



## Editorial introduction: Baltic states after the crisis? The transformation of the welfare system and social problems

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## Editorial introduction: Baltic states after the crisis? The transformation of the welfare system and social problems

This special issue is the first comprehensive attempt to review the socioeconomic development of the three Baltic states during the most recent period of their existence between 2004 and 2016/17, including the global financial and economic crisis, which was felt in the Baltics almost entirely in the years 2008–10. At the center of the discussion are the dynamics of social policy and social welfare issues. Over the last three decades drastic political and socioeconomic changes in central and eastern Europe resulted in growing ignorance about social policy and social welfare issues. Politics and economics have overshadowed ‘the social.’ The crisis of 2008 was no exception to this pattern. The three Baltic states have often been characterized as being neoliberal economies and even neoliberal welfare states based on their low public spending on social protection, high income inequality, and low social dialog (Bohle and Greskovits 2007; Lazutka, Juška, and Navickė 2018; Lendvai 2008; Sommers, Woolfson, and Juska 2014). Nevertheless, the importance of structure and systems of human security and survival are absolutely necessary for any society to exist and continue its operations. So, of course, it is also the case for the countries on the eastern shores of the Baltic Sea: Estonia, Latvia, and Lithuania. What about their socioeconomic development and their welfare systems in the aftermath of the Great Recession? This question is vigorously examined in the articles included in this special issue.

In 2018, Lithuania, Estonia, and Latvia celebrated the centenary of the restoration of their independence after World War I. The three small states experienced a turbulent history: the establishment of independent states in 1918; World War II; Soviet occupation; and the re-establishment of independence in the 1990s. Such a troubled history offers many reasons for social scientists to examine and re-examine the social, political, and economic development of these small states. In earlier social policy literature, they had been considered as a similar case of neoliberal transition (Bohle and Greskovits 2007; Lendvai 2008). Nevertheless, recent studies (Aidukaite 2018; Jahn 2018; Jahn and Kuitto 2011; Kuitto 2016) provide increasing evidence that they diverge in their social policy outcomes and design, especially after the recent financial and economic crisis. This special issue, as noted, attempts to shed light on Baltic social development during the most recent 10–15 year period. Interestingly, this period is underresearched even though the three Baltic states experiencing the dramatic financial and economic crisis of 2008–10. Yet, despite the harsh austerity measures implemented, especially in Lithuania and Latvia, these countries managed to overcome the crisis within a few years, which is sometimes called a ‘Baltic miracle.’ However, was it really a miracle for ordinary Baltic citizens? What kind of reforms were implemented in the social policy field? How have changes in the welfare system affected citizens’ well-being and the social contract between the state and its people? All this is explored in this special issue.

Thus, the aim of this special issue is to discuss welfare system reforms that have been implemented during the recent financial and economic crisis and the post-crisis period, and major social problems in the three Baltic states. The issue includes articles that address these matters from a comparative or a single-country study perspective and from various disciplinary viewpoints.

The issue opens with Piotr Michoń's article on the economic crisis and its consequences for young people in the labor market of the Baltic states. It focuses on the period from 2007 to 2017. It shows that the Great Recession has caused a decrease in youth employment in the Baltic states, especially in Latvia and Lithuania, and to a lesser extent in Estonia. Nevertheless, the employment ratio for young people has increased during the same period making it among the highest in the EU. When taking into account the significant fall in the youth employment in many EU countries in the period (2007–17), it may be tempting to mention the 'Baltic miracle': the countries that suffered crisis most appeared to be the leaders in youth employment trends. The situation, however, is more complicated. Michoń shows that this situation is mostly explained by demographic changes in the three Baltic states. The youth employment ratio reflects the balance of emigration and immigration as well as the trend in birth cohort size. Thus, it primarily affects the supply size of the labor market. Lithuania, Latvia, and to a lesser extent Estonia have dramatic youth emigration rates to the more prosperous parts of the EU. This situation may improve the youth employment ratio, but in the long term, it may have other serious negative consequences for the economy and social policy of the countries.

