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How to explain policy recalibration and inertia?

The case of post-1989 family policy in Latvia and Poland

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Puzzle & question

Puzzle: Why Latvia and Poland have had different trajectories of family policy development post-1989 given their structural similarities?

Question: How to explain the shift from inertia to recalibration in Poland and recalibration to inertia in Latvia?



Theoretical standpoint

- Conventional ‘western’ explanations of post-industrial welfare change unsatisfactory in the context of post-communist CEE WS
- Historical institutionalism unable to explain the dynamics of adaptive adjustment and reform in the post-post-communism period
- Open institutionalism (Hemerijck, 2013) – ‘welfare change is difficult but it happens’: seeing WS as dynamic, multi-dimensional and heterogeneous entities; policy effort as a form of navigating through uncertainty
 - Focus on functional, normative, distributive and institutional recalibration
 - Process-tracing of policy developments; interactions between institutions, ideas and interests



Historical vs open institutionalism

Table 1. Historical vs open institutionalism in welfare state research

	Historical	Open
Main focus	Policy continuity	Policy change
Level of institutional determinism	High	Low
Source of change	Exogenous disruption of continuity (punctuated equilibrium model)	Boundedly rational, reflexive and institutionally constrained policy actors seeking adaptive solutions
Scope for change	Low	High
Dominant mode of change	Retrenchment	Allowing for heterogeneity and multi-direction
Welfare state core area of interest	Social insurance and redistribution	Social services



What did we know so far?

- Poland
 - Traditionally low levels of development of family policy in absolute and relative terms
 - Feminist critique: private/implicit familialism (Glass and Fodor 2007, Szelewa and Polakowski 2008)
 - HI: preservation of norms, policies and institutions around work and care; strong Bismarckian roots (Haskova and Saxonberg 2016; Inglot 2008)
- Latvia
 - Post-communist period characterised by a strong rejection of past legacies (Aidukaite 2006);
 - Overall ‘pro-natalist’ orientation and ‘temporary male-breadwinner’ model (Frejka et al. 2016)
- Our issue: how do we explain recent changes with these tools?



Poland: from inertia to recalibration

- 1989-2005: family policy in the shadow of post-communist transformation
- 1997: first family policy strategy: no mention of demography
- 1999: conservative-familialist family policy strategy – demography important
- 2005: birth bonus introduced – a sign of future recalibration
- 2009: *Poland 2030*: demographic issues as 2nd most important developmental challenge
- 2010- : Comprehensive expansion of family policy instruments (maternity, parental, paternity leaves; tax credits; formal childcare; cash benefits (from 2016))



Poland: explaining the trajectory

- Family policy latecomer: growing public demand for state involvement in family policy paralleling the steadily improving macro-economic situation
- Family policy functional recalibration triggered by policy-makers' concerns over pension sustainability, an imbalanced intergenerational contract and inv. in future economic prosperity
- Shifting normative foundations: conservatives coming to terms with the employment-fertility nexus
- 'Whatever will work': inconsistencies of pro- and anti-familialist measures, but towards a comprehensive support model
- Centre-right consolidation since 2005: continuity across the period



Latvia: from recalibration to inertia

- 1990s: Transition period
 - Conservative centre-right governments
 - Shift towards liberal economy, minimal state involvement, promotion of individual responsibility & self-reliance
 - Family policy objectives: birth rates & compensation for parenting

State objective on the improvement of the demographic situation:

“To secure the numerical renewal of the Latvian nation (...)”

(Order No. 391 of the Cabinet of Ministers, 1995)

- Family policy tools: universal state family benefit, birth grant, child-care
- Lack of commitment: several postponements & amendments



Latvia: from recalibration to inertia

- 2000-2008: Recalibration

2000s: Ratification of international conventions, incl. on children's rights

2002: Children's rights issues gain political leverage

2004: Ministry for Children and Family Affairs

Priorities:

- reduction of #children in orphanages & promotion of family-type care
 - Improvement of safety of children regarding guardianship
 - Support to families with children to stabilize demographic situation
- 2005: Parental leave benefits
 - Flat-rate child-care benefit until age 2 if parent not employed full time
 - Earnings-related parental leave benefit (70% of average wage until age 1) if not working

→ Recalibration towards policies related to the protection of children's rights & benefit expansion but continuation of a traditional family model



Latvia: from recalibration to inertia

- 2009-2018: Inertia

- Financial crisis hits hard in 2008: GDP growth in 2008 -4%, in 2009 -14%
- Priorities: budget consolidation, stabilization of macroeconomic indicators, security
 - Closure of the Ministry of Children, Family and Integration Affairs
 - Cuts in family benefits (planned for 2009-2012, prolonged to 2014)
 - Family state benefit: differentiation abolished (11.38 euro per month)
 - Earnings-related parental benefits: 50% reduction for working parents, ceiling introduced
- Family policy regaining attention in the post-crisis period because of:
 - Observed decrease in fertility rates
 - Observed increase in child poverty rates
 - “Demographic ultimatum” of Nationalist Alliance (one of the smaller parties in coalition)
- Reversal of austerity measures & increase of certain benefits, BUT
- No recalibration of pre-crisis family policy model



