UNIVERSITÄT DUISBURG ESSEN

IAQ

Institut Arbeit und Qualifikation

Prof. Gerhard Bosch

Germany: Could European Social Model elements could serve as a leverage in times of crisis?

EU-ILO Conference on the European Social Model, Brussels 27-28 February 2014

Prof. Dr. Gerhard Bosch
Institut Arbeit und Qualifikation
Forsthausweg 2, LE, 47057 Duisburg
Tel.: +49 203 / 379 1827; Fax: +49 203 / 379 1809,
Email: gerhard.bosch@uni-due.de ; http://www.iaq.uni-due.de/

UNIVERSITÄT DUISBURG ESSEN

1. After WWII: Inclusive Bismarkian welfare state – Main Pillars

- Social insurances (age, health, unemployment, accident) covering most employees
- Male breadwinner model: Inclusion of spouses and children through derived entitlements
- Strong social dialogue: autonomous collective bargaining (80% coverage), codetermination (company and plant level), delegation of responsibility for apprenticeship system to social partners
- Fiscal equalisation between the Länder

Outcome: Social insurances together with inclusive wage system and low income differentiation – inclusive Bismarkian welfare state

2. Main Changes in last 20 years (I)

IAQ

Institut Arbeit und Qualifikation

1. Erosion of social dialogue and wage system

- Changing employer behaviour: Declining membership in employer's associations
- Product market deregulation (EU directives): New providers competed with lower wages (railways, postal services, local transportation etc.)
- Deregulation: Abolition of income related unemployment allowance and deregulation of temp agency work

Outcome: No MW, Increase of low wage work

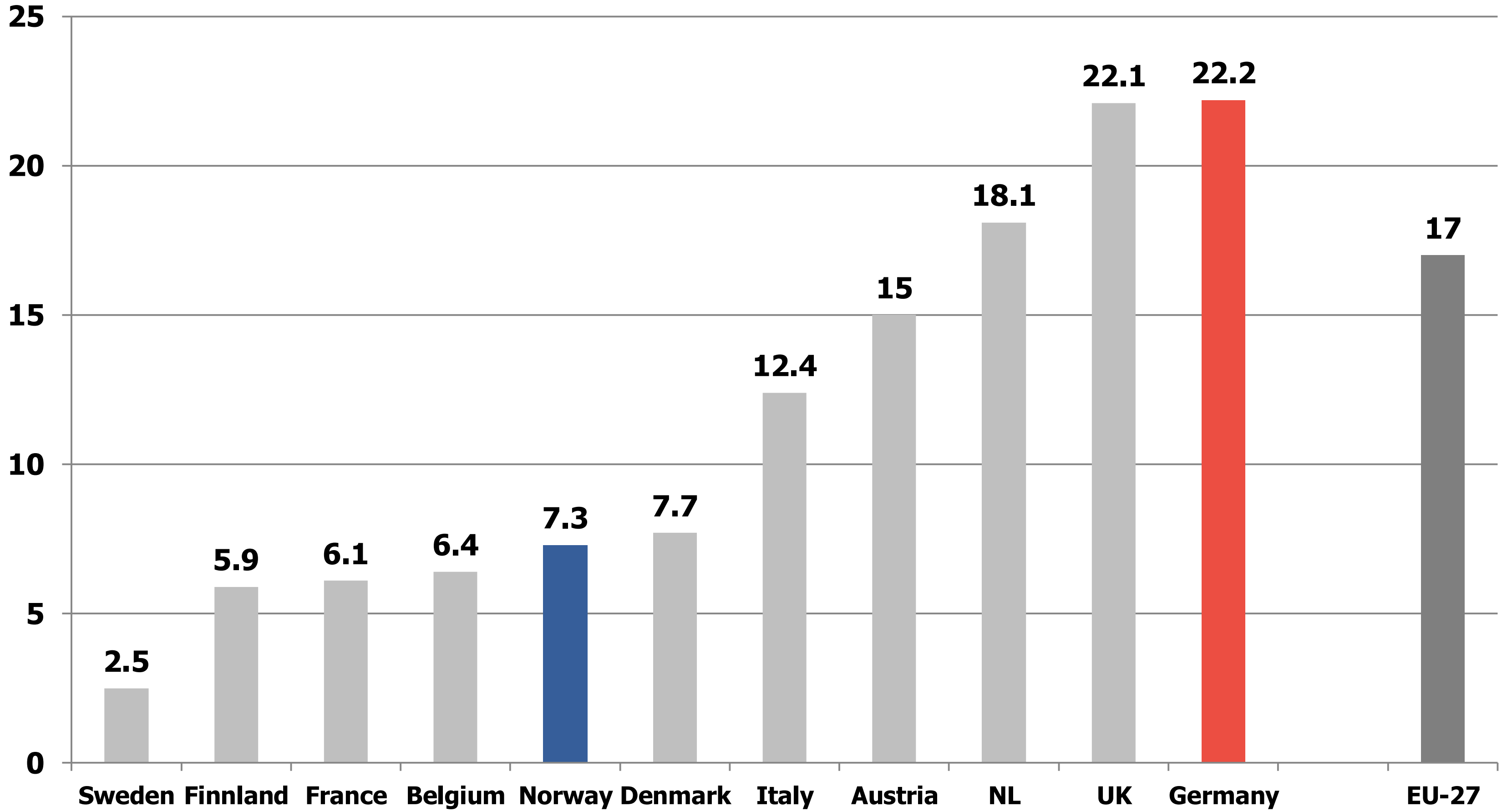
2. Integration of East-Germans in welfare state:

