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Social Welfare Policy Reform since the 1990s:
Comparison of the United Kingdom and the Czech Republic

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Abstract

Many European countries, including the United Kingdom and the Czech Republic, have developed reputations for innovative social policies. Since the creation of the European Union (EU), many national policies have remained in place while others have continued to evolve at a much faster pace, including means-tested forms of assistance such as a minimum income guarantee. The economic crisis in 2009 caused this particular benefit to attract more attention across Europe. These two countries, the UK in the capitalist West, and the Czech Republic, a formerly communist, young democracy in East-Central Europe, have been considered leaders in welfare, anti-poverty reform. More recently, their social policies have been influential throughout the European Union as other countries adopted similar measures to address poverty (Kaufman 2007). The research will test the hypothesis that the evolution and efficiency of minimum income policy differs due to institutional political influences prevalent in each country. For example, the communist regime legacy in the Czech Republic, along with their relatively new democracy, influences their limited, one-component living minimum, whereas the multi-facet minimum income scheme in the United Kingdom, has been slowly evolving since the Beveridge Report in 1942. Both the Czech Republic and the UK display strong institutional influence in their social policies, but we can also detect the influence of current, democratic politics on their respective welfare states. These influences helped move the reforms along in the UK and often obstructed progress in the Czech Republic.

Introduction

After World War II, developed nations have begun to expand the welfare state to ensure that all citizens could rely on a stable social safety net. European countries used different approaches to accomplish this task. These approaches depend largely on the history and current politics of the country and the stability of its currency, market system, and government. Political factors and institutional path dependency have emerged as dominant explanations of the adoption and reform of many social policies in the second half of the twentieth century (Saxonberg et. al. 2013). Examining the evolution of the welfare state according to the theory of path dependency can be useful for some interpretations, but many scholars have discovered that contemporary politics and ideology has driven the social policy agenda in Europe (Ellison 1999, Noel 2006, Hlousek and Kopecek 2008). The anti-poverty reforms in the United Kingdom and the Czech Republic during the mid-1990s formed during a crucial time period in the development of the welfare state, due to the widespread unemployment throughout Europe. This comparison will reveal the impact of political processes and actors that can either promote or obstruct social inclusion in the two countries. These influences helped move the reforms along in the UK, such as tax credits and housing subsidies, and often obstructed progress in the Czech Republic.

The expansion of the welfare state became a special challenge for many governments during the rise of poverty in Europe during the mid-1970s. In the 1990s, more than 50 million Europeans were living under the poverty level, and by the turn of the century the number reached approximately 60 million (Sainsbury and Morrisens 2002, 307). Three decades later, the idea of a coordinated, European welfare state for EU Member States began when the European Council adopted the Social Policy Agenda in 2000. The original agenda emphasized quality employment, but in 2001 the European Council agreed on four indications of social exclusion the

Member States would attempt to prevent, or in most cases, provide (O'Connor 2005). These indications include financial poverty, employment, health, and education. These indicators would be aided by an open method of coordination, where policies throughout the European Union would set benchmarks, policy guidelines, and targets, with a future goal of creating the European Social Model (O'Connor 2005).

The European Social Model is not meant to be a mold that each individual state in the EU must fit into. Rather, it is a framework that the member states can use as a guide to form their own social policies, while following the standards set by the European Council (2005). It is this type of social model that was inspired by the development of welfare regimes, most famously, the typology created by the Danish scholar, Gosta Esping-Andersen. Esping-Andersen's typology offers three regime types; Liberal, Conservative, and Social Democratic. These regimes vary according to the degree to which the state is involved in the welfare of its citizens. Liberal states include, but are not limited to, Australia, the USA, Canada, and the UK. The most prominent examples of Conservative states are France, Germany, and Finland. Finally, Social Democratic states include Denmark, Norway, and Sweden (Esping-Andersen 1990). Due to the diverse nature of social policy, European welfare states within these typologies tend to display features of multiple regime types (Hill, 2006). However, since the European Council created guidelines and standards in the Social Policy Agenda and the Community Charter, social policy among member states remains coordinated, even if only at a basic level (O'Connor 2005).

The development of social policy on a national level varies greatly between regime types, as well as individual member states. Politics greatly influences this process because the government's perception of the welfare state can either inhibit or enable its development. One of the more recent developments in the welfare state is the concept of creating a minimum income

scheme (MIS) within a nation's social policy. The purpose of a MIS differs from another approach which is also gaining attention, a national basic income. While this paper will focus on the MIS of the United Kingdom and the Czech Republic, the distinction between a minimum income scheme and a basic income guarantee is important to identify while understanding this comparison. The former tends to be a means-tested form of social security provided to people who do not earn a sufficient income to cover basic human needs. This can be satisfied by direct payments, such as cash benefits, or in a more comprehensive system involving tax credits, income support, housing subsidies, pension credits, and minimum wages, for example (Obinger 1999).

