

Week 3

Germany: conservative-corporatism

Conservative –corporatist regime: Some summary characteristics

- Contributions by work; dominated by insurance system;
- Part-time work uncommon, and usually did not have same kinds of rights attached
- Redistribution horizontal: Derived rights by marriage, support for family
- Tax supported: ‘Fictitious’ insurance elements, usually to support marriage
- Social assistance as last resort: Länder tax financed; subsidiarity principle
- Bipartite/tripartite administration: Federal Labour Office; health insurance funds, ‘para-public’ institutions
- Subsidiarity: marriage & family; Christian democratic influence
- ALSO federalism (for Germany)

Unemployment

- Unemployment insurance: 1 year contribution (set by government); 1 year entitlement (32 months for older workers); joint employer-employee contributions; 67%/60% earnings
- Unemployment assistance: 6 months contribution/completed insurance period; 57%/53% earnings; means tested & tax financed (abolished in 2003 legislation)
- Some ‘active labour market policies’, but because supported by federal budget, tendency to be cut during recession (but renewed emphasis in 2001 and 2003 legislation – perhaps influence of EU?)
- Use of ‘labour shedding’ or ‘labour market exit’ (Esping-Andersen 1996), esp. early retirement, but also changing immigration policies

WHAT ARE ACTIVE LABOUR MARKET POLICIES DESIGNED TO DO? HOW ARE THEY DIFFERENT FROM ‘LABOUR MARKET EXIT’ POLICIES?

- Recent review - Hartz Commission, 2002. See national action plans/national reform strategies for summary of developments. (jobAQTIV law 2001; Hartz IV 2003). Hartz IV abolished unemployment assistance.

Pensions

- Statutory: joint contributions (19.5% gross earnings); Number of years of employment; linked to previous earnings, & uprated through earnings
- *Taxation/solidaristic elements*: ‘baby years’ payments & some higher education/military service
- 1992 some cuts, but pension credits for child-rearing considered too low; 1997 these increased, despite other cuts. 1997 reform was to introduce ‘demographic component’ (Myles & Pierson 2001) – eventually introduced 2003; cuts based on assumption that contributors would have private supplement (see Dedeken 2002 in JESP)

Health insurance

- autonomous, para-public insurance funds; employee/employer or insured representatives; variable contribution rates (11-15% of salary); sickness benefits; non-contributory family members included; recent introduction of co-payments; ‘opt-out’ for high earners;
- 1997 reform contributions & co-payments increased, could move insurers more easily (i.e. ‘market’ elements). Review in 2003 to decrease costs.

- Just passed law to increase contributions to cover deficit, but also to introduce more competition between funds (& therefore hope to decrease costs) in 2009, but also to make it more difficult to joint private schemes.

Long-term care (intro. 1995)

- Compulsory employee/employer contributions; high earners opt out; pension contributions for long term carers; benefits in cash and kind for long term care needs;
- benefit ceilings require some social assistance, but passing off social assistance costs onto another 'para-public' institution? (Manow and Seils 2000 in Scharpf & Schmidt vol. II)

Families - gendered entitlements

- 'Breadwinner model' (Lewis 1992); parent-caregiver model (Hobson)
- employment related entitlements; rewarding part-time work; rewarding marriage (what about divorce?); *Erziehungsgeld*; *Erziehungsjahre*; stratification by tax benefits
- Only 2000, and esp. 2002+ do we see employment-centred family policy – but its about education standards, some demand, and esp. attempts to increase women's employment levels (cf Lisbon agenda)

Reforming the social market economy

- *Erhard and Adenauer & post-war settlement*: neo-liberal economy; federalism; subsidiarity; 'Tarifautonomie'; collective wage bargaining generally extended to non-unionised workers
- *Post-war developments*: accentuation of equivalence & reciprocity; accentuation of corporatist structures; increasing generosity; social assistance introduction.
- *Recent developments*: unification, unification, unification; EU.
- Reform as 'muddling through' (Clasen, 2006): trade unions, privileged public sector, large social democratic and Christian democratic parties, role of Bundesrat (upper house of parliament); Constitutional Court.

Impact of unification

- Massive increases in unemployment; fragmentation of trade unions in East.
- Adoption of 'labour shedding'; tax surcharge on wages leading to increases in non-wage labour costs; active labour market policies as infrastructure building in East; Welfare state providing 18% of West-East transfers up to 1995 (Giaino 2001 in Pierson 2001)
- Social insurance contribution rates from 35.1% of gross wages in 1985 to 35.6% in 1990, to 39.3% in 1995. Since been cut back, but Hartz Commission and Health insurance commissions , plus pension reforms are all about how to reduce this.

WHY ARE INSURANCE CONTRIBUTIONS ON EMPLOYMENT CONSIDERED SUCH A PROBLEM? HOW ARE INSURANCE CONTRIBUTIONS DIFFERENT FROM CONTRIBUTIONS THROUGH TAX SYSTEM?

Summary

- Conservative system: status maintenance, insurance, marriage & family
- Corporatist regime: tri-partism; also federalism – considered hard to change; vested interests
- Pressures for changes: unemployment, early retirement; considered unsustainable because of costs (implicitly an argument about pressures of globalisation). 'transforming' reforms not achieved?, but incremental shifts added together?

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