

EUROPEAN UNIVERSITY INSTITUTE
DEPARTMENT OF POLITICAL AND SOCIAL SCIENCES

E U I W O R K I N G P A P E R N o . 21

THE EMERGENCE OF WELFARE CLASSES IN
WEST GERMANY:
THEORETICAL PERSPECTIVES AND EMPIRICAL EVIDENCE

by

J E N S A L B E R

SEPTEMBER 1982

320

EUI
G20650



Paper prepared for the session on "Stratification,
Politics, and Public Policy" at the Xth World Congress
of Sociology, Mexico City, 16-21 August 1982

BADIA FIESOLANA, SAN DOMENICO (FI)

All rights reserved.
No part of this paper may be
reproduced in any form without
permission of the author.

(C) Jens Alber
Printed in Florence, September 1982
European University Institute
Badia Fiesolana
50016 San Domenico (FI)
Italy

ABSTRACT

This paper attempts to relate empirical information on the growth of the number of welfare recipients and the quality of social transfers in West Germany to some more general theoretical discussions about the impact of the welfare state on changing patterns of social stratification and group formation.

Part I gives an overview of the sociological literature on cleavages which the welfare state may generate. Its focus is on the question to which extent conflicts between acquisition classes are likely to be complemented or superseded by clashes between interest groups based on inequalities in the system of public transfers.

Part II describes the growing weight of persons relying on social transfers as their main source of income in the social structure and in the electorate. Then it depicts the growing burden of taxation for the economically active population. Finally, it describes the social positions within the welfare class by showing the size of the client groups of various programmes and the differences in the generosity of benefits.

Part III discusses this information in the light of the general theories on changing modes of interest aggregation. Specific properties of the German welfare state seem to make a dominant role of welfare classes for the structuration of social conflicts unlikely. These properties are elaborated to formulate more general hypotheses about settings of social policy which tend to impede interest group formations based on welfare classes.

CONTENTS⁺

- I Theoretical perspectives: The welfare state as basis for a new structuration of societal cleavages?
- II Empirical evidence on transfer classes in West German society
 - A The changing relationship between welfare recipients and economically active categories
 - B The internal differentiation of the welfare clientele
 - 1. Social positions in the welfare class I: Who the welfare recipients are
 - 2. Social positions in the welfare class II: What welfare recipients get
- III Summary, conclusions, and perspectives

⁺)

The empirical material for this paper was compiled as part of the research project "The Western European Welfare States Since the Second World War" which is directed by Peter Flora and financed by the European Communities. No table or graph contained in the paper may be reproduced without the written consent of the author.

I Theoretical perspectives: The welfare state as basis for a new structuration of societal cleavages?

Throughout the post-war decades the Western democracies experienced an enormous increase of social activities of the state. The average share of public expenditure for social security in GDP more than doubled in Western Europe from 9 % in 1950 to 22 % in 1977.¹ Some countries such as Sweden (30.5 %) even spent close to one third of the national resources for social purposes. Even in the nation with the most restrictive state supply of social services -Switzerland- the social security programmes claimed 16 % of the gross domestic product. Together with the capitalist organization of the economy and the democratic political order the welfare state today appears as one of the central structural characteristics of Western European societies.

The steep growth of the state supply of social transfers, goods and services could not remain without effects on the transformation of social structures. The disposable income and life chances of the population are no longer a mere function of positions in the market sphere, but are increasingly determined by transfers and grants provided by the administrative apparatus of the state. In 1975 public transfers in the Federal Republic of Germany on average accounted for 27 % of the total disposable income of private households (cf Krupp/Glatzer 1978). In this context it is hardly surprising that liberal as well as marxist scholars have been discussing to what extent the growing weight of state supplied income has rendered the traditional class analysis of modern capitalist societies obsolete (cf Offe 1972, Janowitz 1976, in more general terms also Giddens 1973).

For an extended period there seemed to be consensus that the public transfer systems helped to keep class conflict latent, promote social integration and secure political legitimacy. In the political sphere -it was argued- the social security programmes filled the democratic idea of equal citizen rights with substantive meaning by complementing the more formal legal and political elements of citizenship with an effective material basis (cf Parsons 1960, Marshall 1964). In the economic sphere the transfer systems helped to reduce the social distance between wage earners and property holders by establishing legal entitlements to public assistance as a new resource which could partly

compensate for the lack of property or favourable market incomes. In combination with the institutional isolation of industry through the heavy reduction of working hours, the institutionalization of collective bargaining, and the proliferation of non-occupational channels for mobility the social transfers thus reduced the relevance of economic inequalities and helped to reconcile the economically underprivileged groups with the prevailing mode of production (cf Dahrendorf 1959, Lipset 1964).

In recent years this optimistic assessment of the integrative effects of the welfare state has given way to a much more sceptical perspective. Marxist and liberal authors alike have argued that public welfare activities attain social integration only at the price of enhanced tensions at the level of system integration. They maintain that the welfare state - while contributing to the social control and integration of the working class - increasingly undermines the self-regulating functioning of the capitalist economy. Whereas economic crises were traditionally overcome because the sinking costs of labour eventually re-stimulated investment, today the collective bargaining process and the public transfer systems set tight limits to the potential of wage reductions. At the same time the transfer payments increase the cost of labour, inciting employers to labour-saving rationalization measures which exacerbate unemployment. Increasing unemployment not only enhances the demand for transfers, but also lowers the public revenues, thus obliging the state to rely more heavily on deficit spending. This contributes to rising interest rates which in turn inhibit private investment and promote the shifting of private capital from the productive to the financial sector. As a consequence the demand for public investments rises, but their realization in turn exacerbates the fiscal crisis of the state and increases its dependence on a smooth functioning of the economy. In a changing world macro-constellation with a stagnant world economy, rising international tensions, and higher burdens of military expenditure, chronic public deficits, declining real incomes and problems of government overload become likely prospects (cf O'Connor 1973, Vobruba 1978, Rose/Peters 1978, Gough 1979, Flora 1981).

In this new intellectual climate even the positive functions of the welfare state for social integration have been put into question. Several authors have drawn attention to the destructive effects which social activities of the state exert on intermediary groups by shifting social responsibilities from small networks to public bureaucracies. In this perspective the institutionalization of individual entitlements and the professionalization of the "social business" have transformed former producers of welfare into passive clienteles who increasingly lose the potential for active self-help. The double process of growing state intervention and weakened associational activities widens the gap between political elites and passive state clienteles, thus increasing the danger of an eventual substitution of self-regulating forms of social control by authoritarian forms of political control (cf Badura/Gross 1976, Baier 1976, Janowitz 1976).

Some sociologists have attempted to put hypotheses on the social impact of the welfare state into the wider context of a theoretical analysis of changing societal cleavage structures. In Germany Claus Offe (1972) and various collaborators (Bergmann et al. 1969) have argued that vertical inequalities between social classes lose relevance as a structural basis for social conflicts, because they are increasingly complemented by new "horizontal" inequalities which are rooted in the political process of "late capitalist" societies. The new cleavage lines are related to the unequal distribution of chances to influence the political decision making process (input side of the political system) and to systematic biases in the production of public goods (output side of the system).