Latvia: explaining the trajectory

- Conservative centre-right coalitions since 1990s (excl. crisis) + nationalists → Supporting traditional family values
→ Objective of improving demographics linked to the question of the preservation of the Latvian nation
- Priority to other pressing needs (macroeconomic stability & national security); socially, priority to other risk groups (pensioners)
- Family policy regarded as only one of, but not the primary factor affecting fertility rates & improving demography
- Public spending on pensions not a pressing issue;
Long-term sustainability an issue but solutions not linked to family policy



Poland and Latvia compared

- **Functional dimension:**

Both see increase of fertility rates as one of the central objectives of family policy, but for different reasons

- PL: demographic pressure & the long-term sustainability of the welfare state
Family policy: investment towards demographic and economic improvements
- LV: preservation of the Latvian nation
Family policy: supporting parenting, promotion of family values & protection of child rights
Demography seen as a multidimensional phenomenon, not only the responsibility of FP

- **Normative dimension:**

- PL: Conservative policy-makers for pragmatic reasons allow more defamilializing measures
- LV: inertia: protecting children's rights & promoting traditional family values

- **Distributive dimension:**

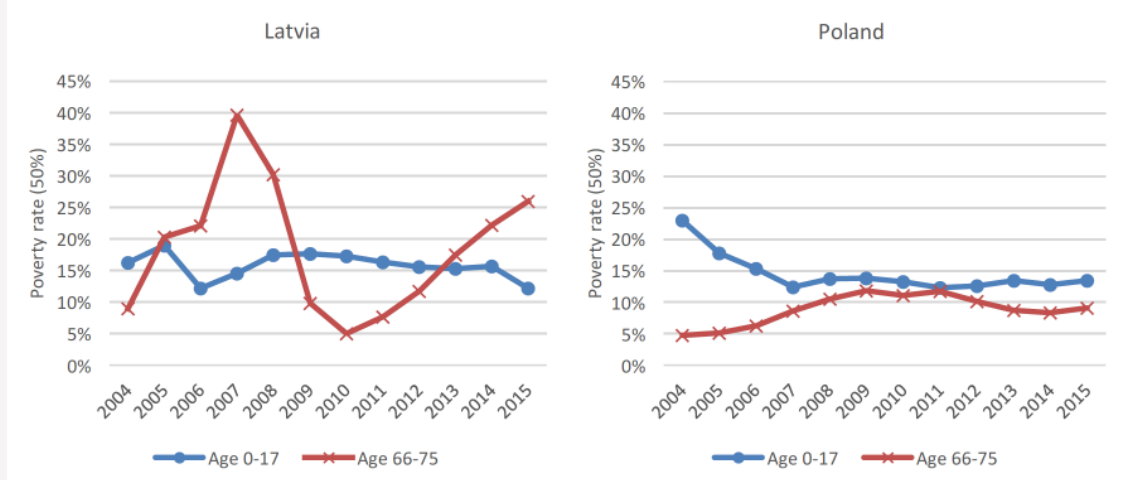
Policy effort in favor of different risk groups & intertemporal priorities

- Differences in the relative economic position of pensioners & children
- Differences in the level of concern over financial viability of the social pension fund

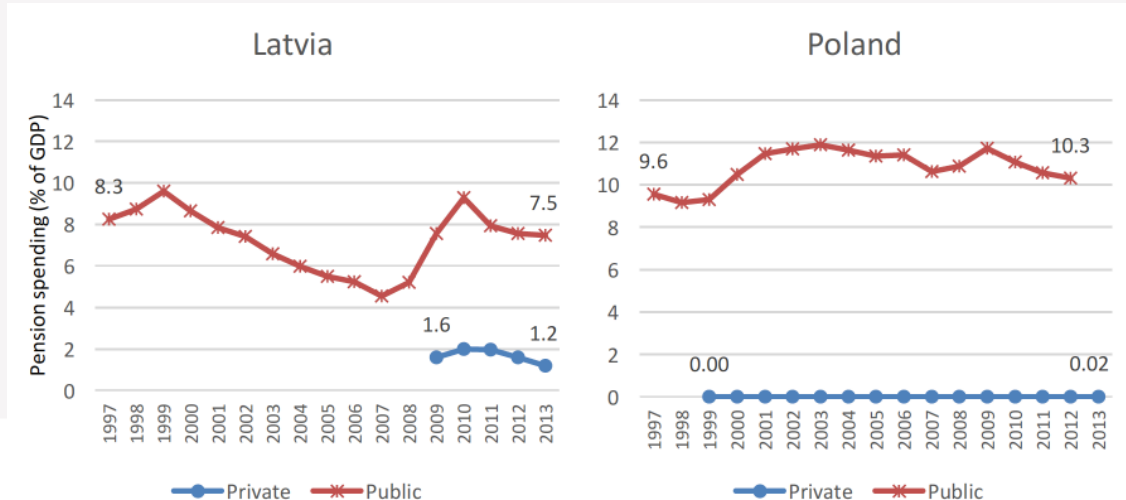


Poland and Latvia compared (2)

Poverty rates after taxes and transfers



Pension spending as % of GDP



Source: Authors' selection
from the OECD Statistics Database



Conclusions

- Economic vs demographic crises: different prioritization and framing (lock-in vs let-off)
- Different time-horizons of policy responses: short vs long
- Differences in timing: over-spending vs under-spending legacies
- Concerns over pensions sustainability trigger policy response in PL, less salient in LV = no recalibration