

# SOCIAL POLICIES AND STRUCTURES UNDER TRANSITION: COHESION AND TENSIONS

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## Abstract:

The article tries to demonstrate important links between social structure and social policies. The post-communist state interferes more than other governments into social structure and supports strong actors. This hinders expansion of the main actor of a successful transition – the middle class. Its stagnation or adverse development causes that the social structure (disintegrated, polarized and unstable) implicitly becomes the main social problem itself which generates other “minor” problems. The middle-class perspective frames many tensions and there can be exhibited four of them: between pensioners and economically active; between working and non-working poor; between the middle class and other groups and between the entrepreneurial and white-collar middle class. Social cohesion cannot be reached by redistribution only. Redistribution must remain within restricted limits in order not to hinder social change by distorting individual motivation and personal effort. The delineation of such limits should also involve consideration of the social structure.

**Keywords:** social policy, social structure, transition, Czech Republic

**JEL Classification:** H5, I3, P26

## 1. Introduction

Social problems exposed or induced by transition from the communist regime to a democratic society challenge the political decision-making and, however indirectly, also economic and social research. There are numerous options regarding both the approach to these problems and the concrete policies chosen to address them. Usually, a simple calculation of economic or financial costs prevails. Less usual is to look at social problems not in terms of direct gains and losses but in terms of the relevant social actors, and long-term development of the socio-economic structure. I believe that not only quantitative costs matter, but also qualitative changes in social relations. These include frictions, cleavages and latent conflicts which might appear or, even, blow up.

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Many social problems in the Czech Republic and other transition countries are legacies of the previous regime which have not been addressed energetically enough after 1989. Politicians did not exploit the enormous political capital flowing from the liberalization of society and facilitate public acceptance for the dismantling of former structures. As a result, the period of post-communism is being inestimably prolonged. On the one hand, euphoria from the power that fell into its lap evaporates the "elite's" will to undertake thorough reforms of the economy and society. On the other hand, the "people's" dissatisfaction with the slow pace of change undermines their confidence in the efficiency of the new regime and the competence of political leaders (see Večerník, 1998).

The transition from the command to a market system is all else than a straightforward and transparent process. During the process, a Pandora's box of the past opens slowly and often unexpectedly because of ignorance of the former society. As a consequence, tensions as well as vested interests become visible and develop further in networks. Facing the complexity of the transition process, simplistic economic explanations become insufficient. Mainstream economics is criticized not only from the outside (by various streams of the economic sociology) but also from the inside by economists themselves, e.g. under umbrella of the "Post-Washington Consensus" challenging former simplistic views (see Stiglitz, 1998).

In response to economic descriptions of transformation and the real failures of macroeconomic recipes, many studies of institutions and social structures have been made in the late 1990s. Among the most important of these were the institutionally-oriented study elaborated by Elster, Offe and Preuss about "rebuilding the ship at sea" (1998) and the socio-structural study by Szelenyi and his colleagues on "making capitalism without capitalists" (see Eyal, Szelenyi, Townsley, 1998). Here, we can also refer to study with a contrasting topic of financial markets on "how to save capitalism from the capitalists" (see Rajan, Zingales, 2003).

An area of special interest is the political and institutional background of social policy in general and of pension reform in particular (see Cook, Orenstein, Rueschemeyer, 1999; Orenstein, 2000; Müller, 1999). Another significant strand in this literature concerns the economic and social position of the middle class (see Landes, 1998; Kreml, 1997; Večerník, 1999; Easterly, 2000). Last but not least, also the European Union uses and develops a broad conceptual framework for capturing and mainstreaming various policies towards a competitive, knowledge-based and socially inclusive society (European Commission, 2002, 2004).

