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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

■ **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

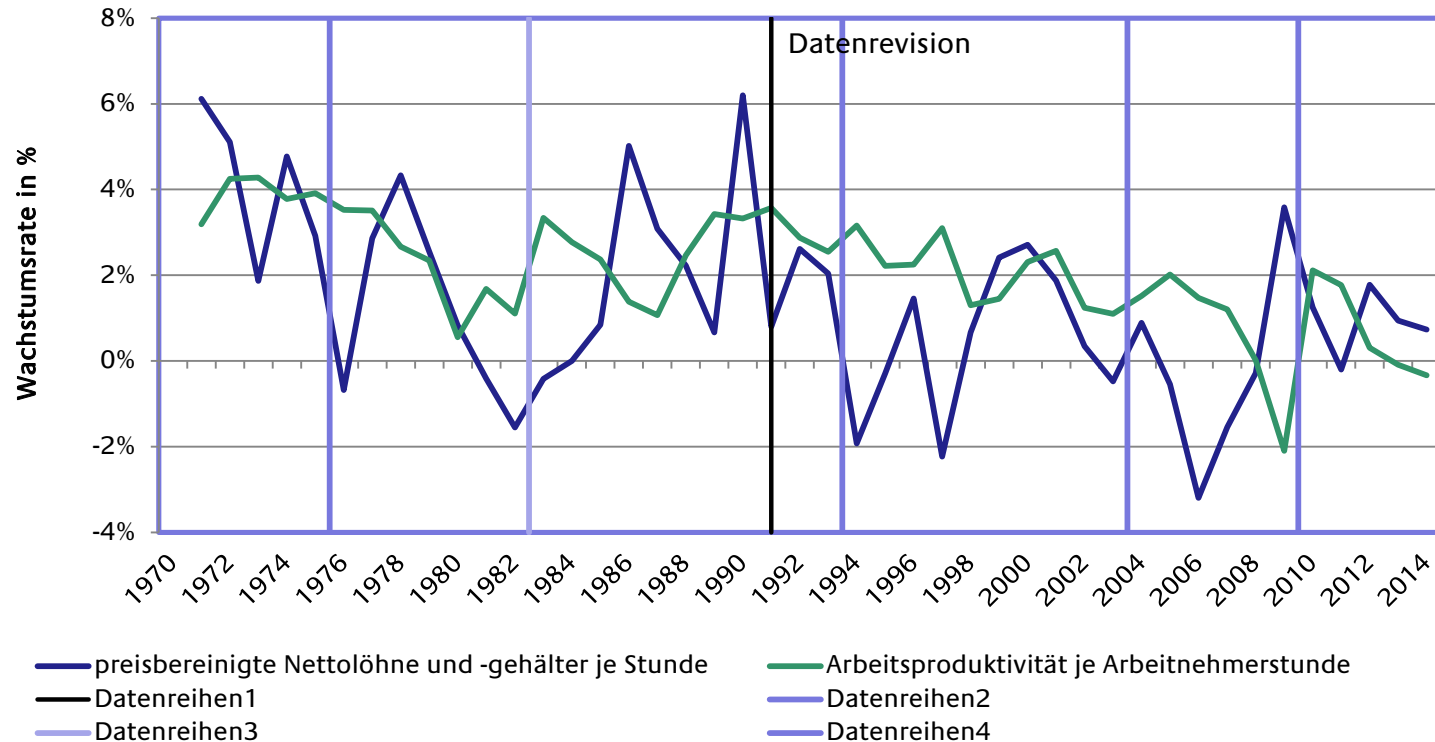
- Low growth rates of real productivity (and real GDP)
- Increasing productivity and wage differentials manufacture / services
- No further reduction of working time per capita

■ 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)

