LITHUANIAN SOCIAL POLICY MODEL: WHY DOES IT NOT RESEMBLE THE SWEDISH ONE? *

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Abstract. Sweden and Lithuania experienced completely different stages of historical state development. Swedish capitalism and social market relationship developed in a sustainable way during most of the 20th century, with welfare improving gradually, whereas Lithuania started developing a new social security model as late as in the last decade of the 20th century under unfavourable conditions of transformation from totalitarian socialism to market economy and democracy. The purpose of the paper is to compare the Swedish and Lithuanian models of a welfare state and to identify factors that influence the choice of a particular model. For the purposes of this paper, the institutional social democratic Swedish welfare state model is selected as a reference point for analysing the Lithuanian social security system.

Key words: welfare models, social security, Lithuania, Sweden.

INTRODUCTION

Social security is one of the most vulnerable areas of economic and legal regulation. While at the turn of the century many states, in particular Eastern European countries, are facing an increase in the number of non-governmental and private social security measures as a result of effects of globalisation (Eatwell 2000; Ferge 2001; Rys 20001), the role of the state in the implementation of national social policies remains very important. Social policy concepts differ, both in theory and practice, in terms of the role of the individual (liberal approach), family (Catholic approach), employer (conservative approach) and the State (Social Democratic approach) in the process of protection of various needs. Modern social systems are based on the liberal, conservative-corporative or social democratic socio-political concepts (Esping-Andersen 1990; Cochrane, Clarke, Gewirtz 2001).
The liberal model emphasises market self-regulation and limited role of the state in organising social services; the conservative-corporative model attaches importance to high dependence of social benefits and service quality upon participation in the labour market; and the Social Democratic model recognises social citizenship rights, comprehensiveness of social benefits, and increased role of the state.

The Swedish welfare state has had a more important role than satisfying the basic needs of the citizens. For a long time, the social democratic welfare state model was developed by those social democrats who related individual freedom to comprehensive programs implemented by the state and its institutions. Therefore, social policy pursued by the Social Democrats is called a universal one. In the social democratic welfare state model, the social rights of citizens, based on citizenship, assume an importance equal to the private property and political democracy rights. Parties and trade unions representing the working class had supported welfare state reforms for a long time. Labour organizations also supported the state in securing social rights. Strong Swedish employer associations approved of state regulation of the social insurance system and agreed with high social security costs.

The economic growth in Sweden after World War II coincided with the rule of the Swedish Social Democratic Party and its close relationship with trade union movement, business and industry representatives, thus creating favourable conditions for the development of a social democratic welfare state. The phases of Swedish welfare state development reflect the ways in which Swedish social democrats aimed to balance power, equality and economic efficiency goals. The Swedish social democratic middle class welfare state policy implied gradual dismantling of traditional separation between social and economic policy and involved the pursuit of full employment. Sweden incrementally developed the institutional universal social welfare model by implementation of universal welfare security programmes (Esping-Andersen 1992). One can name not only successful economy, but well organized society in Sweden too (Esping-Andersen & Korpi 1987).

In addition to the above-mentioned welfare state models, the paper also deals with the Soviet model. The Soviet model (Manding & Shaw 1998) was typified by centralized planning with a highly subsidized provision of a fairly basic level of welfare. Health care and education were essentially free, apart from the practice of "tipping" professionals to get access to special facilities or preferential help. Housing and housing costs were almost free, food and transport were very cheap. However, provision was closely linked to the labour market in several respects. Firstly and most importantly, much of this provision came via the enterprise rather than an independent bureaucracy. There was considerable duplication between enterprise services and local government health, education, and housing services. Secondly, since the price at the point of consumption was almost zero, the demand was effectively controlled through queuing. The provision of better services, or at least rapid access, was used to manipulate the supply of labour to strategic industries (such as the military) or geographically remote areas (such as the Far East). Thirdly, the social security system was explicitly linked to the length of working life and level of pay in its benefit eligibility formulae. There was no dominance of the market, the state guaranteed only a minimal support to the individual and did not encourage the individual to secure welfare himself. The family had a limited impact upon individual social situation. This model was widespread throughout the Soviet republics making up the USSR including Lithuania.
The only commonalities between the Soviet Lithuanian social model and Swedish welfare state include universalism based on citizenship and high taxation. So one can draw a logical conclusion that at the initial stage in 1990-1991 Lithuania could switch to the social democratic welfare model easier. However, practically, ideological approaches underlining the changes after 1989 were connected with neoliberalism and not with social democratic values and policies. Lithuanian political forces did not show aspirations in the direction of the Swedish model and moved toward the building of a free market economy instead of a social market economy, gradually taking over the ideas of market fundamentalism. Representatives of political parties and mass-media were active in this process, while this course was led by the proponents of libertarian ideology.