As the recent document on social inclusion in acceding countries stands, they "...face many of the same major structural changes as the existing Member States which, while creating new opportunities for jobs and social inclusion, also add in many cases to the vulnerability of those unable to adapt by themselves to the new needs. These include: restructuring of the labour market in response to rapid economic change and globalization; rapid growth of the knowledge society and ICT; ageing populations and higher dependency ratios; continuing changes in household structures. However, the pace of industrial and agricultural restructuring tends to be higher in acceding countries and this is set to continue for some time. This brings significant new risks of exclusion for some people, particularly the unskilled and older workers, and for some regions in terms of increased unemployment. This, when combined with increasing income disparities that are likely to be the effect of rapid economic growth, may result in rising numbers of people at risk of poverty" (European Commission, 2004, p. 5).

Although in poverty and social inclusion issues the Czech Republic performs better than some other acceding countries, it also faces many problems. Therefore, social cohesion should be addressed in policies and necessarily also in the backg-

round research (see Večerník, 2002). Thus we have to comprehend the problem in a broader framework, beyond the standard economic approach. In a narrow economic approach, social problems are considered from the outside as the price paid for reforms and their costs can be quantitatively estimated. In a broader socio-economic approach we look at social problems from the inside and consider also qualitative transformation of the social structure and main actors.

This article is organized as follows. In the second part, the importance of social structure is emphasized and historically unique, i.e. reversed sequence between social structures and policies in transitional society is outlined. In the third part, various channels of state intervention into social structure and its various dimensions are overviewed. In the fourth part, some of main actors performing in the background are briefly characterized. In the fifth part, dynamics of socio-economic structure is elaborated with focus on the middle class and some crucial tensions within current social structure are pointed out. In the conclusion I stressed the endogenous character of economic development.

## **2. Structures and Policies: Normal or Reversed Sequence**

The end of the command economy and of the oppressive/paternalistic communist state has brought opportunities for social promotion to many, but also economic difficulties for large sections of the population. The whole social landscape entered in flux. Increasing income inequality during transition provokes such questions as who gains and who loses, and how differently individuals and households respond to new challenges. One considers to adopt various policies from Western countries comparing their effects of interventions in the economy, whether favourable (increasing incentives to work and business) or unfavourable (abuse of benefits, poverty traps and moral hazards).

Although it is affected by path dependence (see Stark, 1992), the post-communist transformation differs in most respects from a continuous historical process. In reform countries, transformation entails radical interventions in which the centralized system is dismantled, the field of state shrinks, and policies change considerably within a permanently adjusting political and economic framework. Necessarily, a new social structure results of the process, although only partly as an explicit objective of policies. This differs from the experience of continuous societies in which gradual changes in the social structure generated social problems that become the object of specific social policies afterwards.

Here, the Esping-Andersen's explanation of welfare regimes is inspiring. He went beyond the obvious quantitative measurement by relevant expenditures towards the qualitative definition of regimes according to divergent class interests lobbying for distinct policies (1990). This was not a new view. Polanyi and Arensberg (1957) documented that even the establishment of laissez-faire capitalism was anything spontaneous but a process shaped by deliberate policies. In spite of that, policies in the 19<sup>th</sup> century usually played rather a corrective role, as opposed to the post-communist transformation in which their role is foundational. A new structure of ownership, distribution of wealth and income are formed from above through an exclusively political process. However, no *tabula rasa* is available here. Transition takes place in a society permeated by social networks from the past and in an environment full of vested interests and old manners. The velvet character of the Czech transition allowed these networks to stay active and develop, as well as to award unethical behaviour. Lack of political will to enforce new rules has allowed insiders to effectively shape both the redistribution of property and the functioning of new

institutions. This demonstrated that politics could not be anything abstract which would impose a rational order from above, but only a product of lasting and newly created, more or less particular interests.

In such an extraordinary situation the original historical sequence “social structure – social problems – social policies” was reversed. The former system was dismantled precisely by political instruments (including new basic rules but also concrete economic and social policies), while at the same time other policies reacted to newly created problems. A “side effect” of this process is a transformed social structure which acts and works in various ways: it can mitigate or exacerbate existing problems, generate or prevent new problems. The complex and long process of all those replacements, conversions, adjustments and modifications entails not only economic, but also sociological and political dimensions.

