered work is by nature fluctuating: sometimes it can be found continuously, at other times not, and at such times the client **genuinely** does not have anything to live on. In such a situation s/he really would be entitled to support, but the offices are not able to follow such fluctuation. Unpredictability, aggravated by the undermined trust result in constant sharp conflicts and provide everyday confirmation of the view that “these Gypsies” – because who else would they be?! – are impossible to deal with. If they were to finally work “properly”, everything would be different.

For all these reasons, there are many problems with them. But they at least **work**. And even if this fact cannot be recognized with welfare assistance, the office utters a few words of understanding for their efforts between two personal fights.

But there is a group of “own fault” applicants who do not deserve even these few good words. They are the ones who “just look out for where they can get welfare assistance instead of going out and looking for work”. There would be plenty of work for them – true, all are rather demanding and poorly paid. But the Roma “resist” if the office offers this kind of work with good intentions. This is the way they are “socialized” – as the welfare workers often put it for explanation.

It is easy to see that, regardless of their personal attitudes, the staff of the local welfare offices simply have no means at their

disposal to properly react to the present labour market position of those many applicants – for the most part Roma – who were thrown out of regular employment 10–15 years ago, and since then have been able to find casual, unregistered black work at best. From their viewpoint, this labour market situation **does not exist**. In response they can do two things. Either they try to force the clients into “proper” jobs, and in so doing they continue the legacy of the former state-socialist police, that is, they regard their official task as being principally the **prosecution of crime**; or they acknowledge the reality and become silent accomplices to the clients who have been pushed off the margin, in which case they risk their own positions. Either way, a continuous conflict is unavoidable.

It is **this** that gives the dynamics of one of the main roles of the welfare offices in today’s Hungary: meeting the local demand for the worst jobs and providing an outlet for labour market fluctuations. Because if the environment is more tolerant and the superiors and the opinion-setting strata of the community are ready to turn a blind eye²³, the welfare office reacts like a seismograph and looks the other way: within the limited frames set, it generously renders assistance. And the reverse is also true: if landscaping needs to be done in public areas but the funds are lacking, if the residents are complaining that the streets are dirty and “it is time the mayor did something”, if an army of auditors descends to check the accounts of the indebted local authority, then only

those who are prepared to do the work the office allots them can expect to receive support. And the main task of welfare workers is to make their clients understand that compliance is their only option.

The survey data show that Roma – and the very poorest non-Roma sharing a similar fate – came to see this long ago. It was the pressure of a number of daily facts that taught them. The first among them is the extreme segmentation of the Hungarian labour market dating back to the very origins of the post-1990 economic transformation (Kertesi, 2000; Kemény, 2000.; Fazekas, 2001.; Köllő, 2001.). As a result of the gradually intensifying segmentation, the poorest strata of workers (with a heavy overrepresentation of the Roma among them) are now almost entirely excluded from **any** access to proper jobs. Of course, their exclusion did not begin today, but it became practically complete by the years after the millennium (Lukács, 2005.). The second set of lessons that the poor – especially the Roma poor – had to learn was that the marketization from below led to an unprecedented competition among those inside employment to capitalize on all the good jobs that today arise from the old informal production.²⁴ In this process of marketization from below, the access to work is still at the most only partly regulated by the demand and supply, and is largely a question of trust and connections where the former relations of mutual favours play the main role in the distribution of the considerably reduced number of jobs.²⁵ The poor generally did

²³ Local opinion-leaders and respected members of the community have good reasons to be blind from time to time. After all, as participants of the earlier described under-funded vast Hungarian embourgeoisement process, they are compelled to economize with the resources in all the imaginable forms. Cheap or unpaid labor of the most defenseless welfare recipients is one the forms where the cost/benefit ratio is truly minimal (The harm made to human rights and dignity are rarely considered, the least when the laborers are Roma.).

²⁴ This phenomenon is basically the result of the gradual “merger” of the once existent first and second economies (Laky, 1995.).

