Peter Bartelheimer
Changes in the German socio-economic model – gradual and transformative

Concepts for understanding socio-economic change
Social Change and Continuity – Monitoring and Reporting on Societal Trends in the 21st Century
Villa Vigoni, October 24th-26th
(1) UP FRONT
German Socio-economic reporting network – approach and scope of monitoring

Key concepts: welfare production and individual participation
- integrated perspective on economic development and individual welfare
- Resources, collective and individual conditions, capability set, outcomes

Resources and conditions for participation
- Demographic and macroeconomic modelling
- Employment systems of firms
- Close ties: household, family and parenthood

Individual participation outcomes
- Material resources: joint distribution of income, wealth and consumption
- Employment / labour force participation
- Participation patterns (education, employment, family) over the life course

Dr. Peter Bartelheimer
17. Oktober 2016
Third report (2016) »Exclusive participation – unused opportunities«: Key messages

Better macroeconomic potential for participation – more policy options
- High employment, more regular jobs, growth of real wages and household incomes, balanced state budgets
- Increasing risks from exports and from financial system

Trend towards more unequal outcomes is unbroken
- Employment is even more crucial for participation but more heterogeneous and insecure for many
- Unequal upward mobility within employment system
- Much diversity in life courses of women
- Material inequality increases and is more rigid
- Weaker performance of social protection against employment risks

No sustainability without more equality
- Precarious and poor excluded from sustainability options in way of life
(2) FROM CHANGES TO CHANGE – SHOP FLOOR IDEAS
Change is not just about gradients and turning points in time series

Two macrosociological paradigms
- Continuous change – ongoing modernisation framed by universal core institutions
- Discontinuous change – succession of socioeconomic regimes

Discourses on transformation
- Disruptive postsocialist transitions – the case of East Germany
- Incremental, evolutionary change of socioeconomic regimes – the case of West German welfare capitalism
- Sustainability transitions – e.g. Federal Government’s Advisory Board on Global Environmental Change (WBGU)

Different narratives, some consensus on important time markers
- 70’s (Bretton Woods, recession); 80’s (rise of neoliberalism); 90’s (postsocialist transition, digitalisation, financialisation), crisis of 2008
Gradual, yet transformative? (1)
Modal types of institutional change
(adapted from Streeck/Thelen 2005)

Displacement
- Removal of rules / institutions, introduction of new ones

Layering
- Introduction of new rules alongside or on top of existing ones
- Shift: change in relative importance of institutions or systems, formerly marginal patterns move to the center

Drift
- Changed impact of existing rules due to shifts in the environment

Conversion
- Changed enactment of existing rules due to their strategic redeployment
Gradual, yet transformative? (2)

Some methodological implications

Time series in work packages cover different periods
- Convergence of empirical work on period 1991 to present-day
- Retrospective life courses cover long time spans

How to assess recent changes from a middle range perspective

Need to establish reference points in »previous history«
- Constructions in retrospect, predating observation period
- Some use of stylized facts, omitting variance

Two major references
- (West) German welfare capitalism: 2nd Report (2012) diagnosed erosion and dismantlement of »Participation Capitalism«
- »Basic formula« (Zacher 2001) of German welfare state and layering of social protection
(3) FIRST REFERENCE POINT – UNWINDING OF »PARTICIPATION CAPITALISM«
Participation capitalism – has the unwinding stopped?

Key results of postwar »fordist« class compromise

- Transformation of wage labour to a secured social status (R. Castel)
- Mass consumption and reduction of working time permitted workers’ participation in quality of life above subsistence

A number of indicators points to unwinding of the model since 70’s

Indicators still consistent with erosion / dismantlement thesis

- Low growth rates of real productivity (and real GDP)
- Increasing productivity and wage differentials manufacture / services
- No further reduction of working time per capita

Indicators that may indicate some corrections of the unwinding

- Growth rates of real wages catch up with productivity
- Decline in unemployment rates
- Limits to finance capitalism (control financialization, real interest rate)
How to assess recent changes – by way of example (1)