A basic income guarantee (BIG) is an unconditional income paid by a political agency to all its citizens, without means-test or work requirement (Van Parijs 2004). The BIG is a one-step, all-inclusive approach to social policy, where all citizens receive benefits, no matter what. This means regardless of employment status, all adult citizens within a country that provides a BIG will not earn below a certain level of income set by the government. This guarantees income for those who are unemployed, subsidizes part-time employees, and promotes investment and entrepreneurship for those who already earn a sufficient income. In contrast, a minimum income scheme is a component of social policy, aimed to help those who are in the poverty trap.

The important distinction between the basic income guarantee and the minimum income scheme lies in the eligibility rules that accompany the MIS, the most important being a means-test. A means-test takes an individual's income and employment status into account when deciding who receives benefits, and how much (Van Parijs 2004). Those who do not meet a benchmark income level, typically the national poverty level determined by the government, will receive cash benefits to reach the established income floor. Using a means-test allows the

system to provide aid to those who need it most, while encouraging labor market participation by linking benefits to some form of employment requirement.

Similar to the typology of welfare states, scholars have proposed taxonomies of minimum income schemes. These classifications distinguish welfare state minimum income schemes by their differentiation between target groups, objective of support, form of benefit, link to labor market, and the mode of entitlement (Obinger 1999). However, the MIS typologies do not coincide with the standard welfare regime typology created by Esping-Andersen. Therefore, it is evident that this type of social policy is dependent on multiple factors, not just the founding concept of Esping-Andersen's regime typology; which he calls "decommodification." This concept supports universalism within social policy systems, where all sections and levels of society are treated equally with a focus on decommodification of labor (Hill 2006, 27). These other factors include political institutions, socio-economic conditions, and existing social security arrangements (1999).

The concept of a minimum income scheme attracted attention in Europe during the crisis of 2009. However, the Czech Republic and the United Kingdom had established minimum income schemes as early as 1992 and 1948, respectively (Vecernik 2008, Erhel and Zajdela 2004). Since the implementation of these schemes, these specific EU Member States have developed a reputation for innovative social policy. More recently, their social policies have been influential throughout the European Union as other countries adopted similar measures to address poverty (Kaufman 2007). While the scheme in the United Kingdom contains multiple facets of support, both in cash and in kind, the Czech Republic has developed a more singular, one-step approach to the MIS scheme (Sirovatka 2009). Therefore, these countries provide a useful comparison of these approaches.

Evolution of Social Policy

High levels of unemployment throughout the European Union during the early-1990s led to rapid, necessary growth of many welfare state programs. This rising unemployment contributed to alarming rates of poverty, affecting political agendas throughout Europe. Social assistance and income support programs became popular tools used to establish a poverty floor. These approaches varied a great deal among nations. The idea of universal cash payments, a Basic Income Guarantee (BIG), was supported in the United States in the late 1960s, but never gained enough traction to pass in Congress (Van Parijs 2004, 8). Developing a minimum income scheme, on the other hand, has been used by many countries, mainly European, to establish the necessary poverty floor. The extent and complexity of these social protection schemes are dependent on several factors. However, the EU's political commitment to social policy greatly aids the evolution of those schemes. Ultimately, the government's dedication to social welfare, as opposed to other institutional or communal support, is imperative for continuous, effective reform.

Social Reform in the United Kingdom since the 1990s

Since the Beveridge Report in 1942, the social protection scheme in the UK has evolved to include a comprehensive minimum income system. This process gained significant urgency several decades later, during the 1980s. The declining economic growth and rising unemployment triggered state action (Sainsbury and Morrisens 2002). This included extensive social reform in the UK due to their high poverty levels in the 1990s. In 1991, the poverty rate was at an alarming 20.6 percent, and jumped to 23.3 in 1995. Poverty levels throughout the continent were rising, but the UK had the highest in all of Europe (Sainsbury and Morrisens 2002, 312). Not only was the poverty level the highest, during the 1990s the poverty reduction

rate in the UK was ranked approximately 3 out of 10, the lowest in the European Union (2002, 312). The poverty level and the poverty reduction rate, in combination with the strengthening of industrial capitalism, required political intervention. The state needed to control its resources more efficiently in order to sustain their economic growth while reducing their poverty level (Melling 1991, 221). The poverty crisis led to social disruption, as a result, there was an effort to institutionalize class conflicts to maintain social order. This idea of social citizenship significantly influenced the development of the welfare state. It encouraged the principle that every citizen should receive equal benefits from national programs (Kunzel 2012).