²⁵ The process and some of its consequences for the social division of work today are very clearly reflected in the data series of the CSO for 1986 and the national representative time budget survey of the year 2000 documenting work done in the formal and informal economy (Vági, 2002.).

not have and still do not have anything to offer in exchange, and so the well-paid contracts, commissioned work, consulting projects, etc. remain beyond their reach. And even if they have the necessary training and experience, they have little hope of being the ones to learn in time about any opportunities that exist.

In sum, in Hungary today well-paid, protected and secure jobs are open only to those who already have such jobs, while those who for one reason or another never entered this circle or were forced out it are denied the access to work. The poor, especially the Roma poor, are shockingly underrepresented in the first group, while dramatically over represented in the second. The cultural arguments that owe the lack of employment to “bad” socialization and the subsequent “faulty” attitudes to work have to be considered against the brutal facts of sharp segmentation and dramatic exclusion that are further accentuated by a set of ethnic/racial implications.

Under such circumstances, it is taken for granted that if on rare occasions the possibility for even the worst kind of paid work arises, it is a **must** for the poor to accept it without hesitation or bargaining. They have no other concerns but immediately grabbing it even if the resulting earnings are so small that, adding up all what the members of the family pool from payments for casual work, the resulting monthly income of the household does not amount to more than three-quarters of the minimum monthly wage of a **single** employee in the legal economy. Moreover, being selected amidst the otherwise hopeless state of uninterrupted destitution is a treasure and the poor repay it by

exploiting themselves to the maximum. As survey data show, when the poorest people obtain work they outdo everyone in their efforts, clearly refuting the widely held opinion that they are shirkers.²⁶

These and similar facts should make it clear that whether the poor have their hands full with work or not does not depend on their **attitude**. It is the reality though, that their efforts remain largely invisible: to themselves because of the very small payment they receive for the extreme exploitation, and to the outside world because no written contract was made to set its terms, no records were taken of its details, and further, because neither them, nor the employees paid any taxes or social security contributions on it. On top of the involved obvious defencelessness, it is a most tragic irony that, amid the indicated conditions, such a traceless existence is in the **own best interest** of the poor themselves. The situation is clear: if they do not have even a chance of a proper occupation, then they should at least be allowed a livelihood; and for this they **have to** apply for welfare assistance which the office would refuse to give them if it knew about their “illegal” incomes from work. At the same time, these incomes from work are so little that they make no real difference, even to the lives of the poorest of the poor. Under such circumstances, welfare assistance is quite literally needed for mere survival – obtaining it is of **vital importance**. And in the same way, it is a vital question on which the sharp-eyed welfare providers should be reassured: the concealment of the casual work that now and then turns up is in the **common** interest of the office and the client.

²⁶ Further proof of this fact is provided by the findings of the already mentioned national time budget survey made by the Central Statistical Office in the year 2000. The processing of close to 11 000 time use diaries found that although the “poor falling behind” have barely over half the chance of doing paid work compared to the average for the adult population aged 15 to 79, the intensity of their work exceeds the average. The length of working time calculated for the number of persons actually working on a given day of the year is no less than 23 percent longer for those in the poorest group of society than the national average (Szalai and Vági, 2002.).

These common interests therefore guarantee two things. On the one hand, they secure that unregistered employment enshrouded by the working of local welfare assistance continues to flourish unchanged and as needed; on the other hand they powerfully safeguard that the bargain to be struck between the provider and the client remains a matter of internal struggles between the rather defenceless office workers in service of the public will and the extremely defenceless poor – above all: the Roma poor – in service of demonstrating general “justice” and wise economizing with the public funds.

In this way, the ghetto is constructed out of common interests. All that remains is to safeguard its walls, so that social peace can be maintained and the majority can accomplish its huge national tasks while enjoying the gifts of democracy which – for the (unlimited) time being – implies only **their** full citizenship. As we have seen, the persistent “cultural arguments” about explaining poverty along ethnic/racial lines are of utmost importance here: without their powerful justification, full citizenship with all what it means should embrace all citizens of the country, the (Roma) poor included. However, as discussed earlier, other tasks seem to be ranked higher in the eyes of the Hungarian public at this stage of its lengthy post-communist transformation. It is enough to recall the pressing chores of modernization, quick adaptation to the enlarged Europe, uplifting of the level of wages to support competition on the Western market, etc. In this rating, it seems wise and also “evident” to put the clearly **domestic** issue of poverty toward the end of the scale.

