The Transformation of the German Welfare State? Institutional Change in Old-Age Pensions and Health Care

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Focus of Paper

1. How to characterize the trajectory of change in the German welfare state?

2. What explains the trajectory of social policy change since 1990?

Trajectory of change

1. Modest to significant cuts in social insurance benefits (re-commodification)

2. Introduction of market mechanisms in pensions and health care

3. De-corporatization

4. Some weakening of the breadwinner bias in the design of social insurance
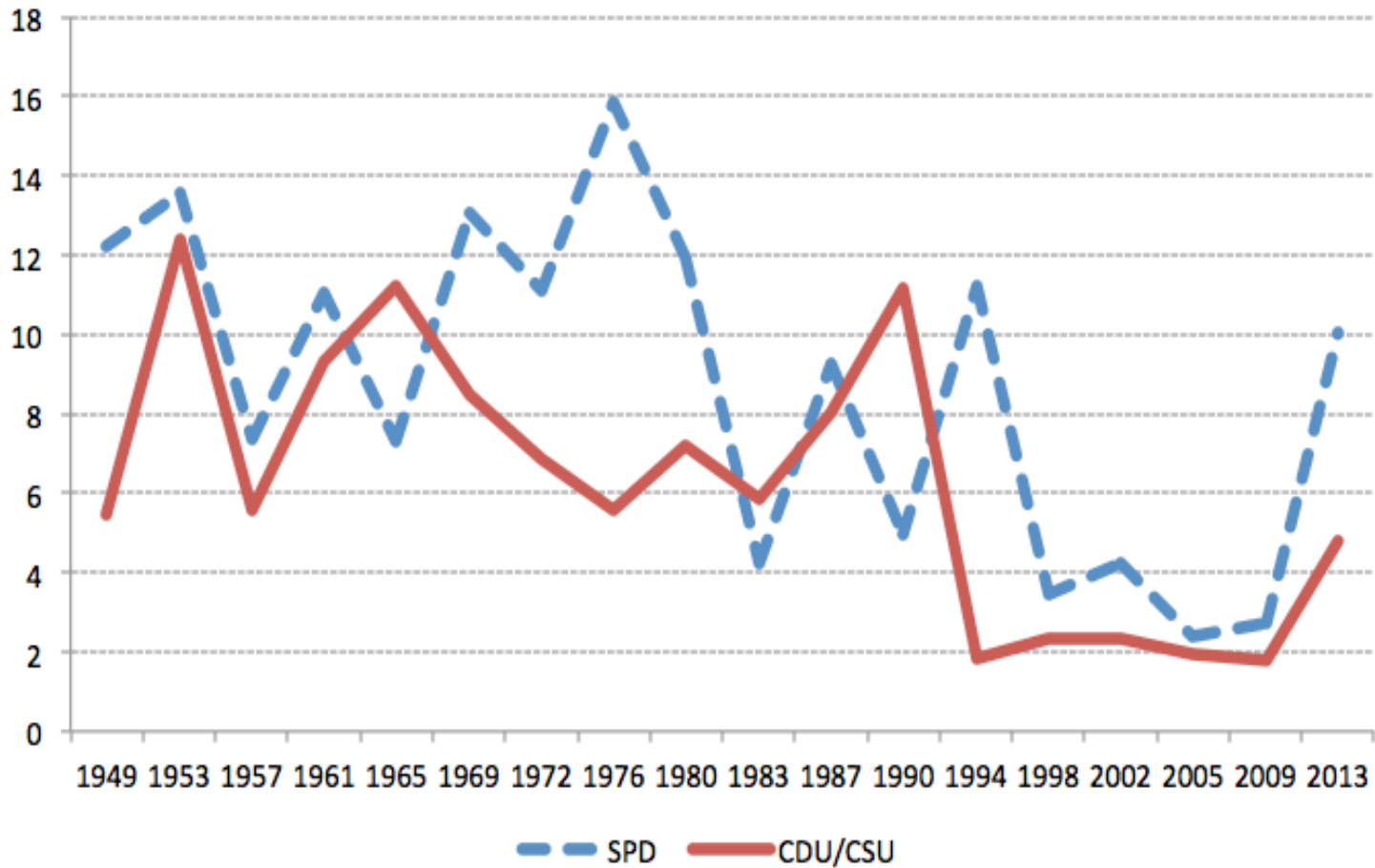
Trajectory of Change