From the perspective of the continuously changing social structure, social problems not only constitute deficiencies originating at the margins of the system; they are also in some sense very attributes of its content. Therefore, the main “social problem” could become the societal structure itself, if the lasting or – even – intensifying tensions are built into its very core. Because this structure is no longer repressed by the state force (as it occurred in the communist regime), latent conflicts between various social and interest groups harm the process and can occasionally flare up. Short-term policies which address effects instead of causes can contribute to undesirable changes in the social structure, which can eventually create bigger problems than those originally targeted. Since social change can be in reality only achieved in a differentiated social structure, the concept is thus crucial. However, the concept should cross any simplified, purely descriptive meanings. In particular, Marxist focus on the central conflict between labour and capital (in a narrow sense) should be alternated, while the focus on conflict of interests (in a broad sense) should be maintained. In fact, there are at least several concepts of structure which are more or less comprehensive, more or less explicit and, therefore, more or less easily conceived and applied in the research. Let us briefly mention some of them which might bring inspiration for understanding transition.

P. L. Berger reproduces the Marxist conflictualist vision but locates major social tensions within the middle class: “Contemporary Western societies are characterized by a continued conflict between two classes, the old middle class (occupied in the production and distribution of material goods and services) and the new middle class (occupied in the production and distribution of symbolic knowledge)” (1986, p. 67). One should add that the new middle class is not homogeneous either, and the conflict between private and public services affects modern societies.

For M. Granovetter and other proponents of the “new economic sociology”, economic behaviour is “embedded” in the social structure whose essence are social interactions and networks. Not only the individual interests are important, but also relationships because economic action, as any other social action, is always permeated by sociability, approval, status and power. Institutions can be seen as congealed networks. His “structural analysis” rejects methodological individualism and technological determinism as well as explanations that rely on abstract concepts such as ideas, values or cognitive maps (see Granovetter, 1985; Swedberg, 2003).

P. Bourdieu considers Granovetter’s interactionism as simplified and he proposes to understand economic behaviour using a bundle of closely interrelated (often substituted) notions: economic space or – better – fields which are structured by various forms of capital (financial, cultural, social, symbolic, etc.) and reproduce power relations which shape and dominate them in the end. Related concept is that of *habitus* as a “socialized subjectivity”: “The social agent provided with *habitus* is a

collective individual or an individualized collective by the fact of incorporation of objective structures ..." (2000, p. 259).

I. Szelenyi and his collaborators applied and developed Bourdieu's approach and explained change of social structures under various regimes using concepts of capitals, social space and *habitus*. Unlike Bourdieu, they only marginally speak about the middle class, distinguishing basically propertied class, working class and intellectuals. The formation of classes under post-communism is, however, a "highly contested process" and they speak about "bourgeoisie in-the-making" with unclear outcomes for ownership and control (Eyal, Szelenyi, Townsley, 1998, p. 15).

In the transition, we can talk about the middle class only "in-the-making" and cannot be sure about its future. What matters is that its "forwards-oriented" message, corresponding to the value change, and a balance between economic performance and social cohesion, corresponding to the dynamics of transition. This reaches much beyond usual use of the middle class as a simple descriptive tool of social composition. The Bourdieu's explanation of social structure is enlightening here because of its compelling realism and also his understanding of the – often not visible – crucial role of the state in the economy in building not only institutions, but also markets.<sup>1)</sup>

### 3. Policies: The State in the Forefront

There are many channels for the state to intervene into the economy and society. It is responsible not only for general security, justice and public goods. Modern state retains the responsibility for generating the institutional environment of markets, redistributing income and assisting disadvantaged groups. Here, the state's role varies depending on the welfare system traditions, permanently adapting policies according to current government's priorities. Despite convergence of general approaches there is still considerable diversity in specific national policies which differ in amounts spent and their channels.