However, in a country with a democratic constitution and declared citizens’ rights, such a differentiation cannot be made in an open way. But if put in “cultural” terms, it immediately gives reason for an important democratic principle: after all, citizenship is nothing but a contract between society and

the individual to meet certain obligations in an exchange for certain rights. Those who cannot meet the former should not expect society to provide the latter. In this vein, the earlier outlined liberal considerations on the usefulness of a separated sub-system of provisions for the needy are completed and, at the same time, justified by the notion of “cultural otherness”. However, as we have seen, their bondage becomes the foundation of **structural disintegration**. After all, the coupled principles of unlimited competition on the market and expulsion on the grounds of individual failure keep alive as a rightful order the institutional separation of an utterly closed world – a ghetto proper – for those whom the concepts imply: Hungary’s dramatically marginalized long-term poor and, above all, the Roma among them. The coexistent two sub-systems of welfare – the rather generous public financing of the market and the running of the impoverished quarters of public provisions for those outside of it – reflect and reproduce the outlined strange social contract in steadfast advancement toward a social structure divided along ever sharper fault-lines.

CONCLUDING REMARKS: THE SHAPING OF A FOURTH WORLD OF WELFARE CAPITALISM

Now that the above discussions hopefully made the reader acquainted with the basic traits of the two sub-systems of welfare provisions in their troubled coexistence in contemporary Hungary, it seems inescapable to return to the more general questions of the introduction and make an attempt to properly locate the case on the map of the “worlds of welfare capitalism”.

However, any such endeavours can be only tentative at this stage, for at least for two reasons. Firstly, the period since the collapse of “softened” totalitarianism in Hungary has been too short to reliably construct the necessary time-series for an

informed comparison of the post-communist welfare state with its established Western counterpart. Secondly, due to the very nature of the systemic transformation that was aimed at turning upside down a range of old institutions, rules, and arrangements, one would end up with a number of empty cells when filling the columns of Esping-Andersen's matrices with the respective contemporary data for Hungary.

Let me mention two key examples for highlighting the difficulties: full employment and the rate of de-commodification in social policy – as two essential elements of any of the modern welfare regimes. Taken in simple numerical values, one can establish that, as to the old party-state, both of these constituents had scored high, and they both seriously fell upon its collapse. Nevertheless, when considering also the actual content behind the measures, the one-time high ranking proves nothing but an artefact. For it turns out that the bare numeric comparison of the old and the new regimes actually “rewards” the oppression instead of rights, there are dictates from above instead of choice, subjugation instead of freedom, and forced collectivism instead of respected privacy.

A mere statistical appearance would thus be fully misleading; moreover, it would hide the actual traits of the old rule instead of revealing them. After all, full employment and “de-commodification” in social policy were the true fundamentals of it – however, not for benefiting people, but for maintaining the totalitarian regime. It was then not incidental, but essential for the changeover to **deconstruct full employment based on coercion** and also to **liberate choice on the market** in replacement of the rendering of “de-commodified” impoverishment. In brief, Hungary – as all other societies formerly under Soviet rule – had to start anew.

In this historic crusade, decomposition and construction still go hand in hand, and their blend still generates rather fluid conditions, blurred institutional arrangements, and unclear relations that do not foster any endeavours for classical statistical comparisons.

Despite the barriers that largely hinder the collating of the numerical indicators, the Hungarian case nonetheless seems to carry certain crystallized traits that allow us to venture a few conclusions in a comparative vein.

Let me turn to them now.

As this paper intended to demonstrate, in contemporary Hungary, neither of the discussed two sub-systems of welfare seems to be of a transient character. Firstly, as we saw, their post-communist development has strikingly adapted a scope of arrangements and practices earlier of key importance, though the adaptation has taken place amidst the profound re-tailoring of their one-time functions and roles. Secondly – but certainly not independently – both sub-systems have been deeply ingrained, as also discussed, into the evolving social structure of belated embourgeoisement. Moreover, they both have strongly assisted in its advancement and reproduction. Therefore, we have good reasons to assume that, despite the above-indicated unsettlement as to the details and daily routines, the fundamental attributes and workings of Hungary's welfare regime have been firmly drafted and will stay like this for quite some time.