- On-going recalibration of highly institutionalized social policy institutions

- No wholesale paradigm shift (occupational fragmentation remains; conservative principles remain strong)

- Liberalizing reforms are introduced that preserve conservative principles
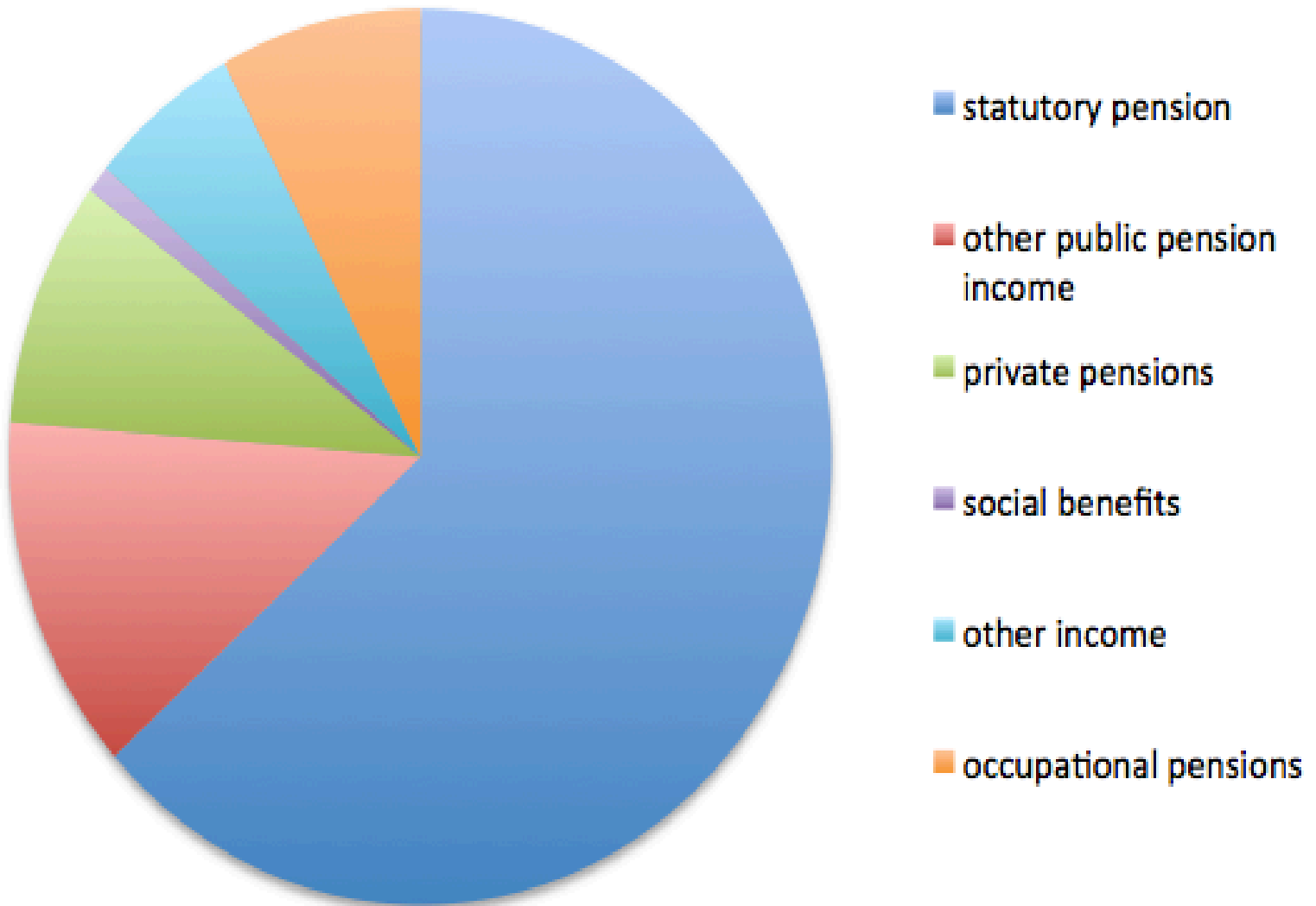
Explaining Change

- Continuity in terms of legislative decision-making >>> "grand coalition state"

- Similar patterns of political contestation since 1990 that characterized the pre-1990 period