The Czech state bears traditions of a strong and extensive state which lasts from the Austro-Hungarian Empire. Also the welfare state of pre-war Czechoslovakia belonged to the most advantageous ones in the world and it inverted into totalitarian paternalism under the communist rule. State's powers reached their peak during privatization and they shrunk less than expected after developing features of the "fiscal state" in Schumpeter's meanings (see Swedberg, 2003). On the one hand, big state creates a large fiscal burden and it generates exaggerated expectations of the population. On the other hand, it supports cohesion through social protection, equalizing incomes and, if the case may be, also by enforcing activation of marginalized groups. Let here briefly mention main state policies in the Czech Republic.

*Tax policy.* The overall tax burden in the country hovers at the OECD average, but it is far higher than it was in countries at the same level of development, or than it is in the Czech Republic's competitors, such as Greece, Ireland, Portugal and Spain. However, there are particularly mandatory social contributions that increase labour costs in the CR. The result is growing unemployment, mainly among low-skilled labour force (see Bronchi, Burns, 2000). The current trend is to replace direct taxes by indirect ones and reduce progressiveness of taxation. This should support business but will also restructure purchasing power into benefit of higher income categories.

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1) The best example how substantially the state intervene into markets was presented by P. Bourdieu in his in-depth survey of housing market (see Bourdieu, 2000).

*Housing policy.* There are still systemic changes to be completed, which would liberalise the housing market and facilitate work-related migration. The situation remains good particularly for tenants of former state-owned flats, but it is critical for young people and for all those who would otherwise be willing to move for the sake of work (UN Economic Commission Report of July 2002). Rent regulation is a major reason why maintenance of the existing housing stock is under-invested, new houses with rented flats are rarely built, and prices of new flats are soaring for speculative reasons (see Lux, 2003). Considerable unfair differences are produced in social and generational terms.

*Education policy.* The system maintains its traditional fair quality, but it is far to meet knowledge-based society's requirements. The development of information technologies and e-knowledge is slow. The existing system of financing fails to respond to increasing demand of young people for higher education as well as for increasing demand of firms for well-educated and motivated professionals. In tertiary education enrolments, the Czech Republic lags behind other reform countries and selection for higher education produces growing social inequality (see Matějů, Simonová, 2003).

*Social policy.* The Czech system is generous and works quite well but costly and inefficiently. Thus, it has to be transformed to a more targeted one with simultaneous strengthening of work incentives. It is necessary to do away with abuse of the social and sickness benefits system, particularly on the part of low-income categories (see OECD, 2003). However, the system suffers from the adverse side of generosity – the poverty trap. The more targeted the benefits to the poorest groups, the more they disrupt their work incentives (see Schneider, Jelínek, 2001). The unbalanced interface between welfare and labour market is only hesitantly and slowly addressed.

*Employment policy.* As in other advanced countries, employment services support people in seeking new jobs or in starting up a business. Employers are provided with financial support to create new jobs and to retrain their employees. Active labour market policy was quite intensive immediately after 1990, but later it was reduced and expanded somewhat again after 1998 when unemployment began to grow. Conditions for self-employment remain unfavourable and the only energetic measure – the increase of minimum wage – has rather adverse effects on employment (see Kertein, Köllö, 2004). Numbers and proportion of long-term unemployed what creates a cleavage within the labour force.

Of course there are much more areas than mentioned here. Various taxations, regulations, redistributions, selections, targeting (or not) benefits and impartial (or not) state support contribute to empowerment (or not) of people and their various capitals in Bourdieu's meanings. Not only economic activity and work status, earnings and social prestige of individual persons and families are shaped by the state. In particular, the structural framework and the economic space are configured, which channel people's efforts, motivations and expectations. However, the state is anything abstract and its policies are not formed only with the rationale aim to improve the general well-being. In fact, the state is permeated by various "egoistic" actors and their networks, communities and organizations.