The authors argue that the Swedish welfare state model could be selected as a point of reference for developing the Lithuanian social security system because of these facts: 1) some initial similarities between the Lithuanian Soviet social development model and the Swedish welfare state model before the 1990s; 2) the functioning of Lithuanian left parties government in 2001-2007 (along with the functioning of the left government in 1992-1996); 3) the favourable influence of the European Union in social matters.

The purpose of this paper is to compare the models of Swedish and Lithuanian welfare states. The tasks of this study are to: 1) identify the reasons why Swedish social experience has been so little considered in Lithuania as yet, and 2) consider the possibilities for implementing the Swedish social model in Lithuania, taking into consideration some changes in this model that occurred in the last decade of the 20th century. The methodology of the paper implies critical social analysis, comparative methods and macro-social data from Sweden and Lithuania.


Lithuania was incorporated into the former Soviet Union and was subject to the same social security regulations as the rest of the country. After the collapse of the Soviet Union and the restoration of Lithuanian independence, there have been some discussions about the appropriate welfare state model choice (Lazutka, Kostelnickiene 1997; Medaiskis 1998; Paluckiene 1999; Guogis, Bernotas, Uselis 2000; Aidukaitė 2003; Dobravolskas 2003). In 1990-1991 the old social security system was destroyed as new social policies were created in a similar way as in developed western European countries. However, in Lithuania most political, media and academic elite understood the role of the state just as a "passive keeper", i.e. an attitude toward a weak state and free market prevailed. Such an attitude did not provide for a favourable environment for the development of a social democratic welfare state, which would need an acknowledgement of a strong state role and a high degree of state intervention.

The new social security system in Lithuania was projected on the principle of benefits related to labour market, e.g., pension size linked to previous pay and service record, sickness benefit linked to pay, social insurance fund formed out of contributions deducted from pay, child care benefit size was larger for insured women than for non-insured women (including students). These decisions evidence the fact that social security in Lithuania is a labour-market-based one. This is a typical feature of the corporative model (Esping-Andersen 1990).
Thus one may assert that Lithuania has selected a corporative social security model, however, not under the influence of labour market partners (trade unions and employer organisations) but seeking to enhance the stimuli to participate in the labour market. It was also partially influenced by the aim to abandon the equality principle that had prevailed during Soviet years, and effect a transition to a market and merit-based social security system. However, it should be noted that the "Lithuanian corporative" model differed considerably from the Bismarckian one introduced in Germany, Belgium or Luxembourg, and the difference was mostly in special state benefits and clientelism. Intensification of clientelism, the roots of which reach the privileges of the Soviet nomenclature and which does not contribute to social justice in the country, is indeed illustrated by special additional state pensions to certain social groups (such as specially meritorious or particular occupational groups) that are strong enough to exert pressure but that should not be supported indeed (Bernotas, Guogis 2003). This system was clearly clientelist in character, reminding of the existence of special exclusive rights granted by the state in certain Eastern European, Latin American and Southern European countries (Ferrera 1996). The underlying principle to support those incapable of work and poor is sometimes replaced by the principle to support those merited by political reasons.