On the input side the articulation of social needs is suppressed because the increasing fusion of market and transfer incomes has contributed to transform the once class-based parties into broad catch-all parties which avoid the expression of conflicts. The structure of interest group politics prevents the articulation and representation of the demands of groups with little organization potential or limited effective bargaining power. On the output side, three basic "system problems" - economic stability, military security, preservation of mass loyalty - have political priority so that the needs of groups with only little relevance to the preservation of the existing system of authority (due to little representative power - invalids, housewives, schoolchildren etc.) tend to remain neglected. As a result the classical dominance of one class over

another gives way to the dominance of a few functional areas, and the pauperism of the proletariat is replaced by the modern misery of depressed areas.

According to the authors these new "horizontal disparities" provide only a weak basis for the organization of conflict groups, however, because they are not systematically related to socially structured positions, but to specific situations which affect all persons similarly. Thus, a person may draw a high income in the work sphere, but find himself in overcrowded systems of public transportation after work, lack educational facilities for his children, or suffer from the poor quality of the public health system in case of illness. Only the low income groups experience a socially structured cumulative effect of old and new forms of deprivation. The transformation of the new inequalities into open social conflicts is therefore "structurally underdetermined". To a large extent it depends on voluntary definitions by active spokesmen of the "situation groups". The professional elites who work in the deprived functional realms are the most likely candidates to serve as agents for the manifestation of these otherwise latent tensions.²

The American sociologist Harold Wilensky (1975, 1976, 1981) relates the growth of the welfare state more specifically to the emergence of new social cleavage structures. In his perspective the welfare state was expanded during an unprecedented period of economic growth in the post-war decades. Rising incomes led to increases in state revenues which allowed to expand public services without resistance. Once the period of economic growth came to an end, the immense costs of the expanded state schemes met increasing uneasiness among tax payers who never since the First World War had been exposed to similarly fast increases of the tax burden.

According to Wilensky tax rebellions and "welfare backlash" are not merely a function of the increasing burden of taxation, however, but also of social and cultural changes during the period of affluence. The extended period of prosperity has led to an upgrading of standards of living which blurred the dividing lines between the working class and the middle class, creating a new "middle mass"³ whose members have turned loose from traditional political loyalties and become a fluid but -given their numbers- strategic political force. Due to

the long experience of social mobility and occupational opportunity they strongly adhere to the success ideology and are unwilling to pay for those who fall behind. Whenever they perceive the financing or distribution of social transfers and services as inequitable they become the sounding-board of anti-welfare state ideologies.

In this perspective the growth of the welfare state beyond a certain threshold leads to a new societal cleavage between the economically active middle mass who has to foot the bill for the increasing state expenditure and the growing numbers of welfare clients who draw benefits. Indications of this new conflict may be seen in taxpayer revolts and the establishment of anti-tax parties, in political campaigns to tighten the eligibility requirements for the receipt of social benefits, and in strikes of professional and white-collar categories to widen income differentials.

According to Wilensky the new social tensions created by the welfare state will not be equally strong in all societal contexts. Intervening variables will determine to what degree they become a focus of political clashes. Thus, a system of taxation which is only lowly visible, relying mostly on indirect taxes and social security contributions, will give less rise to an organized tax/welfare backlash than a system which heavily rests on progressive direct taxation. A strongly organized working class with historical linkages to the welfare programmes will be a stronghold of pro-welfare state ideologies. Where private or occupational welfare schemes are limited, the basis for successful anti-welfare state campaigns will remain weak, because functional alternatives to state schemes are in short supply. Wilensky has not only formulated several such hypotheses but has also subjected some of them to first empirical tests (cf Wilensky 1976, 1981).

The German sociologist Rainer M. Lepsius (1979) has attempted to integrate ideas about new cleavages structured by the welfare state into the Weberian theory of social classes. According to Lepsius property and acquisition classes are increasingly losing their former dominance for the structuration of social cleavages. With the decline of self-employment property classes have continuously lost social significance. Only for a very small proportion of the population property has remained the major determinant of the life-situation, and even these groups largely depend on the

production of income for the maintenance of their social status.

Within the acquisition classes recruitment to the privileged upper fifth and the underprivileged lower fifth increasingly becomes structurally heterogeneous. The bulk of the economically active population belongs to the middle mass of employed persons whose incomes are determined by collective agreements which also guarantee a relative security of employment. In this situation, dependence on market forces is no longer class-specific but conditioned by sectoral and cyclical changes on markets. Distributional conflicts between acquisition classes therefore lose their former significance and give way to tensions generated by sectoral disequilibria, business cycles and unbalanced developments of the educational and the occupational systems. At the same time the growth of the welfare state creates a new dimension for the distribution of life-chances and the formation of interest groups. Positions in the societal reward structure therefore become a complex function of market relations, bargaining processes and political-administrative decisions.

The increasing importance of politically allocated transfers and goods provides at least two foci for a new mode of social structuration along differentiations created by the state. First, access to public benefits is not distributed equally. The provision of public goods shows regional distortions, and entitlements to transfers may be institutionally limited to specific groups. If access is defined with reference to income-limits, the differentiation merely reflects the divisions between the acquisition classes, but there are also independent forms of discrimination. Thus, in the German pension system economically active women must contribute to the insurance scheme, but they are rarely qualified for the receipt of benefits, because they usually do not work long enough to fulfill the legal qualification period of 15 years. Second, there are differences in the size of transfer incomes which may lead to systematic disparities between contributions and rewards for specific groups. Thus, in the German system the benefits for civil servants are higher than those for other groups, although members of the civil service do not have to pay social security contributions. Where demographic changes in the strength of age cohorts and protracted business cycles lead to generation-specific differences in contribution rates and

pension entitlements such disparities may create a cleavage between the economically active and the retired population.

Lepsius does not specify whether he expects the social differentiations created by the public transfer system to become dominant cleavages, but merely maintains that the relationship between positions in the social structure and the formation of conflict groups is becoming much more complex. Which type of cleavage gains predominance for the formation of interest groups and the structuration of conflicts will also depend on the organizational and institutional mediation of interests, and the differential access which the various categories find to the collective bargaining process and the system of political decision making.

The optimistic assumption of the 1960s that the welfare state will provide the key to a successful pacification of social conflicts has thus generally given way to an awareness of new tensions which are created by the very growth of social services and bring about new problems of adaptation. However, the different authors we have discussed offer varying outlooks and suggest different topics for empirical research. Wilensky, and to some degree also Offe, stress the cleavage between welfare recipients and the economically active tax payers. They seem to suggest that the receipt of politically allocated benefits constitutes a specific situs which differentiates the welfare clients sharply from groups who draw incomes in the market sector. In this perspective the traditional processes of horizontal group formation and vertical conflicts between privileged and underprivileged classes may eventually be superseded by processes of vertical interest formation and horizontal conflicts between groups in the market and the welfare sector.⁴

Whereas Offe concentrates on the distribution of public goods and relates the social differentiations to group-specific variations in conflict potentials and the relevance to the legitimization of authority, Wilensky focusses on the system of cash transfers and relates cleavages to the disparity between contributions and rewards. His main interest lies in the financing of the schemes and the degree to which different modes of financing promote the mobilization of those who have to foot the bill against those who draw the benefits.

Lepsius, finally, draws attention to inequalities within the clientele of the welfare state. In this perspective, the welfare system does not constitute one largely homogeneous sector, but a new principle of class structuration which itself creates new privileged and underprivileged (transfer) classes. Although he is aware of disparities between contributions and benefits, his focus is on inequalities of entitlements to transfers and on the degree to which different entitlements are linked to positions in the market sphere. In his perspective, it would appear, horizontal processes of group formation based on old (acquisition) or new (transfer) classes are more relevant for the structuration of societal cleavages than vertical aggregations of groups in the welfare and the market sector.