#### **4. Structures: Actors in the Background**

Transitional Czech society has maintained many of the former structures. Behind the facade of a liberal policy, strong actors have been supported and a high degree of redistribution maintained. Policies of granting generous credits to keep large firms afloat while exposing new firms to ruthless competition have been at cross-purpo-

ses with the declared aim of creating a free market economy. Social employment (labour hoarding) in large firms, rent regulation (which favours citizens provided by state apartments under communism), and quite generous social benefits nourished continuing expectations of state protection.

Feasibility of policies usually depends of deeply rooted structures of incentives/disincentives and committed/resistant actors. Nevertheless, the patterns created during early transition are not always unambiguous. Privatization brought about not only better performance of the economy but also disturbing forces of particular interests and corruption. Newly gained freedom was expected to come hand in hand with seeking the best solutions and “meritocracy”. However, parasitic and redistributive forces use to be generally faster and stronger than creative and productive ones. No new society could emerge, only reconfigurations of the previous one by changing frameworks, rules, conditions and incentives.

Having in mind ambivalence of continuity and discontinuity, I overview here some of the major networks and processes, their initial difficulties and current perspectives.

*Ownership structures.* Privatization was processed mostly by a formal, administrative way which obscured the real processes occurring in the interest and clan groupings. Coase’s theorem served here to assume that no matter how the ownership rights will be distributed in the beginning, assets will eventually get to the hands of responsible owners. In accordance with this assumption, the most important thing for reaching this goal was speed, necessary to minimize the chances for misappropriation of assets in an interregnum. After many disturbances, the ownership structure is gradually cleared, among other things, also due to the massive influx of foreign investors.

*Management structures.* During “big” privatization, among accepted privatization projects, those presented by former managers of state-owned firms clearly dominated. It was because they could effectively use the inside information and familiarized networks. Selection of managers also determined the future of these firms that were administered in “homo se-assecurans” mode of the past era of planned economy (see Hlaváček, 1999). Together with the clearance of property rights and introduction of modern management methods, well-trained and responsible managers arrive and generations exchange occurs. Their links to the state remain numerous but obscure.

*Social partners.* The two traditional partners of the social dialogue are not exceptionally strong in the Czech Republic. On the one hand, trade unions were limited in their action by the legacy of communist past. On the other hand, employers’ organizations emerged from above and remained dispersed, filling rather informative than mobilizing role.<sup>2)</sup> Nor the government contributed much to the dialogue. While “liberal” governments of early 1990s were rather hostile to social partnership (due to its alleged weak market conformity), “socialist” rulers of late 1990s and 2000s are co-operative, but in a limited degree – trade unions accuse them for betrayal of their social-democratic programme.

*Civic society’s networks.* Civic society was one of battlefields between the two political wings during most of the 1990s – adherents of the “nothing-than-parties” political concept on the one hand and supporters of the “capitalism with human face” on the other. In fact, civic organizations faced many obstacles and little support and

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2) For the first time since 1989, a manifestation of small entrepreneurs was planned in mid-2004, protesting in particular against stricter conditions of payroll tax introduced by the governmental reform of public finance.

have developed fairly only thanks to international resources in a great deal. Nevertheless, they are still expanding slowly from below and currently display a remarkable range of activities. Their several attempts to intrude into politics have failed, however.

*State bureaucracy.* State administration works ambivalently. On the one hand, compared with other transition countries the early transformation has generally been considered as administered quite well (see Orenstein, 1994). On the other hand, the state apparatus doubled in size what contributed to expansion of corrupt environment supported by chaotic and flux legislation. Although the idea of a “small but strong” state never caught on, certain improvements can be expected in that matter, given the better qualification of personnel, modern facilities and the advantages of state administration tenures considering the turbulent external labour market.