In the course of the reforms, there was an external pressure from the IMF, WB and WTO organizations aimed at building of a liberal welfare state in which market and not-for-profit institutions would be prevalent. Nevertheless, internal political support for the development of such a welfare state within the country was not sufficient and opposition against the idea of liberal state was quite strong (results of elections in 2000 and 2002). People in Lithuania still demanded from the state that it would assume responsibility for unemployment, inflation and poverty. Some wished to return to the safety of "real socialism" and its predictable future. Many people, especially the elderly, believed that the state should take care of them in all difficult life stages. However, no full progressive tax system was ever created in Lithuania. Partial exception for work income is non-taxable minimum. It should be noted that, during an opinion poll, 62.1% of the population responded negatively to the question whether they agreed to pay higher taxes to have more social benefits (Morkūnienė 1999). Nevertheless, results of a 1999 sociological survey indicate that most of Lithuanian population considered social benefits as necessary (one of the main social problems, in respondents' view, were low pensions and low unemployment benefits).

The Nordic experience shows that welfare state policy should depend on the rule of political forces and on what values they operate. However, the simple name of the party, especially in the new EU member states, does not mean that the party respects traditional party values. Hence, many so-called social democratic parties in CEE countries are in their everyday politics either populist or even incline to "right wing" solutions and measures. According to the traditional understanding of political processes, the boundaries of a welfare state should be expanded under leftist rule; under rightists, on the contrary, they should be narrowed. However, a similar trend can be hardly found in Lithuania during the independence period. Most Lithuanian political parties accepted the ideology of market fundamentalism and did not dare dismantle the existing state economic-social structures only fearing social cataclysms. Furthermore, it became clear after the sociological survey of Lithuanian political parties conducted in 2000 that nearly all the most influential political forces came out for the marginal (liberal) model (Guogis, Bernotas, Ūselis 2000).
According to the theory of a social democratic welfare state, representation of left parties in the government is an important guarantee of a strong welfare state, but in the Lithuanian case this theory can be confirmed only partly. The system of social guarantees is relatively low in Lithuania, and the rule of Lithuanian Social Democrats in coalition with the Social Liberals in 2001-2006 here hardly changed anything substantially. One should not forget that there is also a small range of benefits, which are given on the grounds of social citizenship in Lithuania. However, the present social support in cash is not efficient enough. There is a strong need of an integrated attitude to state support for families. Social services are developing, but still much has to be done.

The rule of the Social Democratic and Social Liberal Coalition contributed to the development of the social situation in the country only in a very limited and symbolical way. Lithuania's economic and social development of the last decade was marked by relatively high rates of economic growth, while the social situation and standard of living improved insufficiently. It seems that good economic performance of Lithuania (annual GDP growth 7-9%) could produce better well-being for population by itself. Nevertheless, entering the year 2007, social security development in this country was still lagging behind its better economic performance.

One of the obstacles on the road to higher salaries and better work conditions in the country was low trade union membership and insufficient activity of trade unions, in spite of the fact that the Lithuanian Social Democratic Party has maintained closer relations with them compared to other Lithuanian political parties. According to the experts of the Finnish Ministry of Labour and University of Helsinki survey "Barometer of Labour Life in Baltic States", membership in trade unions was more uncommon in Lithuania than in Latvia and Estonia. Trade union membership decreased from 15% to 11% in the period of three years (Lietuvos profsąjungos 2003). Political weight of trade unions in forming and making decisions in social policy was and remains insignificant. An employer association (Confederation of Business Employers) is much more influential.

Therefore, at the turn of the century there were no strong social powers, social movements or institutes of civic society in Lithuania interested in state regulation to a larger extent. The role of the state was diminished, while institutes of civic society were still very weak. At present there seem to be no prospects in Lithuania that a dispute for civic society would promote social policy development in the direction of the social democratic model. Low civic society level has not allowed for the building of a social democratic welfare state either. In accordance with the theory of a social democratic welfare state (Paluckienė 1999), strong social movements, namely, mobilization of working class through trade unions and other labour associations, as well as the power of typical left parties should be the most important guarantors of strong welfare state. In Lithuania, above-mentioned organizations and parties have had little influence in the struggle for greater social justice and income redistribution. The fact is confirmed by the share of state expenses in GDP, which in Lithuania stood at 33% at the beginning of the 21st century. It is interesting to note that in neighbouring Latvia and Poland this share accounted for 37%-43% in 2006 (Eurostat 2006), although in the mass-media these countries were considered as more liberal. In Lithuania the share of social security expenses made up only about 13% of GDP in 1997-2004, where expenditure on pensions included - only 6.5% of GDP (Eurostat 2006). Various institutes of civic society could help to show social engagement and enhance social security. However, the development of civic society is still
slow in Lithuania, similarly to other countries of the region, while low civic society level and insignificant collective and communitarian sentiments allow "forgetting" problems of society's groups which have to be dependent on the policy of welfare state (such as the pensioners, the unemployed etc.). This is a very important paragraph pinpointing the relevance of various interests and their manifestation (and power) in society.