These different theoretical outlooks suggest a variety of topics for closer empirical analysis. To judge the fruitfulness of their concepts the following questions about any national welfare state should be raised:

- What is the relative strength of groups living from welfare benefits and of groups relying on market incomes?
- Are there structural bases for a welfare backlash among the economically active population?
- Are there indications of a formation of interest groups which give expression to pro- or anti-welfare state ideologies?
- To what extent are welfare recipients a homogeneous social category or structured into privileged and underprivileged groups?
- What are the dimensions of inequality among welfare clients?
- How is the access to welfare benefits defined, what groups are systematically barred from the receipt of benefits?
- How are different entitlements related to positions in the market sphere or to differences in the bargaining power or the potential for political organization and representation?

In the following empirical part of the paper we will attempt to clarify some of these questions with respect to the West German welfare state. For most problems the material at hand unfortunately offers only very cursory information. First, we will trace the growth of the welfare clientele in relation to economically active categories. Then some first information on the potential structural bases for a welfare backlash shall be presented. Finally, we will try to shed some light on the internal differentiations of the welfare recipients by showing the size of various client groups and the generosity

of their respective benefits. On the basis of this information we will then try to evaluate to what extent cleavages based on the transfer system are likely to become a dominant mode of structuration in German society. For reasons of data availability all empirical information will be confined to the system of transfer payments excluding the civil service and also excluding the distribution of public goods and services.

II Empirical evidence on transfer classes in West German society

A The changing relationship between welfare recipients and economically active categories

An attempt to document the growth of welfare recipients in West German society is somewhat limited by the poor quality of official statistics on the transfer systems. Data on the various schemes refer to cases rather than to persons and do therefore not allow to sort out persons who receive several benefits at a time. However, since 1960 the annual microcensus carried out by the central statistical office allows an approximate assessment of the number of persons relying on social transfers as their main source of income.⁵

In 1960 7.2 million citizens drew the dominant part of their incomes from the public transfer system. In 1974 their number surpassed 10 million for the first time, in 1980 it almost reached 12 million. The deep-reaching transformation of social structure brought about by this growth becomes fully apparent if we draw a comparison with the development of other social categories (cf figure 1).⁶ Up to the 1960s West Germany was predominantly a workers' society. The more than 13 million workers not only outnumbered all other economically active categories taken together, but boasted almost twice the numerical strength of welfare recipients. In 1960 the blue collar workers lost their absolute majority in the labour force. In 1976 their number fell below that of white collar employees (including civil servants). In the 1980s they were finally even surpassed by welfare recipients. As figure 1 shows, employers and workers, the two groups whose conflicts have for more than a century dominated the development of industrial society, have been in continuous decline, while two dynamic categories have been growing at an almost identical pace: highly trained white collar employees and civil servants, and recipients of social transfers whose life-

Figure 1: The major categories of income earners

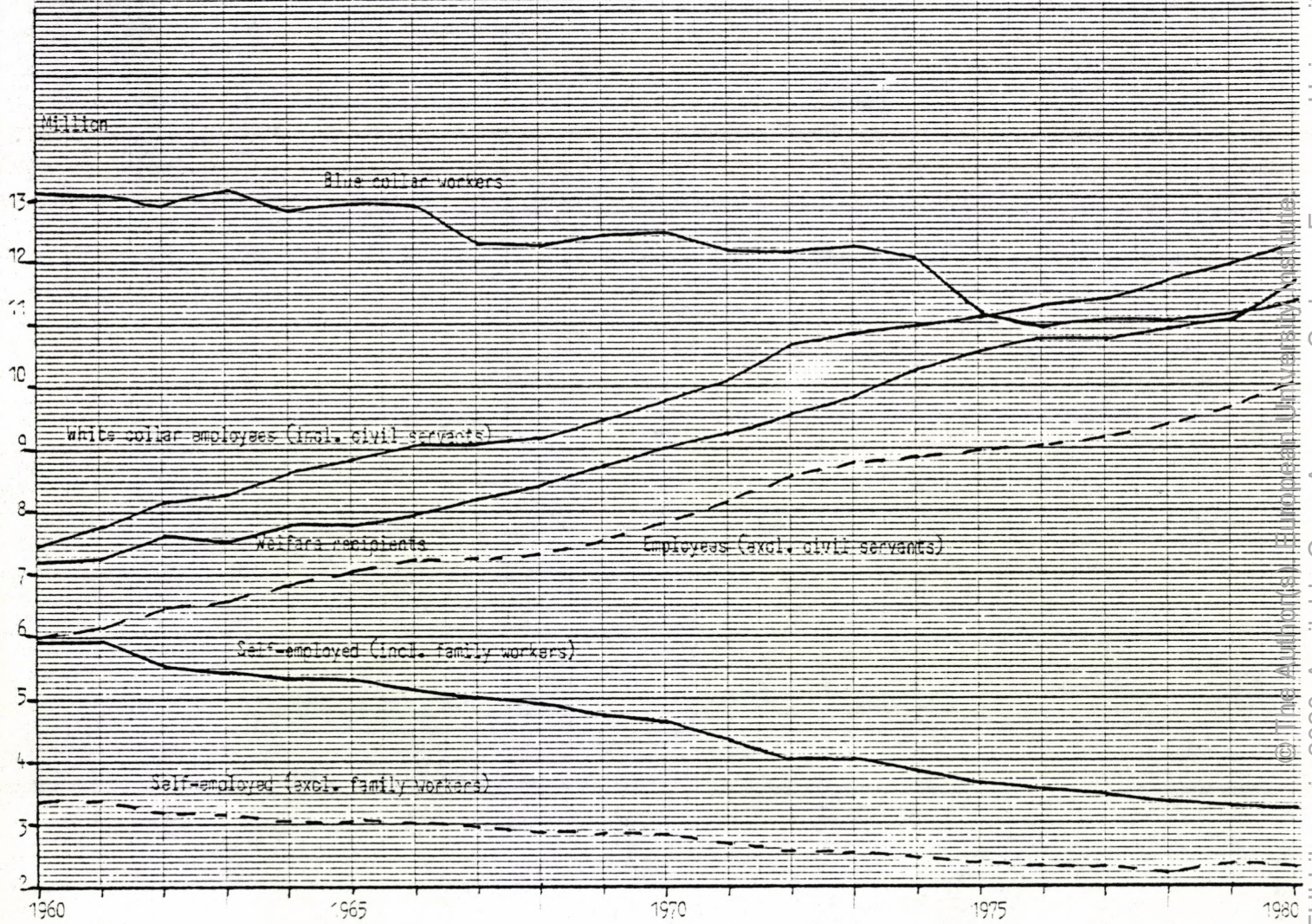
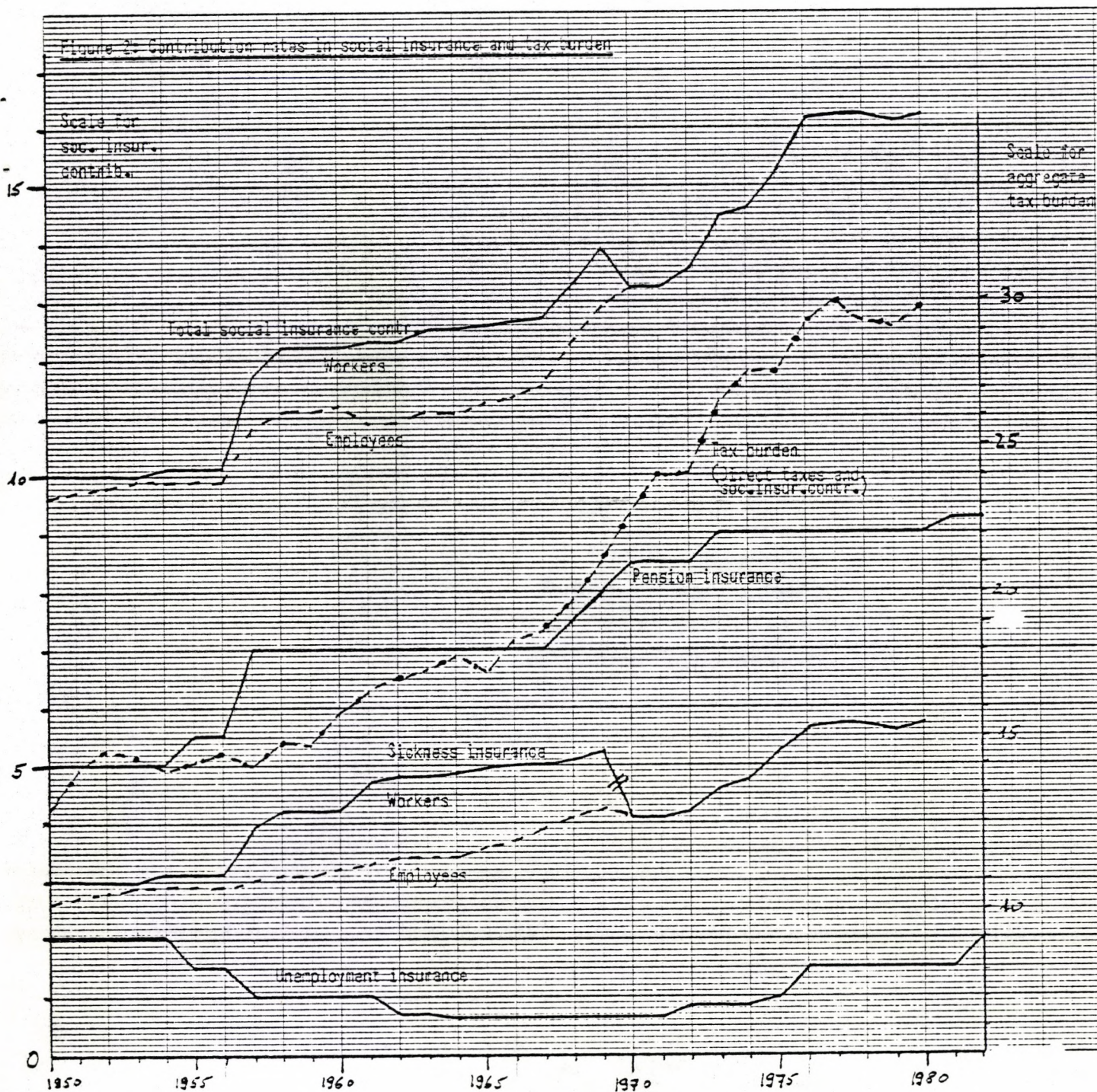