In the second article, Ave Roots, Mare Ainsaar, and Oliver Nahkur study whether people's economic situation had any effects on satisfaction with health care in the Baltic states during, and after, the economic crisis (2008–14). It reveals significant differences among the three Baltic states based on an analysis of Eurobarometer data (2008, 2009, 2010, 2011, and 2014). Satisfaction with health care was the highest in Estonia throughout the entire period of study and the lowest in Latvia. Yet, in Latvia, satisfaction with health care dropped during the crisis and this trend continued until 2014. In Estonia, there were no significant changes in satisfaction during the crisis, and surprisingly, it even slightly increased during the crisis and then fell slightly afterwards. In Lithuania, satisfaction with health care did not change during the crisis and continued to increase afterwards, reaching the Estonian level. Overall, based on binomial logistic regression models, the study shows that there is an interrelationship between the economic recession influencing economic inequality in public satisfaction with health care and the healthcare system itself. In Estonia and Lithuania, where healthcare systems are more equal by design, there were no lasting effects from the economic recession that increased inequality between groups in different economic situations. In Latvia, however, where the healthcare system is more unequal, with substantial patients' fees, it created an increase in inequality and in dissatisfaction with health care among different socioeconomic groups, with the poorest being least satisfied with health care.

The third article by Jolanta Aidukaite deals with the major welfare system reforms that were implemented during the financial and economic crisis (2008–10) and post-crisis period (2011–16). Aidukaite focuses on social security institutions, namely pension insurance, sickness, maternity, parental, paternity benefits, and unemployment insurance. In addition, the article also explores whether the crisis undermined the well-being of the population and to what extent. In exploring changes in the well-being of the 'Baltic' population, the article focuses on major socioeconomic indicators and

looks not only at how Baltic states compare with each other, but also how they compare with other central and eastern European countries in the EU. Aidukaite's rigorous analysis shows that social security institutions experienced some adjustments during the crisis and post-crisis periods. They have, however, not experienced any radical changes. There were no significant changes in eligibility rules, benefit levels, and financing. Thus, it seems the welfare state in the Baltic states has survived the crisis of 2008–10. While the Baltic states have been blamed for being neoliberal welfare states, they have kept a quite solidaristic social security system during the crisis and the post-crisis period. If, however, the Baltic states are compared with other EU countries in central and eastern Europe, they are still among the laggards when it comes to social protection spending, relative poverty rates, and income inequalities. Yet, the socioeconomic situation in Estonia has improved significantly compared to Lithuania and Latvia. In the areas of minimum wages and average monthly earnings, Estonia has joined the leading central and eastern European EU members, the Czech Republic and Slovenia.

Due to an aging population, family policy is a priority in the Baltic states. Mare Ainsaar focuses on the developments in the family policy field covering the period from 2009 to 2014. The year 2014 marks the start of income recovery in the Baltic states after the crisis. The article makes a rigorous comparative overview of the development of family policy in the Baltic countries and, in addition, it analyzes the role of economic austerity, demographic pressure, and political preferences on the formation of family policy, fertility, and child poverty. The findings show that as a result of the recent economic crisis, all Baltic states made some adjustments to their family policy. Estonia suffered less from the economic recession and, therefore, implemented fewer cuts in family policy. The economic situation of families with children remained better during the period in Estonia compared to the other two Baltic states. Latvia suffered from the economic recession most severely, and the family support system was affected. The support to families remained at a low level and rose only in 2014. The crisis did not create any path-breaking policy trends in Latvia either. In Lithuania, the recession saw means-tested family policy boosted to a higher financing level. The crisis period forced Lithuania to return to means testing in family policy. Due to the crisis, during the period 2009–14, the gap in terms of generosity in family policy between the Baltic states and the European average widened. Estonia, with its more generous family policy has moved closer to the EU average, while Latvia and Lithuania lag behind.