This said, let me put my main conclusion: the post-communist welfare state of Hungary neither fits any of the “three worlds of welfare capitalism”, nor is it implying indications of proceeding toward any of them. Instead, Hungary represents a *fourth* model: a mix of corporatism and liberalism, but as such, it is a powerful entity.²⁷

²⁷ It is not Esping-Andersen's failure but perhaps a trick of history that, at the time of publishing his book, it was exactly this mix that the author excluded from the expectable scenarios. He wrote: “The degree to which

This is a strong statement. Let me bring up some considerations in support of it.

In its mixed quality, the Hungarian post-communist welfare state manifests the forcefulness of the deep-lying historical structures: contemporary developments can be considered as the lineal continuations of a broken path. As studies in political history have convincingly shown, the country's current welfare regime is strongly built on those pre-war structures that had been "suspended" by the communist experiment, but that could then be revitalized due to their effective preservation (Szabó, 1995.; Tamás, 2002.). After all, the rise of the second economy and its gearing into the formal world under the party-state's rule had been a prelude to the naked restoration of the fragmented institutional bargaining mechanisms upon the systemic turn. In this sense, post-communist transformation in Hungary is but a return to the country's temporarily frozen trajectory, i.e. to the working of a political structure built on strong corporations (with an etatist blend).²⁸

Nevertheless, the decades of state-socialism changed the pre-war trends in one fundamental aspect. Through forced industrialization, the old agrarian formations were broken up once for all, and together with this, the vast peasantry living before amidst half-feudal conditions became the urban working class. As studies in the social history of the period have amply documented, this was a substantial change, concluding, for the most part, in genuine upward mobility (Fokasz and Örkény, 2000.). The profound shift in the social structure also affect-

ed those groups whose integration into the established strata of state-socialism was less successful: the unqualified rural laborers and – above all – the dissolved one-time Roma communities. Their fate was to become the marginalized, though still involved, proletariat on the fringes of socialist industry and society. It was the totalitarian hoop that kept them inside, and with its falling apart, it was the liberal design of the welfare ghetto that came in substitution. After all, the logic of construction was clear: with the impossibility of a historic return and with no alternatives for the integration into the market, there seemed to remain no other option but exclusion. Hence, liberalism is not an "intellectual fashion" that comes and withers away with time, but a deeply ingrained and probably lasting constituent of the rising post-communist welfare regime.

As it was shown, another peculiarity of the Hungarian case is the extensive utilization of the state's financial and power resources for corporatist drives but, unlike in the classical cases, the attempts in question aim at steadily expanding the private market. In other words, the rather strong tendency of Western corporatism toward de-commodification does not apply here. To the contrary, the post-communist reforms have brought about a pronounced trend of **re-commodification**. Here, again, the immediate prehistory is decisive. De-commodification in its extreme form was, as said, one of the most essential cornerstones of state-socialism. Its genuine function was lying, however, far from both the ideological principles of the regime and the one-time claims of the work-

clearly defined regime-clusters exist depends, then, on the extent to which regime-specific features are exclusively present only in one type. To give an example, we would not expect a conservative-type system (with strong corporatism and/or civil-service privileges) to also harbor liberalist traits (such as a large private market) or socialist traits (such as universalism)." (Esping-Andersen, 1990.:69) – The later vast literature inspired by his book left unchallenged this thesis (For a summary of the related works and their contribution to the characterization of the three models, see Hicks and Kenworthy, 2002.).

²⁸ For a most insightful discussion of this structure and also its political manifestations in the 1920s and 1930s, see Bibó (1991.) and Szabó (1989.).

ers' movement: it was primarily to suppress wages in order to speed up industrialization through the over-centralization of all possible resources. Nevertheless, the seriously curtailed purchasing power of society had to be compensated somehow: the invention was the vast "de-commodification" of services that became directly rendered by the central state – though under the strictest possible control and, obviously, on the lowest possible level.