Historically, solidarity aspirations among the Lithuanians were prevalent only at crucial turning points (for instance, the struggle for independence in 1918, 1945-1949 or 1988-1991). But solidarity was not prevalent among the Lithuanian population at the turn of the century. At first sight, it looks like collectivist sentiments should have been strengthened during the Soviet times in Lithuania. However, historical facts testify that collectivism was rather of artificial nature during the Soviet times in Lithuania just as in the other Baltic States. In fact, Lithuanians were keen to act individually rather than collectively, and this could serve as an explanation why there have never been strong trade unions, social democratic, anti-globalization or other well-known social movements in the history of Lithuania (Guogis 2003).

One could draw a conclusion that apart from the complicated economic situation of independent Lithuania, especially in 1990-1999, the following reasons hindered the adjustment of the social democratic welfare state model according to the Swedish example: left parties and especially the Lithuanian Social Democratic Party in power did not aim at creating an institutional social democratic welfare state. Lithuania lacked strong trade unions and there was no sufficient experience in corporative institutions and consensual way of social decision taking. The state allocated too few resources to cover social expenses; social expenses per citizen were relatively small. Mostly benefits of minimal size were granted. The range of social rights guaranteed was not sufficient and no support was provided to the "non-merited poor". The burden of creating welfare shifted on the family, while the traditional role of the woman was strengthened. Corporative welfare institutions still operated on a hierarchical basis. Moreover, the role of the latter started to decline after the pension reform of 2003-2004, when private pension funds were established.

2. SOCIAL SYSTEMS OF SWEDEN AND LITHUANIA UNDER GLOBALIZATION

The end of the Cold War and the collapse of the Soviet Union coincided with the intensification of globalization processes and entrenchment of theory and practice of right-wing liberal powers in most Western and Eastern countries. Under globalization, the Social Democrats have been retreating from the left-wing course consistently and took over centre-left or centre positions in the developed countries (if one rates by the previous scale of political powers position). Market fundamentalism ideas and practice in anglo-saxon countries were of special importance for such processes, which in fact contradicted the requirements for social justice and larger income redistribution. In public administration there was a shift to the ideology and practice of New Public Management to a larger extent in certain areas (Anglo-Saxon countries) and to a smaller degree in others (continental Europe). In most Western countries, the social sphere was assessed as an obstacle aiming at economic efficiency. Such estimations also gained particular meaning in other Nordic countries, with the slight exception for Norway.
The economic crisis of the beginning of the 90-ties has provoked considerable changes in Swedish society: harmonized income policy failed, while the national debt grew significantly and unemployment exceeded 10%. Modification of the Swedish system in more difficult years helped later to return to some social security elements as the crisis passed. Globalisation, hard competition and New Public Management appeared on the stage in the last decade of the 20-th century and the beginning of the 21-st. Economic difficulties of the Swedish welfare state pushed the previously most socially engaged welfare state towards reduction of social expenses. Although the most important parts of social security of the Swedish state were not rejected, some elements of privatization and liberalization started playing a more important role on the way of Swedish reforms.

In 1994 the Swedish Social Democrats returned to power and started implementing a reform: policy orientated towards supply was combined with efforts of fiscal consolidation. It reduced social benefits remarkably, especially those paid from local government budgets and also the net amount of borrowed credits. The Swedish Social Democrats aimed at easing the burden of taxes for entrepreneurs and shifted to indirect consumption taxes from direct income tax. A large part of redistribution was abandoned in the tax system, therefore differences of income increased significantly during 1990-2000 (Merkel 2001, 21).