The minimum income scheme that developed in the UK involves a minimum wage, which was established in April of 1999 (Callaghan 2000, 635). The development of the National Minimum Wage (NMW) was a landmark accomplishment for the UK welfare state. The push for a NMW began at the start of the 20th century. The Liberal government developed wage councils to determine a minimum for workers in agriculture, catering, hotels, retail, light manufacturing, clothing, and textiles (2000, 632). Regardless of their efforts, it was not until the 1990s that serious support for a national minimum wage began to appear on the political agenda. Conservative politicians warned of the job loss that would occur as a result of a national minimum wage. The Conservative party was able to prolong the enactment of a minimum wage because they controlled parliament for 18 years, until 1997 when the Labour Government was elected. The new government made NMW a top priority after winning the general election. By prioritizing a minimum wage, the new Labour Government was able to demonstrate that they could enact the kind of institutional change the nation needed to improve their social welfare (Callaghan 2000, 634).

The NMW was one of many steps in the process of creating the UK minimum income scheme (MIS). The development of this social policy has evolved into an effort to offer assistance regarding nearly all aspects of household expenditure, including programs such as National Assistance, Income Support, Jobseeker's Allowance, and Pension Credit. These various forms of support, in combination with the minimum wage, laid the foundation of MIS in the UK (Bradshaw and Bennett 2009). These programs intend to provide a complex combination of benefits for recipients, not just cash transfers. The vision of the UK's minimum income scheme is a social commitment to providing adequate and dignified living conditions for all citizens (Sarfati 2009).

The effectiveness of the minimum income scheme developed by the UK began to increase during the mid-1990s. The beginning of the decade was marked by high unemployment and poverty. With such a low poverty reduction rate, it took a number of years for new programs to become successful (Sainsbury and Morissens 2002, 313). Their absolute poverty reduction rose from 5.2% in 1991 to 8.5% in 1995, once their means-tested benefits began to take hold (2002, 314). This British means tested benefit programs had the highest poverty reduction within the European Union, even surpassing social democratic nations, such as Sweden. Therefore, the means-tested distribution of benefits utilized by the UK provides a unique cost-efficient approach to poverty reduction.

Social Reform in the Czech Republic since the 1990s

The reformation of social policy in the Czech Republic began after the collapse of the communist state. The new government was forced to take on the responsibility of a welfare state that was previously entirely centralized by the communist regime. It was imperative that the government address this issue quickly and efficiently due to the extreme amount of

decentralization and restructuring of the state that needed to be done, both politically and economically (Vecernik 2008). The welfare state under the communist regime was relatively generous and paternalistic. Although the benefits were entirely tied to employment, they were guaranteed free health care, pension benefits, and family allowances (Vecernik 2008, 497). Therefore, the new democratic government with their plans to introduce a free market economy was forced to compete with a tradition of generous social policy.

The response to this past legacy was to ignore what the people had grown accustomed to and focus on the reconstruction of the nation. The new government felt the previous social policies were too generous. As a result, they cut back on social spending, as well as moved away from the universal social benefits (Vecernik 2008, 500). They advocated private pension plans, introduced means-testing for state benefits, and encouraged individual responsibility in the health care system. This type of social policy reform mirrors the Bismarckian style that is present in Germany. The intention of the Czech government was to fully embrace the capitalist economy after the fall of communism, focusing strongly on reforming any lingering centralized or paternalistic programs from the past.

In 1991, the democratic government passed the Living Minimum Act and the Act on Social Need. The combination of these acts provided a minimum wage for workers, social assistance, and income supplements (Sirovatka 2009, 5). This welfare reform was intended to provide the social assistance that is needed to combat the inequality of capitalism, while encouraging labor market participation. They implemented programs that provided basic support, a far cry from the paternalistic communist state, but still effective at reducing poverty and keeping unemployment low. However, since the initial reform at the very beginning of the democratic state in 1993, there has been little continuous policy reform in the Czech Republic.

Their relatively rudimentary welfare reform was based on two pillars for over 15 years. These pillars consisted of personal needs of individual household members, supported by a ‘child maintenance allowance’, and needs of the household helped by housing assistance (Sirovatka 2009, 6).

By the late 1990s, after the gradual but decisive transition from a centralized welfare state to an individualistic free market, the Czech Republic was seen as a leader in welfare reform, particularly in former communist countries. Not only did they have extremely low poverty levels relative to the rest of Europe, their effectiveness of poverty reduction was much higher as well (Sainsbury and Morrisens 2002, 313). However, the surrounding countries of Poland, Hungary, and Slovakia continually improved and progressed in reforming their welfare state, while the Czech Republic stagnated (Vecernik 2008, 501). The stagnation of their social policy reform can be attributed to their changing political arena during this time. With government coalitions changing from left to right after each election, it was difficult to retain support for continued welfare reform (2008, 502).