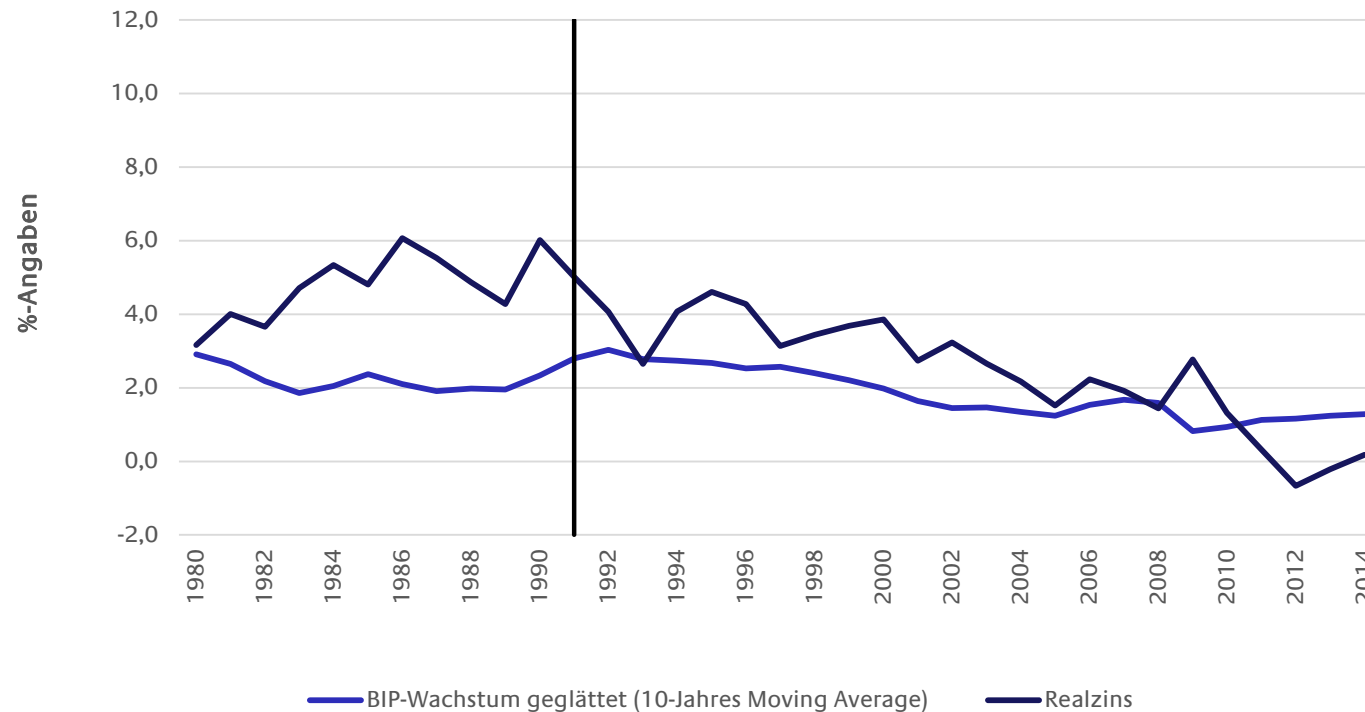
■ How to assess recent changes – by way of example (1)

■ Real net earnings per hour / productivity per hour



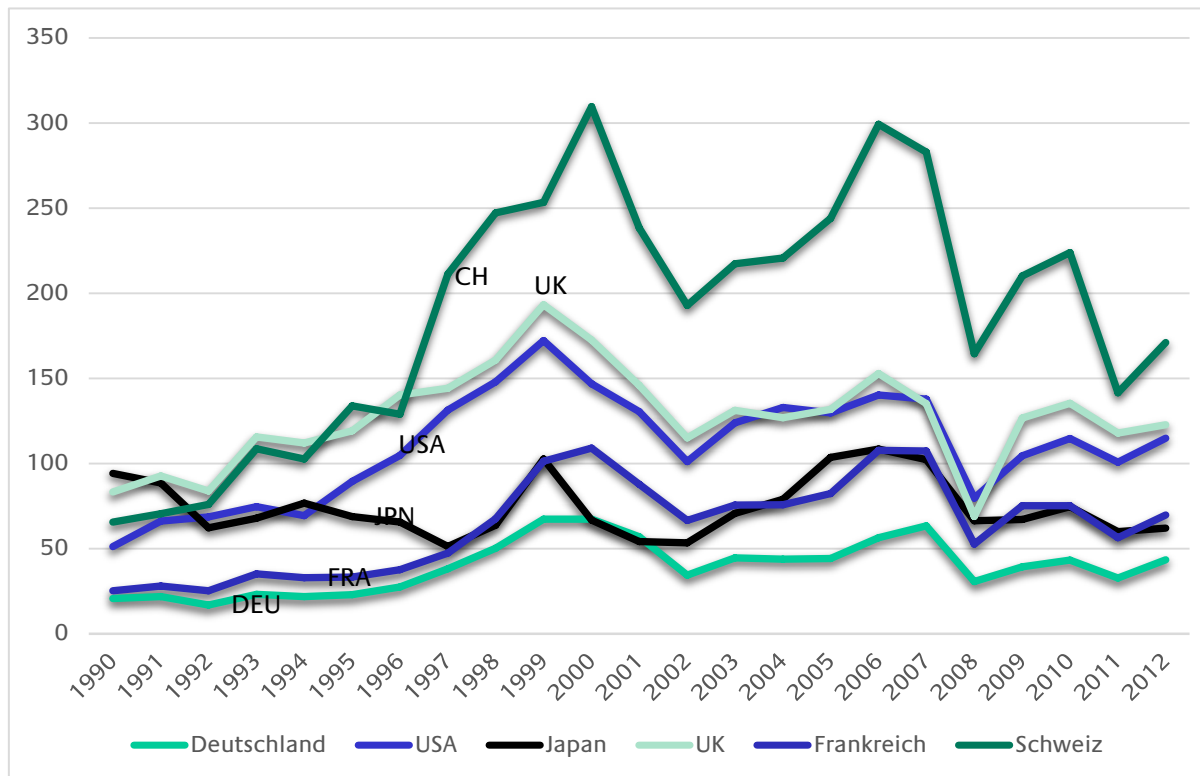
■ How to assess recent changes – by way of example (2)

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



■ 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)

- Mit Sozialberichterstattung Gesellschaftsgeschichte erzählen. Göttingen: soeb-Working-Paper 2016-2

■ BACKUP

■ Basic model of participation