In the light of these developments, the silent struggle for the expansion of the second economy outlined earlier can be interpreted as a fight for two distinct, though interrelated, goals: for re-commodification as the way for material advancement, and for the concomitant expansion of the market to loose the party-state's potentials to halt furtherance. In other words, the enlargement of the market and re-commodification of earlier free provisions were seen **together** as those warranting liberation and affluence. And it was the **corporatist traditions used toward** such **liberal ends** that were put in motion, first, to erode, then to effectively deconstruct the state. In this regard, the post-communist reforms simply pulled to light what had been accomplished before.

In sum, corporatism and liberalism are strongly interwoven in the welfare regime of today's Hungary. The peculiar triangle of the deserting state, the expanding private market, and the firmly sealed ghetto of the poor seems to be securely grounded by historical structures and contemporary power relations alike. True, the increasingly manifest tendencies of social disintegration might sooner or later conclude in a sudden explosion that reshapes the entire framework. But without such gravely unwanted developments, the construction promises to work for some time to come. And if this is the case, then we have justified reasons to name what we see here: it is the corporatist-liberal fourth world of welfare capitalism that grew out of state-socialism.

REFERENCES:

- Antal, L. (2004.) *Fenntartható-e a fenntartható növekedés? [Can Sustainable Growth Really be Sustained?]*. Közgazdasági Szemle Alapítvány.
- Bass, L., Ferge, Zs. and Márton, I. (2003.) *Gyorsjelentés a szegényedésről 2000–2003 [Account on Impoverishment 2000–2003]*. Szociális Szakmai Szövetség.
- Bibó, I. (1991.) *Democracy, Revolution, Self-Determination (Selected Writings)*. (ed: Károly Nagy), Social Science Monographs & Atlantic Research and Publication Files. New York.
- CSO (2002.) *Non-profit szervezetek Magyarországon 2000 [Non-profit organizations in Hungary, 2000]*.
- Esping-Andersen, G. (1990.) *The Three Worlds of Welfare Capitalism*. Polity Press
- Minutes of the Workshop on "Gender Equality and Cultural Diversity"* (2005.). May 27-28, 2005, London: LSE
- Farkas, J. and Vajda A. (1988.) *A lakásépítés második gazdasága. [Housing and the Second Economy]*. In: J. Szalai et al. (eds.): *Arat a Magyar [Hungarian harvest]* (pp 166-176). IS HAS.
- Fazekas, K. (2001.) *Az aktív korú állástalanok rendszeres szociális segélyezésével és közcélú foglalkoztatásával kapcsolatos önkormányzati tapasztalatok [Experiences of Local Authorities in Connection With the Regular Welfare Assistance and Employment on Public Works for Unemployed Persons of Working Age]*. MTA KTK.
- Ferge, Zs. (2000.) *Elszabaduló egyenlőtlenségek [Inequalities Breaking Loose]*. HRSZE – IS ELTE.
- Fokasz, N. and Örkény, A. (2000.) *Magyarország társadalomtörténete 1945-1989 [Social history of Hungary 1945-1989]*. Új Mandátum.
- Gábor, I. (1992.) *A második gazdaság ma - az átalakulás kérdőjelei [Second Economy Today – its Transformation Called Into Question]*. *Közgazdasági Szemle*, (10):940-953.
- Havasi, É. (2002.) *Szegénység és társadalmi kirekesztettség a mai Magyarországon [Poverty and Social Exclusion in Hungary Today]*. *Szociológiai Szemle*, 12(4):51–72.
- Hicks, A. and Kenworthy, L. (2002.) *Varieties of Welfare Capitalism. Luxembourg Income Study Working Paper No.316*. Retrieved at www.lis-project.org/publications.htm.
- Horváth, Á. (1996.) *Az elmesélt idő [Time as Narrated]*. IS HAS – MWA –KÁVÉ.
- Juhász, P. (1991.) *Polgárosodás [Embourgeoisement]*. *Századvég*, (2-3):181-184