The effectiveness of the minimum income scheme in the Czech Republic rose substantially from 0.5% in 1992 to 4.2% in 1996 (Sainsbury and Morissens 2002, 314). Their reforms were successful in reducing poverty. However, the number of unemployed under the poverty line grew significantly, from 37.8% in the early-1990s to 63.1% in the mid-1990s (2002, 315). This rise in poverty among the unemployed is influenced by the means-tested nature of their social programs. They strive to promote participation in the labor market, but for those who cannot become employed there are serious dangers associated with exclusion from welfare programs. In recent years, the effectiveness of the Czech MIS is satisfactory, but has been decreasing. Specifically, in 2007 the reform that took place essentially eliminated the second

pillar of the Czech welfare state (2009, 8). This type of reform is common among young, under developed democracies. Due to the few democratic checks put in place, it was relatively simple for this reform to further cut welfare spending, and shift to a one-component living minimum. This reform was initiated as a response to regulations from the European Union, which will be further explained later on. In general, the benefits that remain aid working families, but those at the greatest risk, the unemployed and single parent families, are still left vulnerable to poverty (Sirovatka 2009, 27).

Political Influence and the Minimum Income Scheme in the United Kingdom

Political factors have historically played a crucial role in British welfare reform (Callaghan 2000). Currently, with the Conservative Party in power, strengthening the welfare state has been somewhat inhibited since the general election in 2010. The party has a liberal view, in Esping-Andersen terms, on social policy. They view their current structure as an excessive burden on society and the economy, and are weary of giving too many benefits to citizens, especially those that are non-means-tested. Recently, the party proposed an economic plan that caps housing and unemployment benefits. These changes aim to slow the increase of benefits so that they do not rise above wages of the working population. The long-term economic plan would also cut benefits to those who refuse to speak English. This reform, instead, is focused on getting people back to work, instead of relying on welfare benefits (Conservative Party 2014).

Political support is crucial in both developing and maintaining welfare benefits. Changes in political party majorities can drastically set back improvements that have been made by reducing funding or making it more difficult to receive benefits. The political atmosphere in the United Kingdom in 2014 is not a conducive environment for the growth of their minimum

income scheme. If the Conservative Party's long-term economic plan is passed, their welfare state poses a serious risk of contraction. This could be the first step in reducing their comprehensive minimum income scheme to a more self-reliant system of social policy, potentially similar to that of the United States. However, a rather drastic shift in public opinion would be necessary to influence changes necessary to significantly reduce social benefits. Ultimately, the social reforms that withstand controversy and attempt to overcome policy and institutional fragmentation that will greatly aid the development of an efficient minimum income scheme (Clegg 2013, 14).

Influence on Social Policy Legislation

Changing family patterns and institutional regulation in the labor market have pressured the UK, along with several other countries facing similar challenges, to rely on means-tested benefits as their primary form of social assistance. The European Union set an active inclusion goal which is oriented around a 70% employment rate in an effort to keep people out of poverty. Unemployment is a serious concern for the welfare state, as it is the most common immediate cause of poverty in modern Europe (Clegg 2013, 11). However, benefits for the unemployed have been cut due to the belief that long-term support creates disincentives for the unemployed to re-enter the labor market.

In 2005, only 17% of the unemployed in the UK received insurance benefits, and of that small percentage, the time period for benefits lasts a mere six months (Clegg 2013, 33). The length of time one qualified for unemployment was slashed in half in 1996, when benefits had previously lasted a full year. The unemployment problem in the UK is worsened by the weak labor contracts available to employees. Since full-time contracts involve extensive benefits, employers are hesitant to offer full-time employment, leaving workers with little options other

than unstable part-time employment. The pain caused by the regulation of full-time contracts somewhat diminishes the benefits of their legislated minimum wage (2013, 34). In their efforts to encourage labor market participation, the UK has been inadvertently punishing the unemployed now, more than in the past.

During the 2010 elections, when the Conservative Party defeated the Labour Party after thirteen years of holding the majority in government, one of the primary voter concerns was unemployment (Ipsos MORI 2012). The Conservative Party took advantage of this concern and used it as a platform for change, proposing their long-term economic plan to create jobs, and decrease benefits for the unemployed (Conservative Party 2014). The social trend in the United Kingdom since the late 1980s has been moving away from a collective welfare state, and towards individual responsibility. Public opinion polls show a 7% decrease in the support for the collective provision of welfare, from 48% in 2006 to 41% in 2012 (Ipsos MORI 2012).