- in social insurances – not possible with private insurances
- in fiscal equalisation system

Outcome: High redistribution from West to East

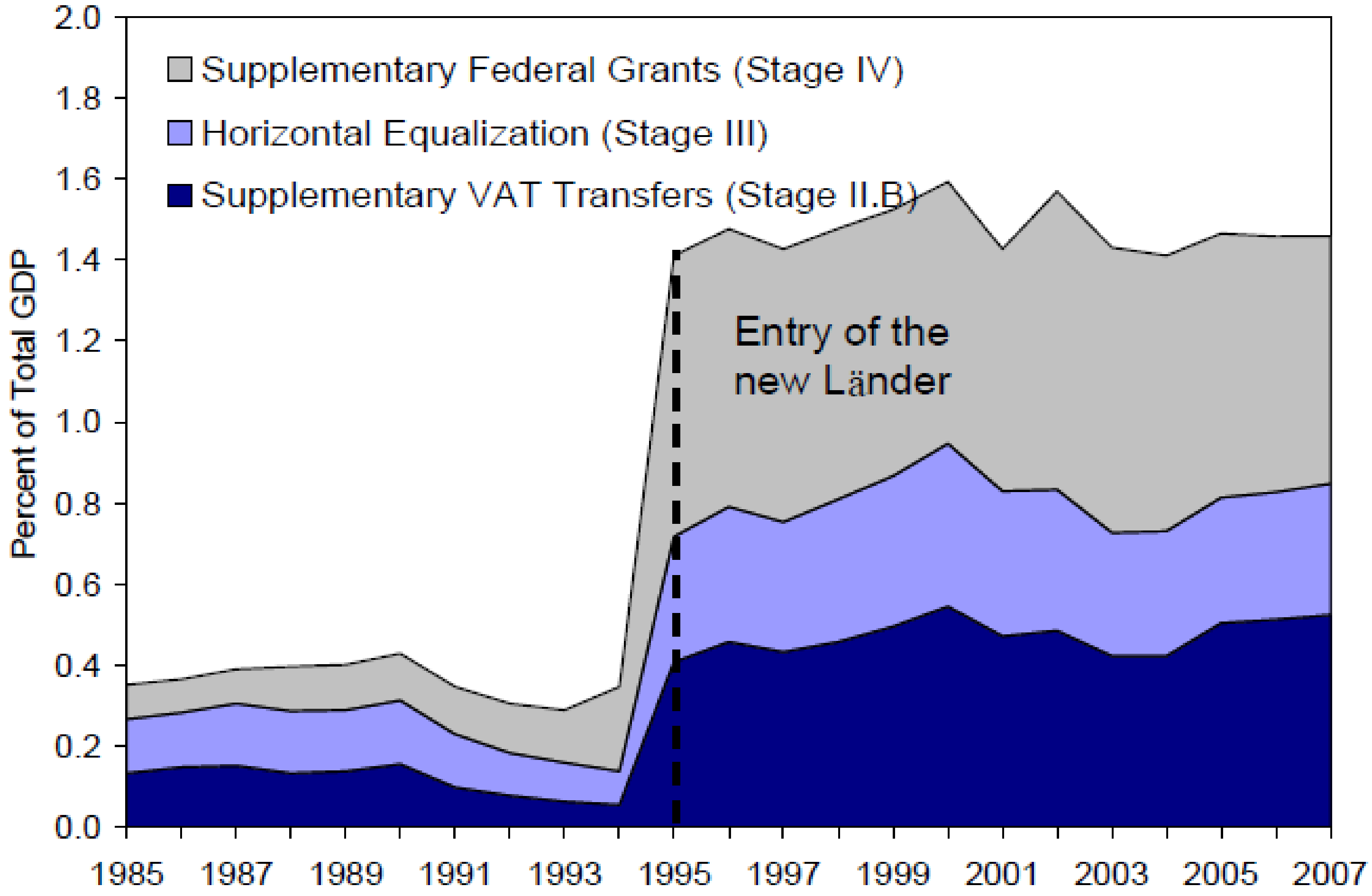
UNIVERSITÄT DUISBURG ESSEN

Low-pay incidence in selected EU-countries, 2010



Source: Bezzina 2012 (Eurostat) – only companies with 10 or more employees

Evolution of the fiscal equalization System



Source: Statistisches Bundesamt, Bundesrat, own calculations.

Institut Arbeit und Qualifikation

Universität Duisburg Essen

2. Main Changes in last 20 years (II)

IAQ

3. Pension system:

- **Abolition of early retirement schemes since 1997**
- **Increase of retirement age to 67 years (2012-2029)**
- **Introduction of non-mandatory subsidized private pension plan (Riester Rente)**
- **Gradual reduction of pension level because of demographic change – lower increases because of demographic factor (*net standard pension level after 45 yeras of contributions will decrease from 57,4% 1985 to 43% in 2030)***

Outcomes: **Increase of employment rates of older workers; low take up of private pension plan; high danger of poverty on old age in the future**

2. Main Changes in last 20 years (III)

4. Family policy – major move from the male breadwinner to a dual earner model:

- **Children 1-3: From 8/2013 entitlement for child care place**
- **Subsidies for full-day schools from federal State**
- **Introduction of parental leave (1.1.2007) 14 months (2 months for fathers) 67% of former income**

Outcomes:

High take up of parental leave and high demand for child care and all day schools - Increasing employment rates of mothers - but still ineffective family policy because of high incentives for marginal part-time (tax-free mini-jobs, income splitting tax system and derived health insurance)