Figure 2: Contribution rates in social insurance and tax burden



chances are determined by political processes.

The growing numerical strength of welfare recipients makes them a decisive political force. In 1961 the welfare clients accounted for 19 % of the electorate. A decade later (1972) their proportion had climbed to 23 %, by 1980 it had already reached 27 %. As the only social category besides members of the civil service whose life-chances depend directly upon the state, the welfare recipients have an immediate interest in the political process which should facilitate their electoral mobilization. Elderly pensioners as the largest group within the welfare clientele have, in fact, always had high voter turnouts of 85 % or more (cf Sehringer 1977).

The growing number of welfare recipients weighs heavily on the shoulders of the economically active population whose burden of taxation has been constantly growing. As figure 2 shows, contributions to the social insurance systems have risen from 10 % in 1950 to 16.2% in 1980 with a marked acceleration of increases in the 1970s (the figures refer to the employed persons' share only). In the same period the total burden of direct taxation has also increased at an accelerating speed from 12.5% to almost 30 %.⁷ The constant rise of real incomes in the past decades helped to make the tightening grip of the fiscal state tolerable, but in the context of declining real incomes the state's squeeze may well be perceived as suffocating and give rise to revolts against the heavy burden of taxation.

However, the economically active population not only pays the bill for the social services, but also has a firm standing in the distributive system of public transfers. Only the minor programmes of the German welfare state provide for a highly selective access which excludes the middle mass of income earners.⁸ In the social insurance schemes which represent the institutional and financial core of the German welfare state, access has been continuously widened. As figure 3 shows, the percentage of the labour force incorporated into the social insurance programmes has risen considerably since the 1950s. Today about four fifths of the economically active population are covered against each of the major risks of income loss. Civil servants are protected under special programmes.

In West Germany, it appears, the middle mass of income earners is thus firmly integrated into the system of public welfare. The

Figure 3: the extension of social insurance coverage
(insured persons as % of the labour force)