SPD and CDU/CSU favorable mentions of "welfare expansion," election manifestos 1949-2013 (in per cent of quasi-sentences in manifesto)
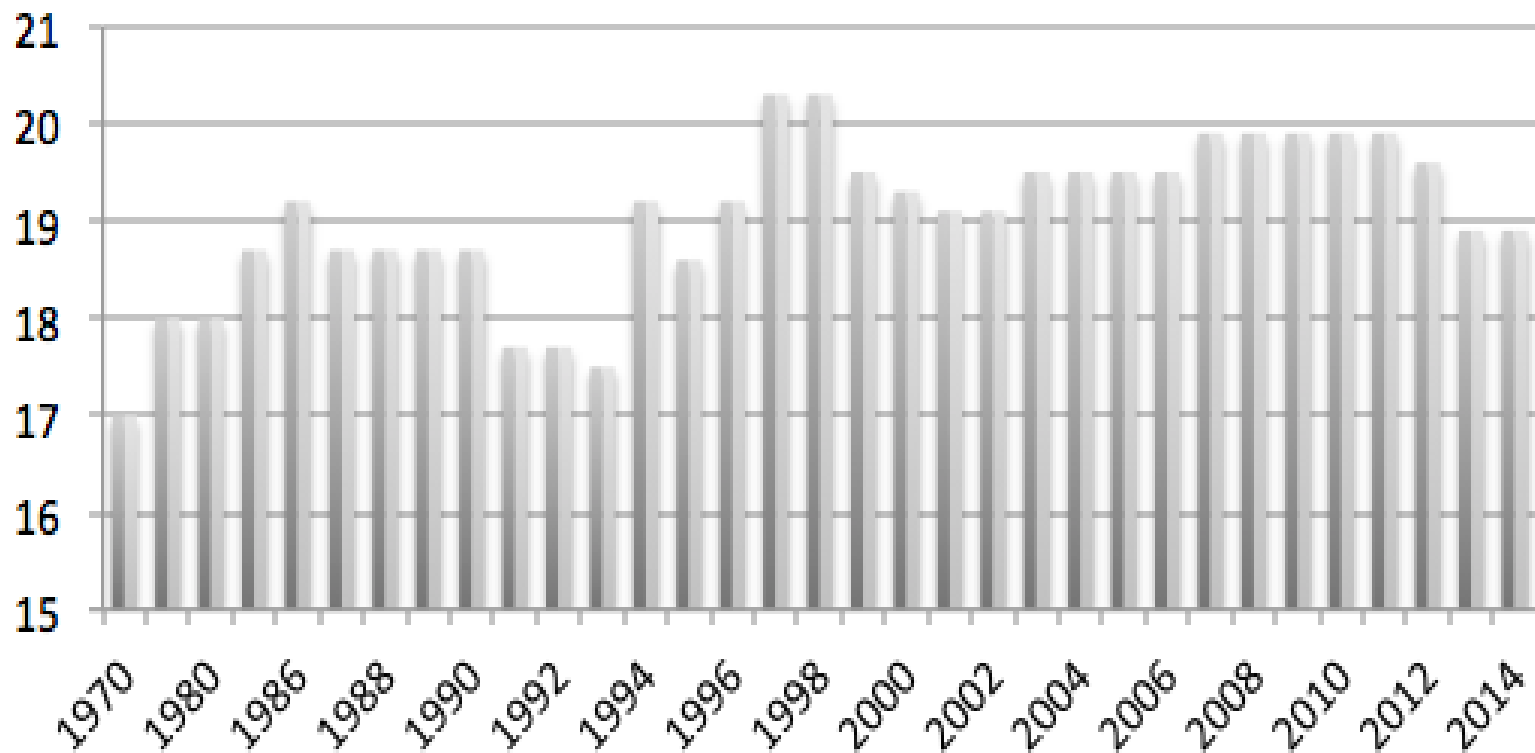
Income sources of those 65 and older, 2011

- statutory pension
- other public pension income
- private pensions
- social benefits
- other income
- occupational pensions

Statutory Pension Contribution Rate, 1970-2014 (% of qualifying wages)