While those and other structures can be quite well seen and described, there are others which remain rather hidden, such as networks linked by personal ties of mutual profit and joint rent-seeking. They often cross boundaries between market and the state, legal and non-legal entrepreneurship, formal and informal activities. Constant flux in legislation and organization of the state administration obstruct clearance of independent actors on the scene of economy and society. Transition countries are more vulnerable to corruption and the Czech Republic is not an exception. The picture of corruption is gloomy and country’s position on corruption index is deteriorating.<sup>3)</sup>

## 5. Middle-Class Dynamics and Tensions

Emphasis on dynamics of structures and actors sounds evident but is not accustomed in socio-economic research concepts and analysis. Most often, static apparatus is rather used – such as the rich/poor division of the society. The modern policy-oriented research refuses ideologically biased concepts and replaces them by dynamics policy concepts – such as empowerment, social inclusion and social cohesion. This way, also the middle-class concept can be used for process analysis. An active use of such a sociological concept by economists documents their effort to establish explanation of economic growth in broader terms.

In the view of economists Engerman and Sokoloff (1997), unlike the countries with rich natural resources that created parasitic upper classes usurping national wealth, the societies with a strong middle class are better positioned to tap their human capital. W. Easterly of the World Bank coined the term “middle-class consensus” to assess the situation of social equality and ethnic homogeneity that is important for reaching higher economic growth. He proved on 80 countries that the societies with a strong middle class show a bigger accumulation of human capital and better infrastructure resulting in higher incomes and growth rates, more democracy and less political instability (see Easterly, 2000).

On the example of “the middle class and its enemies” (paraphrasing K. Popper), we can frame social problems, as they continue or reshape during transition (see Scheme 1). From the middle class’s standpoint hence an unproductive upper class emerged, quite in keeping with how T. Veblen (1962) once described formation of the “leisure class” whose rise is not based on productive activities but on financial ones. In his view, the former group comprises activities connected and acquiring property, while in the latter group there are activities involving manufacturing and

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3) According to the *Transparency International Index*, the country fell from 37<sup>th</sup> to 47<sup>th</sup> position between 1998 and 2002 (Corruption, 2002, p. 53).

Scheme 1

**Barriers of Formation of the Middle Class under the “Communist” and “Capitalist” Regime (stylized)**

Area	Communist regime	Capitalist regime
<b>Social classes:</b>		
“Leisure” upper class	Political criteria of selection	Assets stripping in privatization, conversion of positions
“Parasite” lower class	Compulsory employment	Unemployment trap, welfare dependency
State bureaucracy	Political control over citizens	Bureaucratic expansion, etatism
<b>Social processes:</b>		
Redistribution (of income and wealth)	Income equalization, social homogeneity	Privatization, nurturing state deficit
Stagnation of the public goods (education, infrastructure)	“Iron” strategy, individuals as “soldiers of labour”	Inefficient state, people as free citizens, but lacking capabilities
Rent seeking (which limits incentives)	Absent relation between effort and reward	Political capitalism, large redistribution
<b>Social phenomena:</b>		
Informal economy	Coping with the lack of services, alternative strategies	Avoiding the tax burden, extra income
Corruption	Limits on the market, political governance of the economy	Rent-seeking, bureaucratisation
Indebting future	Political imperatives, indifference to the future	Corruption of voters, “state capture”

other creative activities. Financial activities involve a higher level of respect than productive work, but they help to conserve matters and encourage greed and predatory tendencies. Czech privatization methods allowed such “financial activities” to extend and thus supported establishment of the upper class.

On the other hand, the renewed Czech capitalism also permitted the lower class of victims of the social system, some of them even willing ones. Of course, there had been lots of them already in the socialist regime, hidden by compulsory employment and basic social protection. During early transformation the so-called social employment still continued thanks to shielding of companies by generous crediting. Yet even today a relatively generous welfare system traps those who would otherwise work or, under different circumstances, would be forced to. While governments of advanced countries already use various activation and workfare policies (see Lind, Hornemann, Möller, 1999), only vague considerations were announced in the Czech Republic.