Over half of the population now supports a more individualistic approach to welfare, however, public opinion polls are showing that the public's support of income equality has been *growing* over the past two decades. By a slight majority, the public supports a society where income and benefits are equal, rather than one where individuals accumulate as much wealth for themselves as possible (Ipsos MORI 2012). This, combined with the poll from above, demonstrates that the public would prefer a combination of wealth redistribution and reduction in welfare programs. Their strong concern with the unemployment rate gives the perception that only those who "deserve" welfare, those working, should receive benefits from the welfare state. Therefore, the opinions expressed by the majority of those in the UK today would seem to support a Basic Income Guarantee, rather than their current comprehensive MIS approach to social policy.

The recent political response to public opinion has been to reform the minimum income schemes to encourage self-sufficiency. The reform process in the UK has integrated minimum income benefits into the labor market, rather than social support. Previous attempts to link benefits to the market included trying to reduce claimants of the general Income Support (IS) system with several more distinct programs. These included the Jobseeker's Allowance and the Working Tax Credit. The latter helped the "working poor", while the former provided the unemployed with assistance through means-testing (Clegg 2013, 45). They also developed a Child Tax Credit which helped reduce child poverty in the UK as well as incentivized parents to join the labor market. This strengthened the middle class and allowed the IS to provide general assistance as it was intended. However, many people still relied on it for support. In 2007, one in ten of the working-age population relied on IS, and one in seven received tax credits (2013, 42). The current comprehensive scheme in the UK benefits many people, which inherently demands a high expenditure. Since the UK's MIS is a "mass system" that is relevant to a large portion of the population (2013), the Conservative Party's proposed changes in the long-term economic plan could significantly reduce the expenditure on the welfare state, without significantly reducing individual welfare.

The current political atmosphere has been influenced by public opinion in an effort to reform social policy legislation for the changing nation. The link between social benefits and work show a strong relationship with the traditional, democratic values in the country. The programs in the UK have been increasingly specified according to who is eligible for benefits, and who is not. While this comprehensive approach may not coincide with the public opinion polls, it does follow the history of party politics in the past. There are benefits, typically means-tested, associated with a political approach to welfare. The general attitude towards the welfare

state is to only help specific demographics who are at the greatest risk (Erhel and Zajdela 2004), in an effort to reduce costs. However, in the case of the UK, this specificity has led to the development of a multi-faceted system of minimum income. This diverse system can become costly, and although the programs focus on specific groups, they can create confusion for claimants as well as disincentives to work more than the set number of hours required to benefit from multiple programs (Erhel and Zajela 2004, 137).

There are common pressures and constraints that each country must address, regardless of which political party is in power. Democratic government requires collaboration and adaptation, but there have been social policies even democracies have struggled to accept. The national minimum wage, for example, was a significant change in UK social policy after being contested for years before its acceptance. Political precedent and democratic ideology supporting personal accountability has shaped the preference for minimum standards through a connection between benefits and participation in the labor market. The UK has developed specific programs for those seeking employment and tax credits for those working in part-time or low paying full-time positions.

Political Influence on the Minimum Income Scheme in the Czech Republic

There is little public confidence in the political parties of the Czech Republic. The outcome of the 2010 elections, rather than the more recent 2013 results, reveal the true current political trend in the Czech Republic in relation to welfare policy. This election is interesting because although the Social Democratic Party received the majority of votes in 2010, the nation's support lied, in fact, with conservative values. Due to the three varying right-winged parties in the election, the conservative support was scattered, resulting in a Social Democratic victory. Essentially, the political atmosphere in the Czech Republic was similar to that of the

UK at this time, where people were leaning toward a more Conservative government in expectation of influential social policy reforms. This political fragmentation in the Czech Republic, however, creates an unstable arena for this type of change. The majority party was not able to form a coalition government after the 2010 legislative elections, and the Social Democratic Party leader resigned due to the forming coalition of the right-winged parties. As a result, Peter Necas, leader of the Civic Democratic Party became the Prime Minister of the Czech Republic (BBC 2010).

The Civic Democratic Party leader also resigned, after a corruption scandal, causing an early election to take place in 2013. The immediate elections placed the Social Democratic Party as the majority party in parliament with only 20.45% of the seats. The newly formed Action of Dissatisfied Citizens party won 47 seats, only three less than the majority party. The Communist Party won 33 seats, placing it in a position of considerable influence as well. These elections further exemplify the fragmentation of the party support from Czech citizens. Several parties have approximately the same influence in parliament. All this causes considerable uncertainty in regards to social policy reform. Potential coalitions, particularly between the Communist Party and possibly the Action of Dissatisfied Citizens, have the potential to reinstate a centralized approach to the welfare state.