- Kemény, I. (1991.) *Közélről s távolból [Close View From a Distance]*. Gondolat.
- Kemény, I. (2000.) *A romák/cigányok és a láthatatlan gazdaság [Roma and the Invisible Economy]*. Osiris – MTA KI.
- Kertesi, G. (2000.) *Cigány foglalkoztatás és munkanélküliség a rendszerváltás előtt és után [Roma Employment and Unemployment before and After the Systemic Change]*. In: Á. Horváth et al. (eds.): *Cigánynak születni [Born: 'Gypsy']* (pp.425–471). Budapest: ATA–Új Mandátum.
- Kornai, J. (1996.) *Vergődés és remény: Gondolatok a gazdasági stabilizációról és a jóléti állam reformjáról. [Floundering and Hope: Thoughts on Stabilization of the Economy and Reform of the Welfare State]*. KJK:175–205.
- Köllő, J. (2001.) *A járadékos munkanélküliek állaskilátásai 1994 és 2001 tavaszán [Job Prospects of the Unemployed Receiving Benefits in the Early Months of 1994 and 2001, Respectively]*. MTA KTK – BKÁE.
- Kuczi, T. and Vajda A. (1992.) *Privatizáció és második gazdaság. [Privatization and the Second Economy]*. *Holmi*, (1):99-110.
- Laki, M. (1998.) *Kisvállalkozás a szocializmus után. [Small Entrepreneurs After Socialism]*. Közgazdasági Szemle Alapítvány.
- Laki, M. (2003.) *Opportunities for Property Acquisition and Some Characteristics of Big Entrepreneurs in Post-socialist Hungary. Europe-Asia Studies*, 55(5):693-711.
- Laki, M. and Szalai J. (2004.) *Vállalkozók vagy polgárok? [Entrepreneurs or Citizens?]*. Osiris.
- Laky, T. (1995.) *A magángazdaság kialakulása és a foglalkoztatottság [The Formation of the Private Economy and Its Impact on Employment]*. *Közgazdasági Szemle*, (7-8):687-707.
- Laky, T. (2004.) *A magyarországi munkaerőpiac 2004. [The Hungarian Labor Market, 2004]*. Foglalkoztatási Hivatal.
- Lukács, G. R. (2005.) *Roma munkaerőiaci programok és környezetük [Job-creating Projects for the Roma and Their Social Environment]*. In: M. Neményi, and J. Szalai (eds.), *Kisebbségek kisebbsége [The Minority of Minorities]*. (pp.94-128.). Új Mandátum.
- Miklós, G. T. (1995.) *A helyzet [The Situation]*. Irodalom Kft – Journal Art Alapítvány. Neményi, M. and Szalai J. (2005.) *Kisebbségek kisebbsége [The Minority of Minorities]*. Új Mandátum.
- Spéder, Z. (2002.) *A szegénység változó arcai [The Changing Faces of Poverty]*. ARTT – Századvég.
- Standing, G. (1997.) *The Folly of the Social Safety Nets: Why Basic Income Is Needed in Eastern Europe. Social Research*, 64(4):1339-1381.
- Szabó, M. (1989.) *Politikai kultúra Magyarországon 1896-1986 [Political Culture in Hungary 1896-1986]*. Medvetánc Könyvek.
- Szabó, M. (2002.) *Múmiák öröksége [The Heritage of Mummified Bodies]*. Új Mandátum.
- Szalai, J. (1990.) *Néhány gondolat a szegénységről és a létminimumról [Some Thoughts About Poverty and the Concept of the Subsistence Minimum]*. In: R. Andorka, T. Kolosi and G. Vukovich (eds.), *Társadalmi Riport 1990* (pp 418-430). TÁRKI.
- Szalai, J. (1991.) *Hungary: Exit from the State Economy*. In: M. Kohli et al. (eds), *Time for Retirement* (pp. 324-362). Cambridge University Press.
- Szalai, J. (1997.) *Power and Poverty. Social Research*, 64(4):1403-1423.
- Szalai, J. (2002.) *Social Outcasts in 21st Century Hungary. Review of Sociology*, 8(2):35-53.
- Szalai, J. and Péter, V. (2002.) *A különböző munkatevékenységekre fordított idő változása a 15–79 éves népességben, 1986/2000 [Change in the Time Spent on Different Work Activities in the Population Aged 15–79 Years, 1986/2000]*. Mimeo, CSO.
- Szelényi, I. (1988.) *Socialist Entrepreneurs: Embourgeoisement in Rural Hungary*. University of Wisconsin Press
- Szívós, P. and György Tóth, I. (2004.) *Stabilizálódó társadalm szerkezet. [Stabilizing Social Structure]*. TÁRKI.
- Titmuss, R. (1958.) *The Social Division of Welfare-Essays on the Welfare State*. George Allan and Unwin Ltd.
- Vági, P. (2002.) *A különböző munkatevékenységekre fordított idő alakulása az időmérleg adatok tükrében – a társadalmi elkülönülések egy újabb dimenziója. [Time Spent on Different Types of Work – a Revealed New Aspect of Drastic Social Segmentation]*. *Amaro Drom*, (8):23-29.
- Vajda, Á. (1997.) *A legális munkahelyeken végzett munkák az 1980-as évek végén, az 1990-es évek elején. [Work Outside the First Economy in the Late 1980s and Early 1990s]*. In: E. Landau et al. (eds.), *Az államtalanítás dilemmái: munkaerőiaci kényszerek és választások [Dilemmas in Dismantling the State: Constrains and Choice on the Labor Market]* (pp. 234-282). ATA
- Voszka, É. (2003.) *Versenyteremtés – alkuval [Competition in the Making – Through Bargains]*. Akadémiai Kiadó.
- Yearbook of Welfare Statistics 2001., CSO, 2002.