The Social Democrats initiated a strict fiscal policy and emphasized the necessity to cut public expenses. But they also decided to reduce unemployment. The results were quite good. The policy of social reforms was partly vitalized as well (Arter 1999, 189). Active labour market policy is still an exceptional feature of employment policy of the Swedish welfare state, although high level of women employment is in fact declining and moderate deregulation of labour market is proceeding. Reforms of 1994 reduced universality of the Swedish welfare state because:

- various social transfers were reduced (mostly by 5%);
- "waiting days" were introduced to avoid simulation of illness;
- state pensions were reduced; pension funds included employees contributions; private pension funds were established. The social cuts were mostly made in the sphere of money transfer, aiming to increase responsibility of the working people.

In spite of all these changes, the reforms partly "polished the corners" of the welfare state. Its purpose was not to allow an abuse of the welfare system and to strengthen personal responsibility. However, one could notice that diminished employment, particularly of women, marked a shift both from traditional social democratic objectives to uphold full employment and from traditional gender equality objective. Diminishing level of wages could burden further welfare state, financed from taxes, maintenance (Merkel 2001, 22-23).

However, the Swedish electorate voted for the ruling Socialdemocratic party in 1998 and in 2002 elections. It is important to note that other left-wing parties in Sweden – Left Party (Communists) and Green Party retained rather good positions after elections and good possibilities to influence the policy of the Swedish Social Democrats, if not at implementation stage then at least from the theoretical standpoint.

Respective political powers have not existed at all at the turn of the century in Lithuania. From the start of reforms in 1990-1991, libertarian tendencies prevailed. One could make an assumption that such a libertarian position was needed for the purpose of rejecting the Soviet legacy and creating systems of free market and democracy in Lithuania.
Lithuanian economic structures and companies had to fight for their niche in the global division of labour, while in some fields Lithuanian producers could enter the global market only with new products and new services. Lithuanian business representatives and most political powers stated that they needed to increase labour productivity and reduce social expenses.

It is important to note that the new economic and political elite of Lithuania viewed the public sector and possibilities to increase its efficiency with greater distrust than in Sweden. Although partial privatization was implemented in some spheres of Swedish life, it is not comparable to total privatization and respective values in Lithuania. Partial liberalization of the Nordic countries and Sweden in particular, which gained considerable weight at the end of the last century, did not encourage economic and political elite of Lithuania to raise the idea of social justice as a priority either. However, it is surprising that economic and political elite of Lithuania saw only examples of successful business in the practice of Nordic countries, firstly Sweden, and did not notice many points of social and cultural ecology, which still successfully exist in Scandinavia. The success of the Norwegian public sector because of its higher financial possibilities and income from oil extraction and recast was not noticed in Lithuania at all. Achievements of the Swedish public sector also received very little comments in Lithuania, except for environmental protection and transport organization because of Swedish direct support for reforming these areas in Lithuania. However, Lithuanian economic and political elite's allusions to the Swedish social security system remained outlandish while citizens did not know it. It could also be noticed that most Lithuanian citizens were not familiar with realities of Swedish life and only 3% of them had visited Sweden by 2000 (Kulčinskaja 2002).

It is important to note that the Lithuanian electorate has not encouraged its elite to formulate and implement a left-wing policy and did not indeed join the search for new left-wing leaders. A substantial part of the Lithuanian electorate leaned towards the right wing. This became evident especially during the presidential crisis in 2003-2004. Lithuania saw the formation of a paradoxical political and social situation. A major part of the electorate would have been in favour of implementation of social democratic policy according to their social basis. However, in reality this electorate, with small income mostly, was not represented by left-wing powers and did not show any aspirations for traditionally left-wing policies.

Bearing in mind that there were no attempts to create the Swedish welfare state model in Lithuania in 1990-2006 and that there were no forecasts of creating such a state, many cognitive questions and problems of both theoretical and practical nature arise, including: 1) does an institutional social democratic welfare state have a future in Sweden under globalization and intensified economic competition, which are deconstructing it, 2) will a common social model be created for the EU Member States, and what theoretical and practical meaning would the Scandinavian (Swedish) social model have for the reforms in European countries? If the EU Member States will not agree about a common social policy model it will burden the respective course choice possibilities in social security of new Member States, including Lithuania, 3) if both Sweden and Lithuania turn to liberalization, are there any questions for consideration? 4) is Sweden still going to be an example for Lithuania in the sphere of social security under above mentioned circumstances, 5) is a larger social democratization degree of Sweden and Lithuania possible in case of better economic situation of both countries in near and further future?
In the opinion of the authors, these and other theoretical and practical questions are important both to assess the countries' development perspectives and to expand their cooperation ties. In this paper, the authors have analysed only a small part of the problems and questions that are necessary to make for comparative analysis between Sweden and Lithuania. It is obvious that further research in this field should include historical, sociopsychological assumptions and characteristics of Swedish and Lithuanian cultures.