Real net earnings per hour / productivity per hour

Wachstumsrate in %

-4% 0% 2% 4% 6% 8%


preisbereinigte Nettolöhne und -gehälter je Stunde
Arbeitsproduktivität je Arbeitnehmerstunde
Datenreihen1
Datenreihen2
Datenreihen3
Datenreihen4

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Dr. Peter Bartelheimer
25th October, 2016
How to assess recent changes – by way of example (2)

Growth rates of real GDP (moving 10 year average) and real interest rate

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BIP-Wachstum geglättet (10-Jahres Moving Average) vs Realzins
How to assess recent changes – by way of example (3)

Stock market capitalization (in percent of GDP)
(4) SECOND REFERENCE POINT – »BASIC FORMULA« SUBJECT TO LAYERING, DRIFT, CONVERSION
The »Basic formula« (Zacher 2001) of welfare – from universal to exclusive

How a family‘s needs are met …

- Earned income of a (male) breadwinner (»family wage«)
- Support of economically inactive family members (interpersonal redistribution)
- Contribution-based social insurance entitlements (intrapersonal redistribution)
- Universal benefits correct inequalities of life situations

What if core institutions of the model become exclusive

- Employment system: growing inequality of gross market incomes
- Households: Diversity of earner models, unequal potential for support
- Social insurance: less potential for contribution-based entitlements
- Benefits: increasing dependence on basic assistance
Employment systems of firms – a case of layering and shift

Labour market segmentation

- Closed employment systems (>7 years job stability) – 24 percent
- Open professional or functional employment systems (medium job stability) – 33 percent
  - Qualified workforce, employment security and upward mobility in transitional labour markets
- Open unstructured employment systems (>2 years job stability) – 43 percent

Economically active population (mid-career, ages 29 to 54)

- Two fifth of men, one fifth of women in standard employment (full time, no job change, no atypical job attributes)
- Incidence of atypical job attributes varies from 17 to 30 percent
Household earner models – another case of layering and shift

- Traditional bread winner model
  - Declining importance but still lived by 1/3 of West German couples
- Modernized bread winner model
  - Most frequent model in the West (lived by half of couples with children)
- Dual earner model
  - Realized by one third of East German couples with children
- Diversity is gendered – concerns primarily life courses of women
- Layering of earner models affects capability of households to compensate risks
  - One out of two persons with precarious employment attributes achieves material participation at household level
Instances of gradual change transforming welfare state institutions

- Pension insurance – a case of drift
  - Employment trajectory at age of retirement
    - Half of the insured are entitled to »comfortable« pension benefits individually well above risk of poverty
    - One third of trajectories do not avoid individual poverty risks

- Basic resources for jobseekers – a case of conversion
  - A two-tier-system of public employment service was established

- Preparatory training for early school leavers – another case of layering
  - A new strand of professional training, often leading to precarious trajectories
An uneasy coexistence of continuity and change

- Modes of gradual and incremental change result in dualisation and/or fragmentation of participation outcomes and capabilities
- Old rules and patterns are not obsolete but become exclusive
- Emerging regime of welfare production lacks consistency and coherence
- Increasing diversity and inequality as key features
More ...

https://www.wbv.de/soeb
  - Exclusive participation – unused opportunities. Third Report on Socio-economic Development sozioökonomischen Entwicklung in Deutschland. Bertelsmann Verlag

http://www.soeb.de
  - Berichterstattung zur sozioökonomischen Entwicklung in Deutschland

http://www.sofi-goettingen.de
  - Sociological Research Institute Göttingen (SOFI)

Bartelheimer, Peter / Doering-Manteuffel, Anselm (2016)
### Basic model of participation

#### Opportunity aspect

- **Resources**
  - Goods
  - Services
  - Entitlements

#### Process aspect

1. **Societal, institutional conditions**
   - (»conversion factors«)

2. **A capability set to chose from**

3. **Participation outcomes**
   - (»functionings«
   - over life course

#### Personal conditions

- (»conversion factors«)