The reproduction of both the upper and lower classes (more precisely, their segments profiting from illegitimate redistribution) is adverse to economic adjustment. The former sends a tempting signal that wealth does not arise from production but from redistribution (which exactly corresponds to working class’ preoccupation with

the past). The latter tells about the protective welfare state (corresponding to working class's social guarantees). In the first case the creative and conquering business activity degenerates to transferring the property rights. In the second case the human capital is reduced from the most valued productive asset to a dependence status. In both cases the key role is played by the state's channels of redistribution, be them manifest or hidden. However, there is yet a third social category, which also seems to stand against the middle class refusing its values (although they partially intersperse) – the state bureaucracy. It is nevertheless very hard to draw a line between the state administration as a public service to the economy and society in its necessary extent and an expansionist, parasite and authoritarian bureaucracy. Its size and power grows along with the scale of state redistribution: the bigger and more complex the structure of institutions, the more often they form rigid networks and the worse they function.

The middle-class perspective frames many tensions and latent conflicts on the structural level of the economy and society. As examples, here we exhibit four types of socio-economic tensions which concern pensioners, working/non-working poor, the middle class in the society and the “interior” of the middle class (see Scheme 2).

Scheme 2

**Two Views of Social Tensions** (stylized)

Kind of tension	Standard economic approach	Complementary socio-economic approach
A. Between pensioners and economically active	Threat of fiscal crisis of the state	Socio-political trap (excessive redistribution)
B. Between non-working poor and working poor	Rise of wages, wage equalization, unemployment	Socio-cultural trap (strengthening of “welfare dependency”)
C. Between middle class and other categories	No focused analysis (poor vs. rich vocabulary)	Socio-economic trap (vertical cleavages, social polarization)
D. Between the “old” and “new” middle class	No focused analysis (general reference to market forces)	Socio-structural trap (horizontal cleavages, corporatism)

*A. Tension between pensioners and the economically active.* The fact that old-age security is exclusively a matter of redistribution handled by the state relegates pensioners to the status of socially needy (poor) and pits them against the economically active population. From an economic point of view, the unresolved situation of pensioners can undoubtedly lead to a fiscal crisis of the state. From a structural point of view, we have to talk about the *socio-political redistribution trap*. If the pension system rests only on intergenerational solidarity and the social position of pensioners rests only on redistribution, then their political support will focus on growing redistribution with all its adverse consequences.

An effective strategy to deal with this problem would be to weaken what has been until now an almost exclusive dependence of pensioners on the economically active population and to strengthen the continuity of an individual's social status throughout his or her life cycle. In other words, in addition to the principle of mandatory intergenerational solidarity, it is necessary to build up the principle of individual responsibility. Only by strengthening the dependence of the social position of the el-

derly on their prior savings and accumulated property will it be possible to relieve pensioners (their middle-class majority in particular) of the unwarranted status of poor or socially needy.

*B. Tension between non-working and working poor.* The fact that social benefits are near to the lowest wage levels forces and maintains unskilled workers outside the labour market and creates an unemployment trap. From the economic point of view, the inverted relation between the insufficient income derived from employment benefits and the relatively more comfortable income from welfare benefits is adverse (obviously, we cannot forget that we compare the situation of an individual with the situation of a family). Moreover, this indicates that the socio-cultural level of society is higher than the actual performance of the economy – in other words, the implemented “standard family budget” is not closely connected with the market price of labour.

This is how pressure for increasing social transfers originates. From the perspective of the labour market, it creates a dangerous unemployment trap which facilitates exit from employment or, even, the labour force. From an employer's perspective, it weakens the undoubtedly desirable wage restraint, fed by the excess of labour supply over demand. At the same time it also creates a *socio-cultural trap* in the production and reproduction of social exclusion leading to increasing benefit dependency. Possible solution is workfare and activation, i.e. making the working and training activity of the unemployed person into a relevant criterion for benefit entitlement.