Influence on Social Policy Legislation

The structure of the Czech government is similar to that of the United Kingdom. Both parliamentary systems allow for party coalitions and collective solutions for various issues. However, the recent elections in the Czech Republic show an unstable and disjointed political environment. The conservative parties grew unpopular after the corruption scandal with the Prime Minister. As a result the people of the Czech Republic have been searching for a new

party to lead both their country, and social reform. Therefore, the support for newly formed political parties, like the Action of Dissatisfied Citizens party, is growing (B.C. 2013). Even the Communist Party, which had been previously losing support, managed to win a significant portion of seats in parliament. However, the fragmented government has no clear majority party, forcing the formation of coalitions. The government coalition is currently focusing on a social policy agreement sealed on December 12, 2013 to raise pension payments and minimum wage, while drastically reducing healthcare costs (B.C. 2013). This could be a political maneuver by the coalition to stabilize the fragmentation that occurred during the 2013 elections by introducing reform.

This expansionary social policy agreement was among the first pieces of legislation to be passed by the new Czech government. Placing the current reforms as a top political priority shows some support to recreate parts of the extensive state provisions from their communist past. The new social democratic government in the Czech Republic may be rethinking the country's initial reaction to the fall of the communist regime. The liberal coalition has a unique opportunity to manufacture public support by offering change. Instead of a welfare state that provides basic assistance for daily needs to those under the "living minimum," they could plan to centralize and expand social welfare once again in an attempt to stabilize the government. This initiative would be the first of its kind since the early 1990s, when communist institutions were shut down as a sign of commitment to democracy and the free market (Potucek 2004, Saxonberg et. al. 2013, Vecernik 2008).

The fragmentation of the government has led to low political responsiveness of the voters in the Czech Republic. Since the 2013 elections were held early, the political parties had very little time to campaign. Therefore, the public opinion polls from the 2010 elections provide a

more accurate portrayal of the political concerns. During this time, people were very unresponsive to the campaigns of the various political parties. When polls asked to what extent campaigns add to voter interest in the election, 49% had very little interest, and approximately 37% were not at all interested in the election campaigns (Tabery and Samanova 2012, 21). Therefore, the political stance each party took on welfare reform or social policy legislation was most likely overlooked by the general voting public. Not only were they disinterested in the campaigns, the general attitude toward the election was pessimistic. The public opinion polls reported that approximately 32% of campaign impressions were neutral, while approximately 34% were unfavorable or negative (2012, 21). The pessimistic impression grew as the election drew nearer.

The general disinterest in the 2010 elections enabled politicians to win seats based on the general political view of the party, rather than their view of specific issues within the Czech Republic. The current government is able use the apathetic public as a tool to create support through implementing social and political change. By forming government coalitions that will work together to expand the welfare state, the government can, in a sense, create their election platform after the election. Since the vote took place in such a short period of time, the people were not able to learn adequate information about the projects or policies that each party would focus on. Therefore, the parties are in a unique position where they do not have to live up to the expectations set by their campaign. Rather, they can gain public support by invoking change in pension payments and minimum wage. The current political atmosphere influences social policy legislation in that there are no expectations from the public, leaving the political parties to develop a plan without strong pressure to appease voters.

Lingering Communist Influences on Social Reform

The evolution of the minimum income scheme in the Czech Republic has been greatly influenced by its communist legacy (Sirovatka 2009) and current political climate. The creation of a decentralized welfare state was a difficult task that the newly developed democratic government had to address immediately during the early 1990s. The initial reaction from the new democratic government was to embrace means-tested benefits and decrease government spending for welfare. This response from the government was elicited partially by an economic effort towards a more residual welfare state (Sirovatka 2009, 5). Politically, this could have been provoked by the fear that the democratic state would be seen as communist if they kept any lingering centralized components of welfare.

Social reform since the initial structure has supported this hypothesis. By eliminating one of the two pillars of the Czech welfare state in 2007, they continued their neo-liberal approach to social policy. However, the trend throughout Europe over the past decade went in the opposite direction. Welfare states have been implementing minimum income schemes, expanding the qualification of recipients, and improving the quality of service. There has been a shift from the goal of eliminating poverty, to the goal of developing and strengthening the welfare state as a whole (Deacon and Cohen 2011). However, social policy in the Czech Republic has been inhibited by its Soviet past to the extent that the political atmosphere has never fully recovered from the nation's oppressive history (Hlousek and Kopecek 2008). This modernization of welfare policy has not been embraced by the post-communist Czech Republic largely because of this history. They are still weary of recreating a generous communist safety net that could inhibit economic growth. As a result, the efficiency of their social policy suffers.