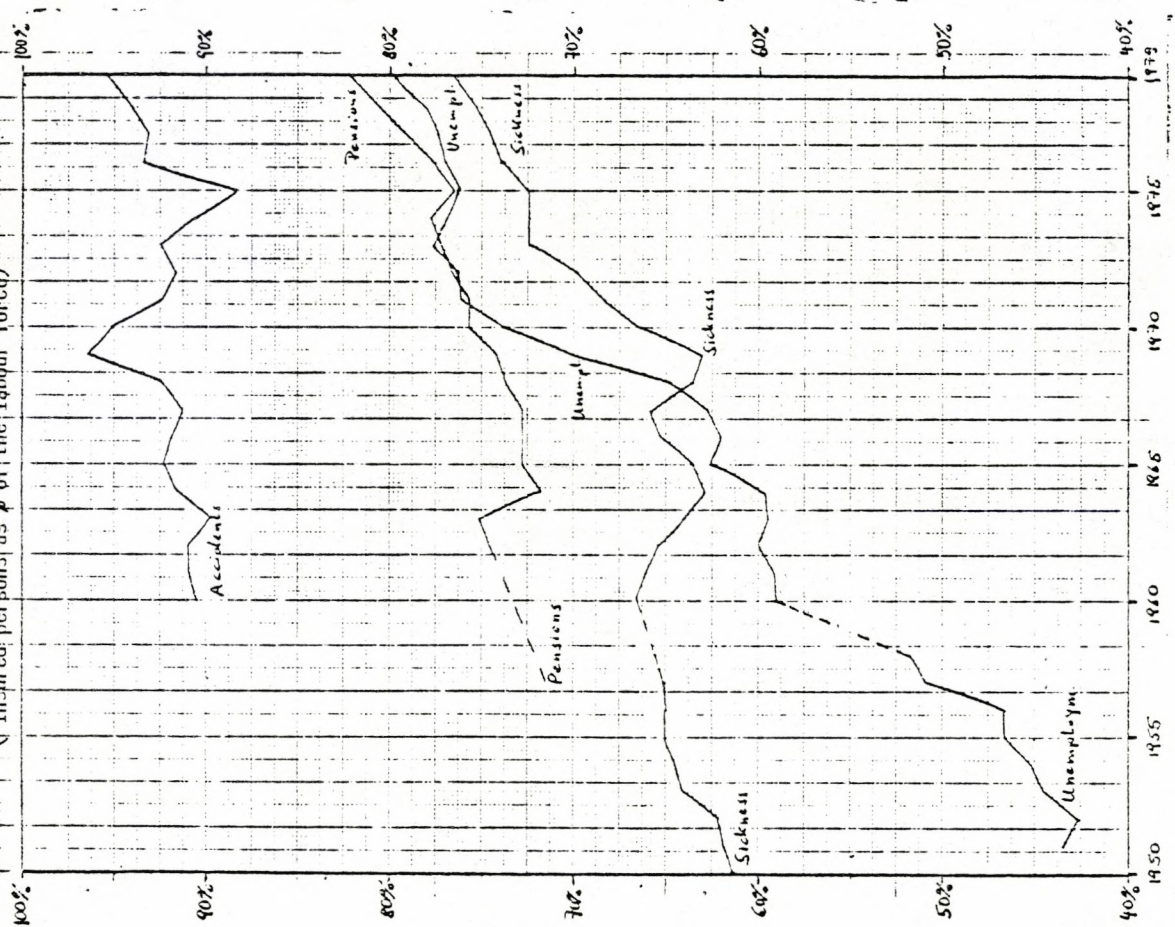
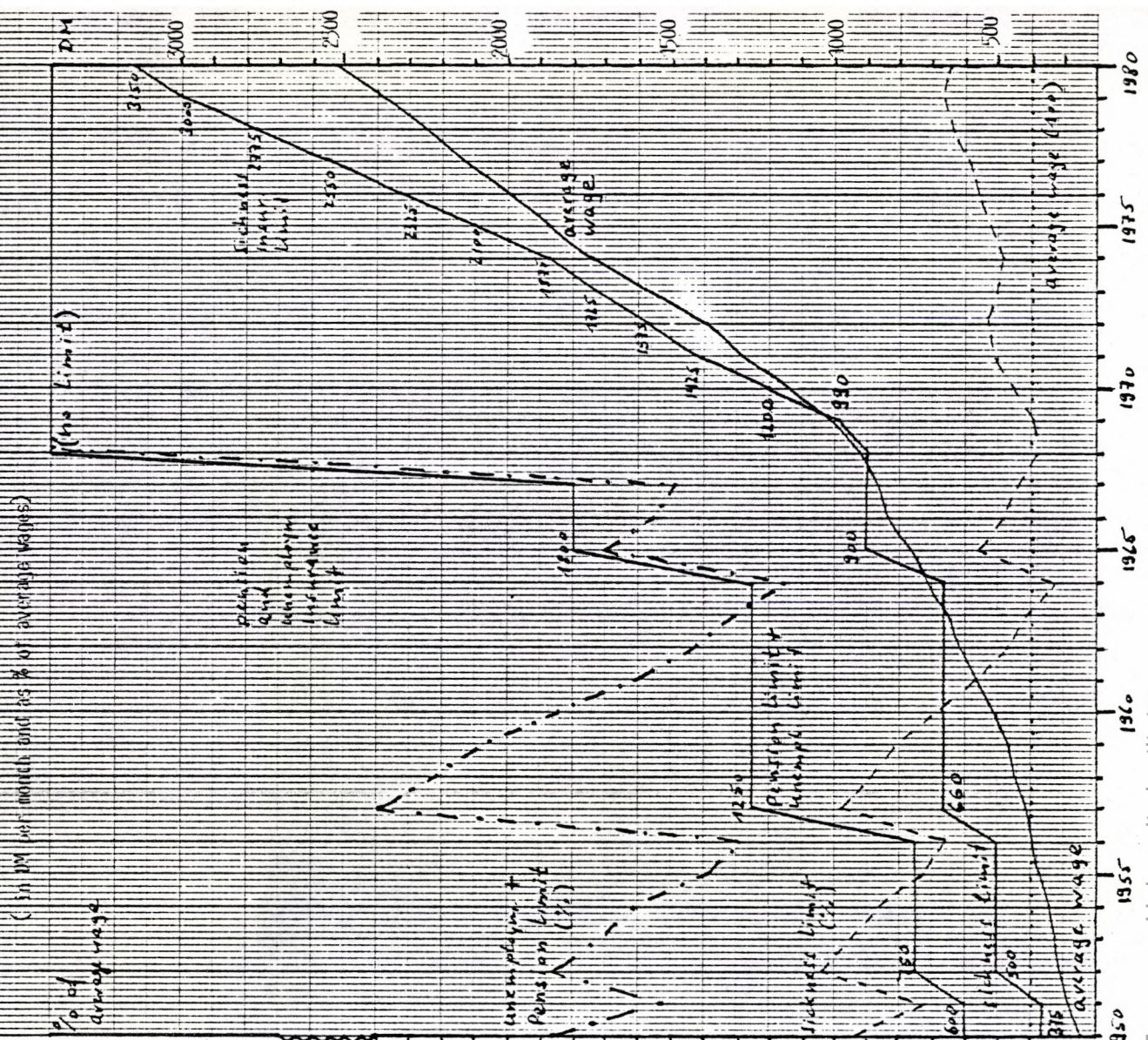


Figure 4: Income limits for the compulsory coverage of employees for social insurance
(in DM per month and as % of average wages)



original limitation of the social insurance programmes to blue collar workers has successively given way to extensions upwards the social structure.⁹ Today most white collar employees are affiliated to the systems. This is demonstrated by figure 4 which shows the development of the income-limits for the compulsory coverage of employees in the major social insurance schemes since 1950. Although the failure to adapt the income-limits to changing wage levels has occasionally driven the better earning groups out of the systems (especially between 1957 and 1964), average earners have always been incorporated. In 1968 the income-limits for pension and unemployment insurance were abolished. The limit for sickness insurance was indexed to changes in the wage level in 1970. Today only the privileged better off find themselves barred from the public insurance schemes which still exclude most of the self-employed.

The structural bases for a welfare backlash among the economically active population thus do not appear as very strong. The interest structures of the middle mass of income earners seem to be ambivalent with respect to the welfare state. On the one hand they suffer from rising contribution rates, but on the other they also benefit from improving benefits. As a careful analysis of the incidence of public transfers has shown, positive and negative transfers accrue to a large extent in identical households, especially in the middle income categories (Krupp 1978).

The formation of interest groups is not only a function of structural conditions, however. To a large extent it will depend upon how the leadership of already existing organizations perceive and define the situation. In this context, it is important to note that the German trade union movement has strong historical linkages with the welfare state. The social insurance programmes are managed by autonomous boards which are comprised of representatives of employees and employers. In the early years of the German insurance system, the administrative positions in the social insurance programmes (especially sickness insurance) provided a major channel of social mobility for members of the working class and the trade unions (cf Tennstedt 1976, Standfest 1977). Consequently, the unions have always acted as advocates of the social programmes. In the most recent debates on the public deficit they have defended the

preservation and even the further expansion of the welfare schemes for which they have demanded an increase of the state share in financing. Rather than making itself the spokesmen of a tax/welfare backlash the central interest group of the middle mass in West Germany thus advocates an increase in visible taxes for social programmes (cf Krämer 1981).¹⁰

A clash between the interest of welfare recipients and the economically active tax payers is also made rather unlikely by some of the institutional properties of the German welfare state. Most of the programmes in fact establish a firm linkage between the entitlements to transfers and the income from work. Preservation of the social status obtained in the market sphere may be seen as one of the central objectives of German social policies. This will become more evident if we examine more specifically who the welfare clients are and what benefits they receive.