3. Social dialogue and the German employment miracle in the great recession

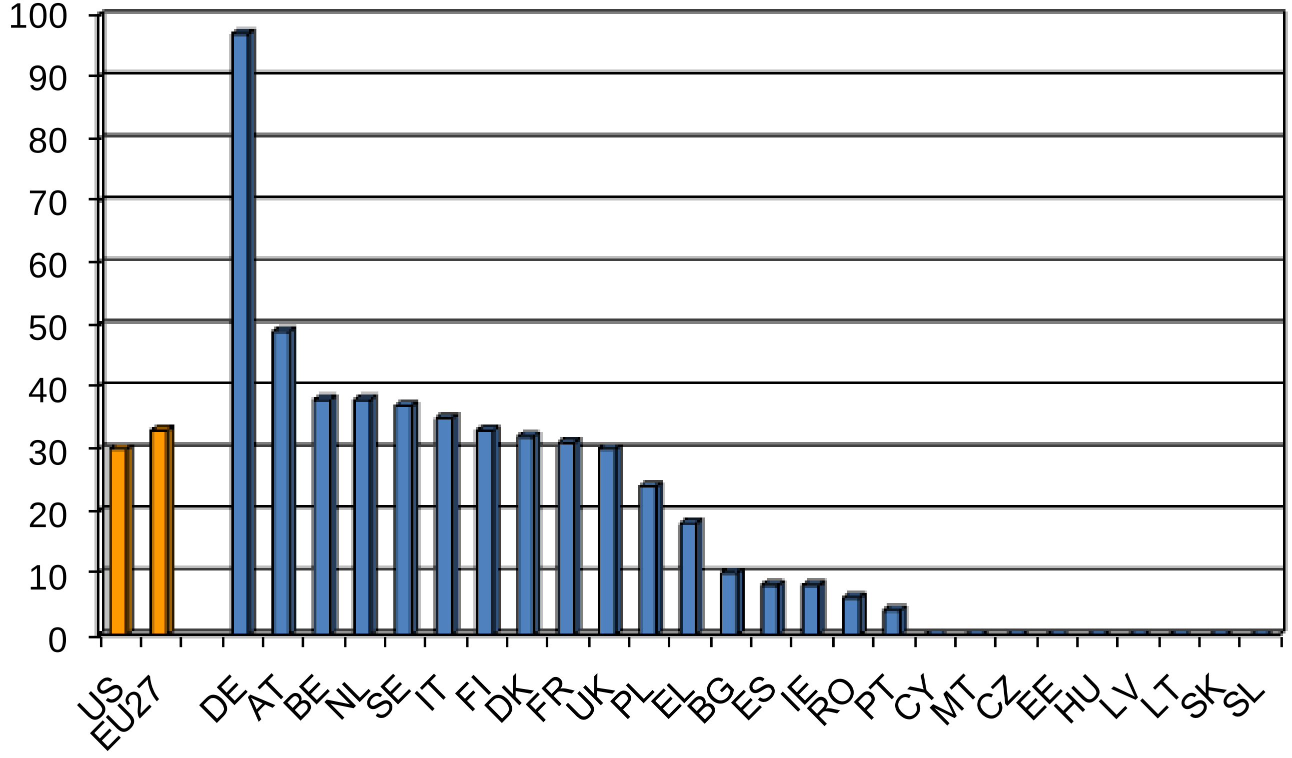
Germany was substantially affected by the financial crisis (2009 -5% in GDP)

Contrary to most other countries unemployment including youth unemployment did not grow