The persistent lack of political infrastructure in the country further reveals the crippling affect the Soviets had on the nation. The ambiguity of Czech political parties has created a

political environment with negative identification with political parties, and different understandings of the “political left” and “political right”. Such confusion in the political arena was partially caused by the debilitation of their political structure after the fall of communism, but even before the Soviet Union controlled the state, instability existed among political parties (Hlousek and Kopecek 2008, 518-519). This history of an unstable party system, along with the recent political disorganization in the Czech Republic, perpetuates the stagnation of social reform. Once the political parties stabilize, the opportunity to stabilize the infrastructure of particular government entities, such as minimum income schemes, presents itself.

There have been improvements to the Czech welfare state in recent years, but these changes have been brought on by the European Union’s standards, rather than the Czech government. In 2006, the Czech Parliament complied with EU regulations by expanding the recipient qualification to not only Czech citizens, but to all EU members residing in the Czech Republic for at least 3 months, EU members who qualify under specific legislation, those with long-term residence status, and refugees protected under the European Social Charter (Sirovatka 2009, 8). However, not even a year after the EU regulations were enacted, the Czech government eliminated housing benefits entirely. The system now covers more people, but the extent of coverage is minimal. The response to this required expansion of recipients was to contain the size of the welfare state by reducing benefits. Although the EU has been an active supporter of the modernization of Czech social policies (Potucek 2004), this intervention has led to a less effective minimum income scheme, and by extension, the welfare state as a whole is suffering. Thus, the communist legacy still obstructs political progress and policy reforms in the Czech Republic.

Conclusion

Politics has played a major role in the development of welfare states, in both Eastern European countries (Deacon 2000) and in Western Europe (Callaghan 2000). In the Czech Republic, the post-communist legacy of rapid social and political change in the 1990s caused the phased institutionalization of their social policy (Potucek 2004). The political uncertainty after the collapse of the communist regime led to the development of unstable political parties. This instability made it difficult to reform the social policies that were quickly established by the young democracy. Therefore, leading to the stagnation of social policy reform in the Czech Republic. This differs from the development of the welfare state in the United Kingdom, where social policies evolved more slowly through collective bargaining with trade unions in the 1970s, deregulation in the 1980s, and finally, the election of the more welfare oriented New Labour Government in 1997 (Callaghan 2000). Their long established democratic history propelled these changes, and encouraged political coalitions to solve social policy issues. In contrast, the communist history of the Czech Republic obstructed the development of the welfare state, and has continued to undermine the provision of adequate benefits to the poor.

In the Czech Republic, the single-component approach to minimum income reforms developed as a result of their history of a communist, centralized welfare state, but were also deeply influenced by the rapid post-communist political and economic transition. In the UK, a more comprehensive minimum income scheme developed due to their history of democratic politics and multi-faceted social policy. As is the case with the UK, diverse, comprehensive minimum income schemes are typically implemented in countries with a past history of stable democracy and a strong commitment to fighting poverty. It is possible to argue that younger democracies, in contrast, often would resort to more basic, single-component approaches to

minimum income provisions due to different institutional history of more centralized social policy with fewer democratic checks.

Nonetheless, the United Kingdom and the Czech Republic both have effectively reduced poverty through their respective minimum income schemes. They both initially focused on means-testing as a way to determine benefit recipients even though during the mid-1990s the UK system improved its effectiveness, while the effectiveness of the Czech system of transfers declined (Sainsbury and Morrisens 2002, 312). The improvement of the UK minimum income scheme can be attributed to the long-run benefits of a comprehensive MIS. The UK uses a combination of means-tested assistance, housing rebates and benefits, tax credits, and universal social assistance to provide a system that strengthens the middle class (Behrendt 2000). The Czech Republic, on the other hand, devised a social safety net with three components: subsidizing families with young children, income subsidies for the “socially weak”, and a living minimum income (Sirovatka 2009). These efforts to subsidize the very poor were not as effective as the UK efforts to strengthen the middle class.

Means-tested benefits are extremely effective in alleviating extreme poverty. The UK demonstrated this effectiveness when faced with alarming rates of poverty and unemployment during the 1990s. Through their long term plan of means-testing they were able to reduce those levels considerably. It is important to note, however, that the poverty rate in the UK is relatively higher than other countries due to the lower minimum income level they have set for the population (Bradshaw and Bennett 2009). The Czech Republic’s means-testing were also effective. They were able to keep poverty levels low even after the exogenous shock of the collapse of communism. As a result, the Czech MIS became the model for other post-communist countries fighting poverty.

The UK relied on tax credits, and several distinct forms of social assistance.