Sažetak

SIROMAŠTVO I ZAMKE POSTKOMUNISTIČKIH SOCIJALNIH REFORMI U MAĐARSKOJ: NOVI IZAZOVI PRIDRUŽIVANJA EU

Julia Szalai

Institut za sociologiju Mađarske akademije znanosti
Budimpešta, Mađarska

Tijekom procesa tranzicije i pridruživanja, pitanja pravičnosti i učinkovitosti socijalnog sustava izbilo je u prvi plan javnih rasprava i političkih prepirki u Mađarskoj. Ključna pitanja odnosila su se na tip socijalne države koja se uzdigla na ruševinama starog socijalističkog režima. Autorica istražuje sliči li nova socijalna država bilo kojem od »tri svijeta socijalnog kapitalizma«, koja je uloga Europske unije u njihovu stvaranju i jesu li razlike samo pitanje razine gospodarskog razvoja ili dublje ukorijenjenih sustavnih uzroka i mjera. Prvi dio članka prikazuje različite poglede na transformaciju socijalističke države, a nakon toga predstavljaju se ideološki i politički argumenti koji su u pozadini provedenih mjera u području socijalne politike, kao i šira uloga tih mjera u sveukupnoj gospodarskoj transformaciji. Autorica ukazuje na to da su posljedice tih mjera u socijalnoj politici, prvenstveno povećanje siromaštva, mnogo trajnije, iako ih se često smatra prolaznima. Isto tako, gospodarski oporavak nije doveo do poboljšanja socijalnih usluga i socijalne pomoći na lokalnoj razini. Drugi dio članka nudi kritički prikaz uzroka koji su doveli do takvog kontrasta između najavljenih ciljeva i stvarnih rezultata reforme. Autorica tvrdi da kombinirani koraci smanjivanja financiranja i decentraliziranja odluka nisu smanjili siromaštvo, usprkos tome što se isprva očekivalo povećanje učinkovitosti, bolje planiranje i više socijalne pravde. Istovremeno, ti su koraci doveli do veće stigmatizacije korisnika. Autorica zaključuje da nedavni razvoj Mađarske ukazuje na kristalizaciju zasebnog, četvrtog tipa socijalne države koja se razvija manje ili više neovisno od utjecaja nadnacionalnih socijalnih aranžmana EU.

Ključne riječi: socijalna država, postsocijalistička socijalna politika, siromaštvo, rasni/etnički sukob