Size of Federal Subsidies to Statutory Pension, as per cent of total pension costs, 1960-2012
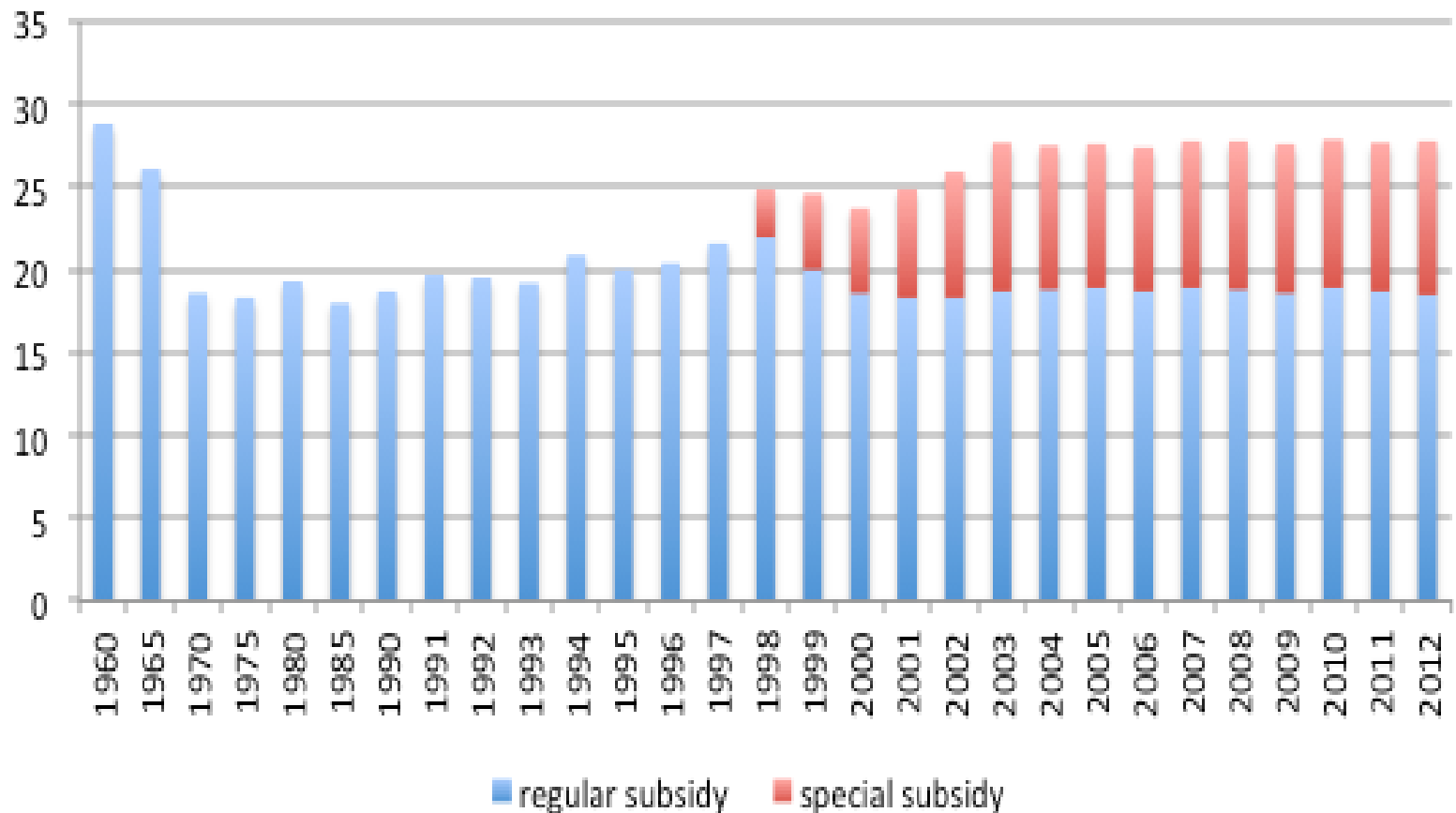
Table x: The development of combined public/private pension replacement rates for an average earner

year of retirement	gross replacement rate	consisting of			net combined replacement rate
		GRV	Riester pension	private pension	
	%	%	%	%	%
2012	47.4	45.5	1.7	0.2	70.7
2015	47.4	44.6	2.4	0.4	70.1
2020	48.5	44.0	3.7	0.9	70.9
2025	48.8	42.3	4.9	1.6	71.8
2030	49.3	40.6	6.2	2.5	72.8

Source: Alterssicherungsbericht 2012, p. 176.

Share of health care costs paid by private households and non-profit organizations, in % of total spending