The increase in labor emigration is a major focus of the political, scholarly, and public debates in Lithuania. The fifth article, by Indre Genelyte, deals with this important topic. Genelyte studies Lithuanian migration to Sweden and reasons behind it. Based on in-depth interviews with Lithuanian migrants in Sweden, Genelyte reveals the intimate stories of people who decided to leave Lithuania during the economic crisis and the austerity measures that followed in its wake (2008–13). Genelyte reveals migrants' individual perspectives in their decision to depart and enter Sweden and its labor market. Genelyte's findings are in line with the previous studies and reveal that most Lithuanians are emigrating due to financial difficulties, in search of higher earnings and living standards. The former reason was especially pronounced following the financial crisis and proved to be prominent among many of the informants of all demographic characteristics. The latter cause proved to be more important to persons with higher education and

higher positions in the Swedish labor market. The weak social protection for unemployed people in Lithuania, which provided very low unemployment benefits and poor help to re-enter the labor market after the unemployment benefit period ends, did not ensure a sufficient standard of living, leading to the decision to emigrate. Medical doctors and highly skilled respondents elaborated upon problems with labor conditions, which required them to either take jobs with excessive responsibility for low pay or simultaneously hold a number of jobs to make ends meet, leading to the decision to emigrate.

The final paper by Natalija Atas deals with the extent and characteristics of in-work poverty in Lithuania in the aftermath of the global economic crisis. It fills an important knowledge gap about the causes and effects of in-work poverty in Lithuania since the body of literature, according to Atas, on (in-work) poverty in the country is rather limited. Based on 36 semi-structured interviews conducted in Vilnius in 2012 with people experiencing poverty, this article analyzes which groups within the labor market in Lithuania were most affected by poverty during the aftermath of the recent global financial and economic crisis. Atas also seeks to analyze the effects of in-work poverty upon employee's working circumstances and lives. The study reveals that precarious low-wage employment is a major cause of in-work poverty. Low wage employment is widespread in Lithuania and puts a significant proportion of the population at a greater risk of poverty. This situation was enhanced by aggressive austerity measures, which were implemented in 2008–12, such as cuts in public wages, pensions, and unemployment benefits, and the abolition of universal child allowances. The findings of this article show that during the investigated period, in-work poverty in Lithuania was particularly associated with being a woman, having children, belonging to single-parent household, and being employed in a precarious working environment.

To conclude, not everything is well in the three Baltic states. The 'Baltic miracle' has not produced social security and well-being for all. This is especially visible for the most vulnerable parts of society, who are employed in the low-wage sector, or whose major source of income is various public benefits. Inequality in health care for the most vulnerable is noticeable, especially in Latvia, where the design of the healthcare system is less egalitarian due to high patient fees. Widespread in-work poverty and low social security benefits have triggered massive emigration. The negative demographic developments due to emigration, especially as young, able-bodied people leave the country, have contributed to the reduction of youth unemployment in the Baltic states. This decrease in unemployment could be seen as a positive development, but not at the 'expense' of youth emigration. As this sustains the labor force shortage in the home countries and may have long-term negative consequences for the labor market and the economy. What is most concerning is that women are disproportionately affected by in-work poverty in Lithuania, as they are concentrated in the low wage sectors of employment.

Nevertheless, not all is lost for the 'Baltic miracle.' We ascertain positive developments in the design of the social protection system. The crisis has not retrenched the social benefits and schemes as was expected, but in some cases, new ones have been introduced and old ones returned to the level of the pre-crisis period; some even experienced expansion during the post-crisis years. Families' well-being due to an aging population and low fertility rates were and still are national priorities in the Baltic states, and their protection is increasing through the introduction of more family support benefits and rising benefit levels. Estonia offers hope to the eastern Baltic

region as its many indicators are better in comparison with Latvia and Lithuania. The country has joined a group of best performers among the central and eastern European EU members according to its minimum and average wages because they were raised after the crisis. As a role model for Lithuania and Latvia, Estonia demonstrates that positive developments can be achieved.

## Notes on contributors

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