B The internal differentiation of the welfare clientele

1. Social positions in the welfare class I: Who the welfare recipients are

So far we have spoken of welfare recipients as though they were a solid social category consisting of uniform elements with similar interests. However, they draw benefits from different social programmes which do not provide for identical entitlements. Table 1 shows the number of beneficiaries under the most important transfer schemes from 1950 to 1979. In addition it reports eligibility ratios which show what percentage of persons exposed to a given risk actually receives benefits. Contrary to the figures on coverage already reported, these ratios demonstrate real rather than potential entitlements¹¹ and keep the effect which an expansion of risks has on the number of recipients constant. Thus they show which impact legal extensions of entitlements had on the growth of beneficiaries independent of demographic or socio-economic changes. Unfortunately meaningful eligibility ratios could only be calculated for old age pensions, unemployment benefits, and education and child allowances.¹² Figure 5 depicts the growth of various client groups on an annual basis expressing the number of recipients as a percentage of the total population.¹³

Table 1

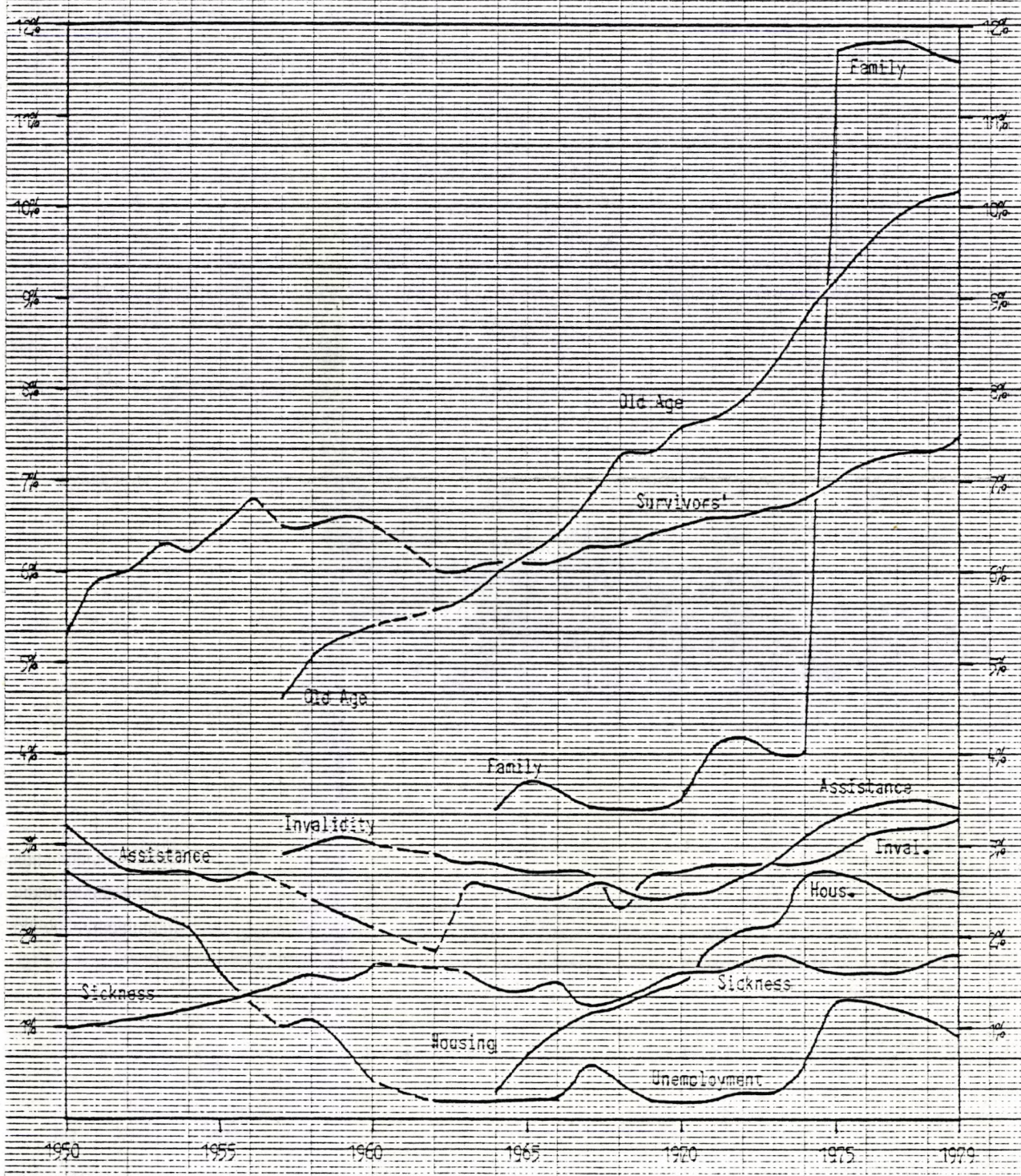
The Clienteles of the Major Welfare Schemes

	1950	1955	1960	1965	1970	1975	1979
<u>Pensions</u> ¹⁾							
Old age pensions			2901	3645	4585	5703	6250
in thousands							
as % of population 60+	2786	3661	32.7%	34.5%	39.3%	46.0%	53.0%
Invalidity pensions							
in thousands	42.4%	49.2%	1628	1595	1657	1822	2046
as % of population 60+			18.3%	15.1%	14.2%	14.7%	17.3%
Survivors' pensions							
in thousands	2547	3285	3447	3597	3969	4314	4582
as % of population 60+	38.7%	44.2%	38.9%	34.0%	34.0%	34.8%	38.8%
<u>Occupational Injuries</u> ²⁾							
Pensioners in thousands	636	830	916	1011	1018	1018	1013 ⁷⁾
as % of labour force	2.9%	3.5%	3.5%	3.7%	3.8%	3.9%	3.9%
<u>Sickness</u> ³⁾							
Recipients of cash benefits							
in thousands	478	655	902	850	999	985	1107
as % of compulsorily insured	3.6%	4.0%	5.1%	4.9%	5.6%	5.3%	5.7%
<u>Unemployment</u> ⁴⁾							
Recipients of cash benefits							
in thousands	1455	889	226	109	113	817	582
as % of unemployed	77.8%	82.8%	83.4%	74.1%	75.8%	76.1%	66.4%
<u>Social Assistance</u> ⁵⁾							
Recipients of ordinary benefits							
in thousands				760	749	1190	1311
as % of total population				1.3%	1.2%	1.9%	2.1%
Recipients of ordinary or special benefits							
in thousands	1628	1328	1134	1404	1491	2049	2095
as % of total population	3.4%	2.6%	2.1%	2.4%	2.5%	3.3%	3.4%
<u>Education Allowances</u>							
Aided students in thousands		1.5	32	46	200 ⁶⁾	345	323
as % of all students			11.1%	12.0%	33.4%	41.0%	32.9%
Aided pupils in thousands				583	160 ⁶⁾	320	409 ⁷⁾
as % of secondary level pupils				8.2%	1.7%	29.6%	27.2%
<u>Child Allowances</u>							
Supported families in thousands				2171	2113	7253	7121
as % of families with children under 18				27.4%	24.8%	82.6%	84.7%
Supported children in thousands				4827	5176	14027	13017
as % of all children under 18				30.9%	31.5%	87.3%	90.3%
<u>Housing Allowances</u>							
Households receiving benefits							
in thousands				395	908	1666	1518
as % of all households				1.9%	4.1%	7.0%	6.2%
<u>Welfare recipients</u> ⁸⁾							
in thousands			7200	7799	9087	10538	11054
as % of all income receivers			21.3%	22.3%	25.2%	28.2%	28.9%

For notes see table 3

Figure 5

The Clientales of the Major Welfare Schemes
(as percentage of total population)



Pensioners are by far the largest group among the welfare clients. In 1979 almost 13 million pensions were paid. Among these, old age pensions are not only the largest but also the most rapidly increasing category, which has more than doubled since 1960. This increase is not merely a function of demographic changes: In 1960 only about one third of the population above 60 drew an old age pension, but in 1979 more than half of them received benefits.¹⁴ Invalidity and survivors' pensions have also been growing considerably since 1950, but their increase was less steep. In 1979 4.6 million survivors' pensions and 2 million invalidity pensions were paid.