There are two types of tax credits that are effective at both reducing poverty and strengthening the middle class by encouraging labor market participation. The first is a Child Tax Credit. This is a tax credit for households with one or more young children, regardless if someone in the household is working. The second is a Working Tax Credit (WTC). This is a credit for a household with someone working, a specific number of hours per week are identified along with age requirements. The WTC also includes a childcare element that subsidizes up to 80% of the cost. These tax credits specifically help those who are at risk of poverty who have children (Sirovatka 2009, 7). This helps reduce child poverty in the UK and strengthens the middle class by enabling more parents to work, therefore potentially lifting them out of the risk of poverty.

The Czech Republic has focused more on providing basic daily living needs for those below the Living Minimum. This has prevented people from falling into extreme poverty, but the elimination of housing subsidies in 2007 has greatly affected the standard of living throughout the country. Even people who are not eligible for social assistance have noticed a decrease in their standard of living. Many people have reported that the rising cost of housing has become a significant burden (Sirovatka 2009, 26). The combination of the increasing price of housing, rent deregulation, and increasing unemployment, provides evidence that the single component approach to social policy in the Czech Republic is becoming increasingly inadequate.

The development of each MIS has been fueled by both political history and initiative within each country. The long democratic history of the UK with significant welfare commitment in the past helped the progression of their MIS to become the multi-facet system it is today. The communist legacy in the Czech Republic has hindered modern approaches to social policy due to fear of democratic political parties being associated with communist past.

The trend in social policy is to incorporate a mixed approach of private services, means-tested public benefits, and some universal form of social assistance. The UK has not only embraced these trends, but they have become a leader in certain areas of comprehensive social assistance. Their national minimum wage was a revolutionary component of the welfare state that nearly every developed nation has adopted. They have implemented policies and reforms to develop a welfare state that is linked to the labor market to provide work incentives. The Czech system has selected targeted poverty reduction as their primary goal of the welfare state. These efforts have been effective, but their fear of re-centralization has prevented adequate assistance from developing over time.

The political responsiveness in the UK is significantly higher than in the Czech Republic, leading to a stronger political initiative to reform social policy in the UK. Public opinion polls in the UK helped shape the campaigns during the elections. Their concern with unemployment and poverty kept social policy on the political agenda. Voters in the Czech Republic, on the other hand, have an extremely pessimistic view of their elections. While their decreasing support for collective social welfare helped the Conservative government win the general election in 2010, they focus more on which party “not to vote for” than which party best represents their political views (Hlousek and Kopecek 2008, 519). This leaves the unstable political parties uninformed in regard to public opinion on voting issues. They are left to devise their own social policy plans without the input from the general public. This is an unproductive situation for both a democracy and social policy reform, especially when the government is attempting to stabilize after an unexpected election.

Public support is crucial for effective reforms of the welfare state. The UK population strongly supports benefits that are conditional on employment, while other nations, such as

Sweden, gravitate towards universal benefits for their citizens. The support from the public determines the direction of the development of each welfare state. The indifference shown by Czech citizens is a result of their population's disillusionment with democracy and political parties in general. Their political parties are not as established as those of the UK, therefore they have not been able to propose adequate social policy reform to cover the needs of those under the Living Minimum. Their fear of reverting to their communist past is preventing them from adapting to the changing demands of social assistance. In order for the Czech Republic to be able to have an adequate MIS they must be open to the idea of expanding their welfare state to a more comprehensive system, comparable to the UK.

Recent political activity in the Czech Republic has shown the potential for progressive reform. Their efforts to increase pension payments, minimum wage, and offer no-cost health services is a step towards a comprehensive welfare state. The deletion of housing subsidies from the pillars of the welfare state caused significant social assistance reduction in 2007. Recovery from this substantial decrease will not be easily replaced by minor expansions of a few existing programs. The Czech government must stabilize itself in order to create a functioning, beneficial welfare system. Their single component minimum income scheme has not provided adequate benefits for those under the Living Minimum. The rising cost of housing and unemployment rates merit a response from the legislature. However, the current, unstable government is not in a position of power to answer this need. There is an opportunity for the Czech government to form a coalition in response to the inadequacy of their current minimum income system. This could help stabilize the political arena, while providing the social assistance that is needed to truly provide a Living Minimum.

The effectiveness of the minimum income schemes developed at different stages of democracy can be determined by poverty and unemployment reduction, but also by the comprehensiveness of the system itself. The UK system involves tax credits, housing rebates, minimum wage, means-tested assistance, and universal assistance in an effort to provide specific benefits for precise needs. This explicit form of benefit distribution provides effective partial assistance for varying needs. The differing political and institutional development in each country largely shaped the development of each country's respective minimum income scheme. While the United Kingdom exemplifies a direct history of institutional political influence in regards to social policy, the Czech Republic represents an indirect, political impact heavily influenced by the legacy of their former communist regime and current instability.

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