CONCLUSIONS

In comparing the models of Swedish and Lithuanian welfare states the following civil, political, social and economical factors should be emphasised.

Firstly, unlike Sweden, Lithuanian parties and labour organizations, representing working class and employer associations, did not show substantial support for the development of an institutional universalistic social democratic welfare state. There were no strong powers and movements in Lithuania which could be interested in state regulation to a larger extent, and the role of the state was diminishing.

Secondly, with reference to Swedish experience, successful economy and well-organized society based on interests of various social groups and high level of solidarity can be identified as important conditions for the development of social democratic welfare state. Lithuania's economic and social development of the last decade was marked by relatively high rates of economic growth, while social situation and living standards improved insufficiently. Trade unions, labour organizations and employer associations lacked influence over the building of a social democratic model welfare state. Institutions of civic society and civic society were weak.

Thirdly, the Swedish welfare state experience shows that welfare state policy should depend on the rule of political powers - under left powers, boundaries of welfare state should be expanded. Again, normative and not fully true about the new EU member states. However, there was hardly any similar tendency found in Lithuania during the independence period. According to the theory of the social democratic welfare state, representation of left parties in the government is an important guarantee of a strong welfare state, but in Lithuanian case this theory can be confirmed only partly.

The Swedish social experience is not much considered in Lithuania for several reasons including unfavourable position of internal powers, external pressure and public opinion.

Position of internal powers. Lithuanian political forces did not show aspirations in the direction of building the Swedish model. In Lithuania most political, media and academic elite understood the role of the state just as a 'passive keeper'; such an attitude did not allow creating a favourable environment for the building of a social democratic welfare state. On the contrary, market fundamentalism ideas and practice became prevalent in Lithuania.

External pressure. During all reforms there was an external pressure from international financial organizations aimed at building of liberal welfare states. Mainly under the influence of these pro-market institutions, there was a striving for a gradual diminishing of the role of state social security (state social insurance) in favour of implementation of private pensions funds. Under the influence of dominating internal and external factors the "Bismarckian corporative" direction was gradually shifting toward a liberal course.
Public opinion. Internal political support for the building of a social democratic welfare state within the country was not sufficient. The Lithuanian population still demanded from the state greater responsibility for unemployment, inflation and poverty. Some wanted to return to safety of the real socialism and its predictable future. Many people, especially of older age, believed that the state should take care of them in all difficult life stages. However, the majority of the population refused to pay higher taxes to have more social benefits. The Lithuanian electorate did not encourage the elite to formulate and implement a left-wing policy, although a major part of the electorate, according to their social basis, would have been in favour of implementation of a social democratic policy.

REFERENCES
Lithuanian Social Policy Model: Why does it Not Resemble the Swedish One?

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Švedska i Litvanija su prošle kroz potpuno drugačije stadijume istorijskog razvoja države. Švedski kapitalizam i odnosi na društvenom tržištu razvijali su se na održiv način tokom većeg dela dvadesetog veka, uz postepeno poboljšanje socijalne zaštite, dok je u Litvaniji razvijanje novog modela socijalnog osiguranja počelo tek u poslednjoj dekadi dvadesetog veka pod nepovoljnim okolnostima transformacije iz totalitarnog socijalizma u tržišnu privredu i demokratiju. Svrha ovog rada je da uporedi švedski i litvanski model države sa punom socijalnom zaštitom i da identifikuje faktore koji utiču na izbor određenog modela. Za potrebe ovog rada, švedski institucionalni socijal-demokratski model države sa punom socijalnom zaštitom uzet je kao reper za analizu litvanskog sistema socijalnog osiguranja.

Ključne reči: modeli blagostanja, društvena bezbednost, Litvanija, Švedska