Since the generalization of the child allowance scheme in 1974, families receiving child allowances are the second largest group among welfare clients. More than seven million families, or 85 % of all families with children under 18, have been receiving benefits since then. Four other categories of welfare recipients number more than one million each. Over two million persons, or some 3 % of the population, received social assistance payments in 1979. After a decline in recipients in the 1950s and fluctuations around a fairly constant level of 1.5 million throughout the 1960s, numbers rose again in the 1970s, especially after the economic recession of 1974. The recession years 1966/67 and 1973-75 each saw overproportional annual increases of assistance recipients.¹⁵ About 1.5 million households (6 % of all households) are in receipt of housing allowances. Since the introduction of regular benefits in 1965 their absolute number and their proportion of the population have quadrupled.

Some one million persons draw sickness cash benefits. The proportion of compulsorily insured persons reported sick has been increasing continuously in the post war period. Averaging 4 % in the 1950s, it rose to 4.4 % in the 1960s and 5.5 % in the 1970s. Another million people draw a pension from the occupational injuries insurance scheme. After a continuous increase throughout the 1950s and the first half of the 1960s, their number has remained fairly constant since 1965.¹⁶

In the two remaining categories, the number of beneficiaries is much more limited. The number of persons maintained on unemployment benefits (insurance or assistance) closely correlates to fluctuations in the business cycle. It is remarkable, however, that the proportion of unemployed persons entitled to compensation has

been sharply declining since 1975. After fluctuations around 75 % between 1950 and the mid-1970s, with occasional extensions even above 80 %, the eligibility ratio has gone drastically down to a low of 66 % in 1979. This corresponded to 582 000 beneficiaries. The several hundred thousand unemployed persons who remain without compensation have either exhausted their insurance entitlements or have not contributed long enough to fulfill the qualification period for the receipt of benefits. Their weak position in the transfer system is a reflection of their underprivileged situation in the labour market with frequent interruptions of employment. In combination with the bottom groups of the economically active population they could become susceptible to radical propaganda against the existing order.

In the education allowance scheme benefits are granted independent of previous contributions. Nevertheless, following heavy increases during the phase of educational expansion, the number of pupils and students in receipt of allowances has also been declining in relative importance since 1975. In 1978 about one third of all students or 300 000 persons drew benefits, as opposed to 41 % in 1975. Though continuing to rise in absolute terms to about 400 000 persons, the proportion of pupils of secondary stage II receiving benefits has in the same period gone down from 30 to 27 %.

The growing numbers of beneficiaries in most programmes underline the increasing importance of income which is allocated by political mechanisms. However, figures on the mere size of the various client groups can tell little about the structuration of interests. Although all recipients of transfers must be interested to preserve at least the purchasing power of the public payments, the benefits do not have the same central significance for all groups. In the four first named programmes of table 1 (pensions, occupational injuries, sickness, and unemployment insurance) the transfers serve as income replacements which compensate the loss of earnings from work.¹⁷

In the remaining four programmes the benefits function merely as income supplements which are designed to augment earnings from work (child allowances) or to cover the difference between private means and standards of living defined as suitable by the lawmaker (social assistance, housing, and education allowances).

Where benefits are only one source of income among others they appear unlikely to become a durable basis for the formation of interests. Moreover, for most beneficiaries including those who depend on a replacement of earnings from work, the receipt of public transfers is only a transitory experience based on the occurrence of specific circumstances to which there is no structurally patterned recruitment. Only for old age pensioners and parts of the recipients of social assistance, invalidity and survivors' pensions, the welfare state functions as the central determinant of life chances. Since for the members of the pension system transfer entitlements are largely based on the former position in the market sector (as we will see in more detail below), an aggregation of their interests with those of the acquisition classes presently seems more likely than their fusion with assistance recipients into a new interest group of welfare clients.

If the structural prospects for the formation of an embrative collectivity of welfare recipients appear limited, it is also unlikely that their alimentation by the state will make them a common target of a general welfare backlash. In the schemes which replace lost earnings, merit rather than need is the basis of entitlements. Only those acquire a right to the receipt of benefits who have contributed to the schemes on a sufficiently regular basis. Entitlements are therefore likely to be perceived as "deserved" and to incite little hostility among tax payers. Since family allowances are universal they are also unlikely to become the target of a welfare backlash.

In the three remaining schemes entitlements to benefits are based on need rather than on merit. These programmes may therefore become a focus of attempts to curtail welfare activities. Access to educational allowances is limited to groups below an income-limit. Since this limit is rather high, however, extending close to the average income brackets,¹⁸ the middle mass whose children draw benefits from the scheme will probably not support cuts of the programme. The housing allowance scheme and the social assistance system appear more likely to become the target of assaults. Both programmes are financed out of general taxation, but entitlements are tied to rather low income-limits which bar average earners from access.

In summary, persons in receipt of social transfers form a rather heterogeneous social category. Not for all of them do public benefits have the same significance as a determinant of life chances. Entitlements are in some cases based on merit, in others on need. Only systems based on need which bar those who finance them from access to benefits seem likely to incite a backlash. The beneficiaries in the major programmes for whom transfers represent the main source of income have strong linkages with the labour market. Many of them draw benefits only on a transitory basis (sickness, unemployment). The solid block of welfare clients whose life chances fully depend on the transfer system - old age and invalidity pensioners with full incapacity - have earned their entitlements through previous contributions. For them the position in the transfer system to a large extent reflects the prior position in the labour market.

The institutional linkages between the welfare schemes and the market sector will be documented more systematically in the next section which will examine to what extent the standards of living of welfare recipients have kept pace with that of the economically active population, how the generosity of benefits varies among different schemes, and whether differences in the levels of benefits may be related to variations in the bargaining power of the various client groups, or the institutional linkages between the systems and the work sphere.

2. Social positions in the welfare class II: What welfare recipients get

Reliable information about the social conditions of welfare recipients is in short supply. Although the German microcensus allows to discern the size of transfers received by individual households, it does not render it possible to determine from which schemes these transfers are drawn and to what extent they are cumulated. The institutional data of the single programmes, on the other hand, deal with cases rather than persons and also leave open to what extent benefits are supplemented by those of other schemes. Here we have to settle with some very crude (yet new) information on the generosity of benefits in the major transfer schemes. Table 2 shows the size of the average (per capita) benefits of the programmes at constant (1976) prices and expresses them as a percentage of average net earnings. Figure 6 shows the development of the relationship between per capita benefits and wages on a yearly basis. Table 3, finally, depicts the development of the legal benefit rates.