Reason: Revitalization of social dialogue

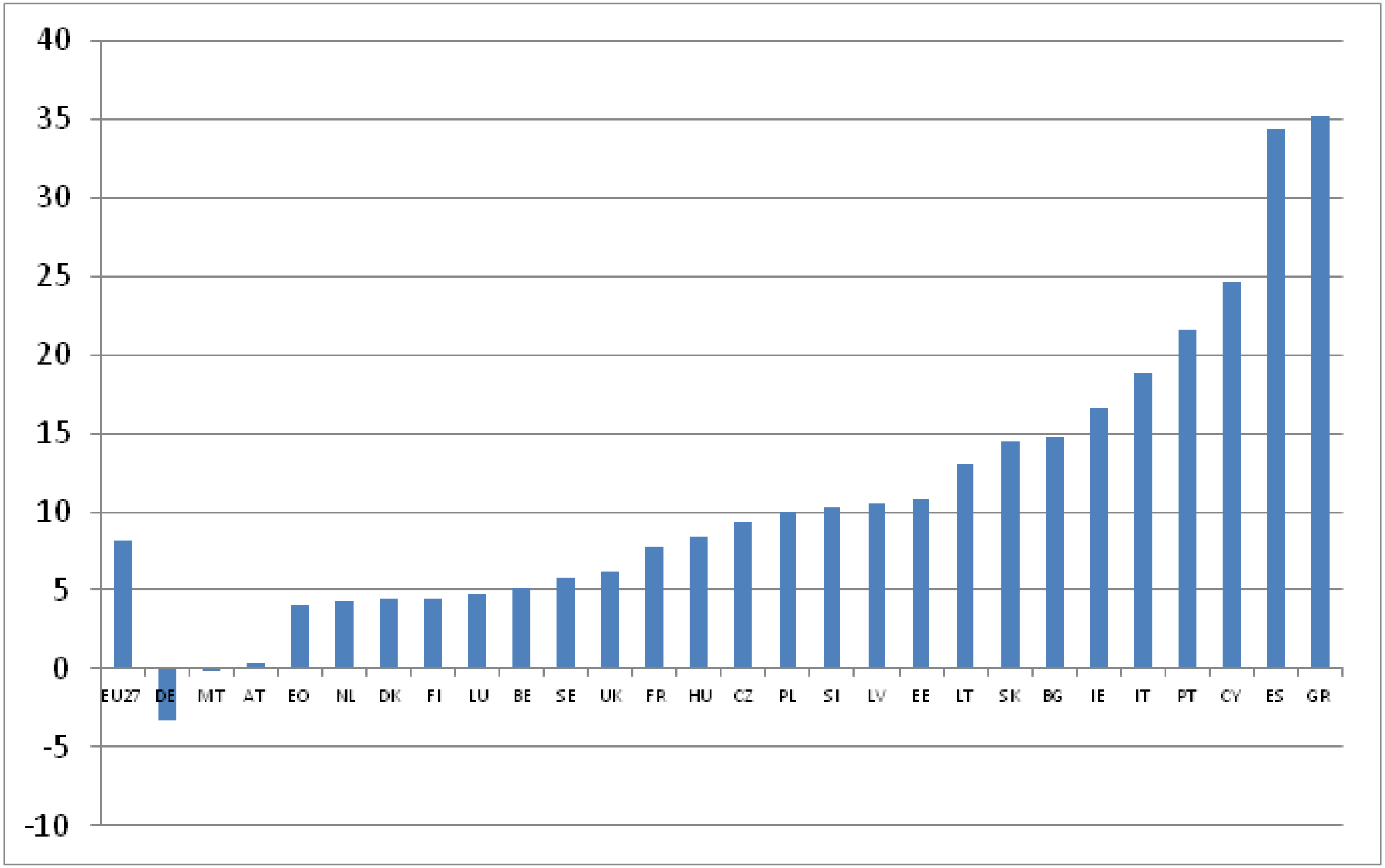
- Agreements between state and social partners to avoid dismissal through temporary work sharing – Combination of state subsidized short-time and collectively agreed measures (working time accounts etc.)
- National, regional, industry and company agreement not to reduce apprenticeship training: 2009 new 564 000 training contracts

Percentage of fall in total labour input due to fall in working hours per employee, Germany, 2008–2009



Source: http://www.conference-board.org/economics/database.cfm EUROSTAT (2010a).

Increase in youth unemployment rates in percentage points in the EU (3/2008-3/2013)



Source: EUROSTAT

Conclusions: Contradictonary picture

Erosion of wage system with cumulative effects in the income related social security systems (pensions): <u>**Move towards from an inclusive towards an dualistic Bismarkian welfare state**</u>

But also: Revival of social dialogue in 2008/9 and important innovations (extension of ficsal equalisation to East-Germany, expansion of child care, parental leave and introduction of care insurance (not discussed here)

Great coalition agreed to repair the wage system: 2015 introduction of MW, re-regulation of temp agency work, easier extension of collective agreements

This has a European dimension: Increase of German wages and reduction of trade surplus by increase of domestic demand