*C. Tension between the middle class and other categories.* The expansion of the middle class has been hindered during transition by weak support for small businesses on the one hand and by limiting recovery of key sections of white collars (professionals). The middle class has considerably benefited during transition in gaining entrepreneurial and education freedoms. However, while the upper class could capitalize on their advantages and the poor could continue to be protected at the subsistence minimum, the middle class was the most burdened (see Večerník, 1998). Thus, a socio-economic trap may arise in the form of social polarization because once lower sections of the middle class will move towards the poverty line.

The middle class is not just a manifest outcome, but mainly an important condition for a successful transition which has a constitutive or integrating role in many areas of social and economic life: “Countries with a middle class consensus are fortunate societies... We can see why relatively homogenous middle-class societies have more income and growth, because they have more human capital and infrastructure accumulation, they have better national economic policies, more democracy, less political instability, more modern sectoral structure, and more urbanization” (Easterly, 2000, p. 29).

*D. Tension between entrepreneurial and white-collar sections of the middle class.* The current states of individual branches within the tertiary sector differ, mostly due to policies applied early in the transition. The result is a quite unequal position and uneven dynamic in individual sections of the middle class. Generally however, human capital was pushed into the background by financial capital and small business suffered by weak support and selective credit policies. It looks as though the only small and medium-sized businesses to survive will be those connected to large enterprises and their cartels or to the state bureaucracy. Thus, they largely manoeuvre at the border of the formal and informal economies (see Benáček, 1994). The *socio-structural trap* of unbalanced development inside the middle class can lead to an autonomous corporatization of individual sectors. This means that the middle class would no longer rely on the trickle-down effect, but would use corporatist instruments in putting forth their demands. Despite their so far weak bargaining

powers, it is likely that individual sections of the middle class will strengthen their existing associations or will form new corporatist bodies, making use of a greater range of chambers and unions which would ensure them better living standards through redistribution.

From the structural point of view, the middle class is in this case not only a direct actor (as in the third and fourth case) but also serves as a reference group (as in the first and second case). Both pensioners and low-paid workers are involuntary poor and suffer by futile effort to become middle-class members too – pensioners through “emeritus” status and the working poor through labour mobility. Unlike the Marx’s vision of clashing conflict of enemy classes, there are divergent positions and interests which might be resolved (or sharpened) by policies. As these interests are often built into the system itself, the policy response should be systemic too, taking into account the whole framework of social structure.

## 6. Conclusion

This article tries to put social policies into a broader framework of social structures. There are many links between social structure and social policies and their sequencing and interactions might differ. While in the traditional societies, structures mostly precede policies, the opposite occurs – in a great deal – during transition from a command to the market economy. The post-communist state interferes more than others into social structure supporting strong actors, instead to combat them. This hinders formation of the main collective actor of a successful transition – the middle class. In such a case, instead of the main tool of social cohesion, social structure becomes the main social problem which generates numerous “minor” problems.

The size, position and dynamics of middle class – as a direct actor or as a reference group – might be taken as a supreme criterion of social cohesion. Its absence, insufficiencies and weaknesses lie also in the core of various tensions within the social structure. Not the occurrence of tensions but rather their dynamics matters – if it is an integrative, creative and future-oriented development or, in contrast, redistribution-based stagnation which leads to disintegrated, unstable or, even, polarized social structure. Experience shows that economic development cannot be imported, it should be endogenous and so it is with social cohesion, too. This is to say that it cannot be reached from the outside – e.g. by redistribution – only.

In modern society, redistribution is undoubtedly an important tool for maintaining social cohesion. However, it must remain within restricted limits in order not to hinder social change by distorting individual motivation and personal effort which produce middle-class economic values and behaviour. The delineation of such limits cannot only result from an individualistic economic calculation, but should also involve consideration of the entire framework of social structure and its political, economic and cultural dimensions. As I tried to document here, within each of these dimensions, the crossing of certain limits leads to another type of trap, but in the end to the same stagnation.

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