Table 2

Average Benefits of the Major Welfare Schemes¹⁾

	1950	1955	1960	1965	1970	1975	1979
<u>Pensions</u> ²⁾							
Average pension (old age or invalidity)							
at constant prices (1976)	154	215	353	426	569	738	753
as % of average net earnings	3%	33%	46%	43%	48%	54%	50% prov.
Average old age pension (age 65)							
at constant prices (1976)			390	472	638	802	776
as % of average net earnings			5%	47%	53%	58%	52%
Average widows'/widowers' pension							
at constant prices (1976)	89	130	248	312	436	585	613
as % of average net earnings	18%	20%	32%	37%	36%	42%	41%
<u>Occupational Injuries</u> ³⁾							
Average benefits at 1976 prices							
as % of average earnings							
<u>Unemployment</u> ⁴⁾							
Average benefits at 1976 prices	197	325	452	527	790	955	955 ⁷⁾
as % of average earnings	39%	51%	55%	53%	66%	69%	66%
<u>Social Assistance</u> ⁵⁾							
Average benefits							
at constant prices (1976)				143	183	221	226
as % of average net earnings				14%	15%	16%	15%
Average benefits (or special)							
at constant prices (1976)	115	154	216	196	260	357	437
as % of average net earnings	23%	24%	28%	20%	22%	26%	29%
<u>Education</u>							
Average benefits for students							
at constant prices (1976)		185	209	346	429 ⁶⁾		421 ⁷⁾
as % of average net earnings		29%	27%	35%	33%		29%
Average benefits for pupils							
at constant prices (1976)				69	252 ⁶⁾		245 ⁷⁾
as % of average net earnings				7%	19%		17%
<u>Child Allowances</u>							
Average benefits per family							
at constant prices (1976)				150	157	172	178
as % of average net earnings				15%	13%	13%	12%
<u>Housing Allowances</u>							
Average benefits per household							
at constant prices (1976)				49	84	87	92
as % of average net earnings				5%	7%	6%	6%

1) In general, average benefits are benefits per capita obtained by simply dividing the aggregate expenditures by the number of beneficiaries. They are given in DM at constant prices, i.e. prices of 1976. Percentages are calculated on the basis of current figures. All figures are monthly rates.

2) All figures are averages of the workers', employees' and miners' schemes. They have been obtained by taking the average benefits for each scheme from official sources and weighing them by the number of beneficiaries of the respective scheme. They always refer to the end of the stated year.

3)

4) Insurance benefits only, i.e. excluding unemployment assistance; including contributions to other social insurance schemes. 1960=1961;

5) Between 1960 and 1965 there was a change in official statistics; figures are not comparable.

6) 1972

7) 1978

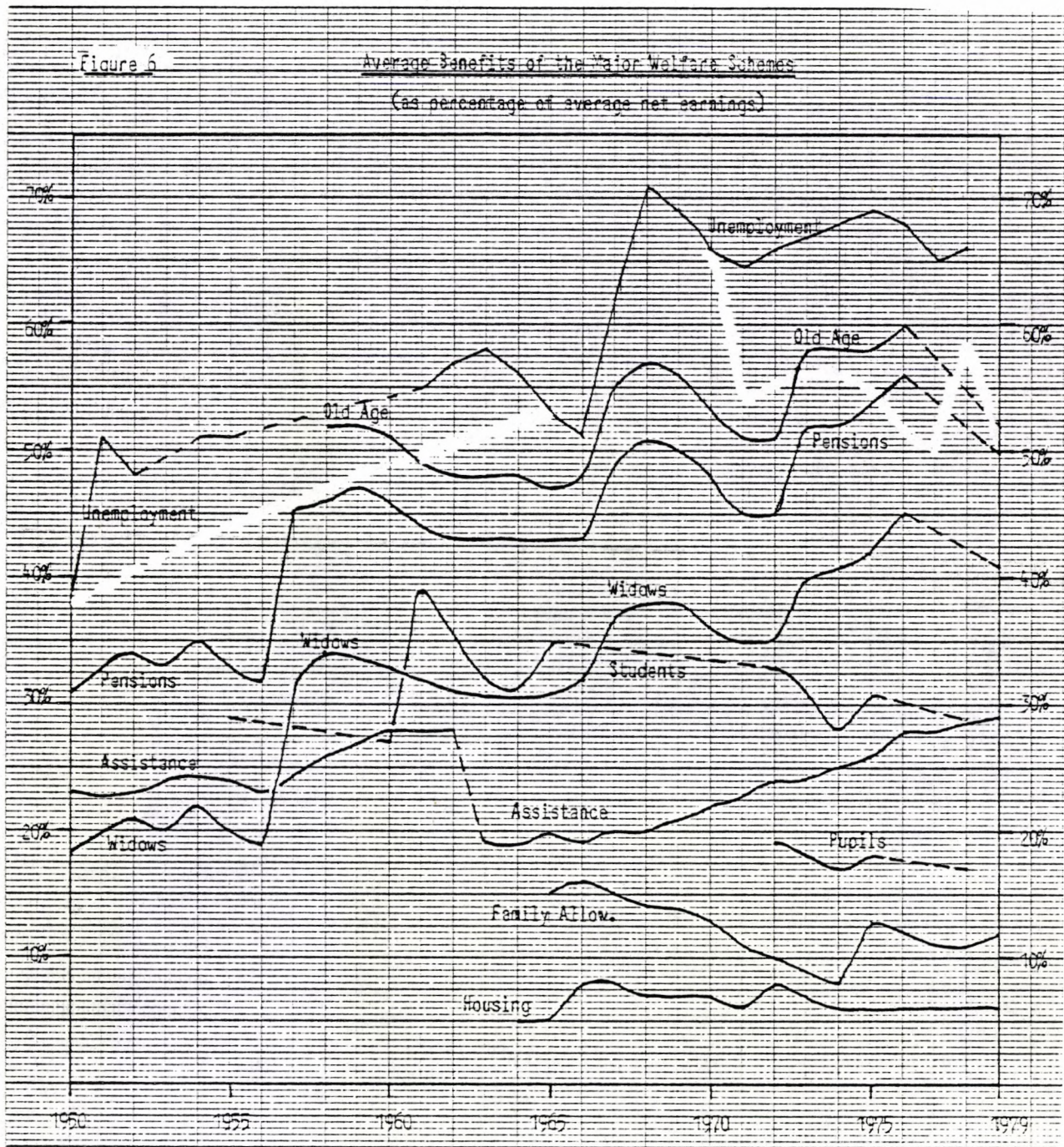


Table 3

Standard Benefits and Earnings Replacement Ratios

	1950	1955	1960	1965	1970	1975	1979
<u>Pensions (Old Age)</u>							
Standard earnings replacement ratio ¹⁾			67.5%	67.5%	67.5%	67.5%	67.5%
Standard pension ²⁾							
at constant prices (1976)			513	642	812	970	1075
as % of average net earnings			67%	64%	68%	74%	72%
<u>Sickness</u>							
Earnings replacement ratio ³⁾	50%	50%	90%	100%	100%	100%	100%
<u>Unemployment</u>							
Earnings replacement ratio ⁴⁾	45%		55%	55%	62.5%	68%	68%
<u>Social Assistance</u>							
Regular benefits ⁵⁾							
at constant prices (1976)			151	185	217	266	277
as % of average net earnings			20%	19%	18%	19%	20%
<u>Child Allowances</u>							
Standard benefits for							
1st child: at current prices						50	50
at constant prices (1976)						52	45
as % of av. net earnings						4%	3%
2nd child: at current prices				25	25	70	100
at constant prices (1976)				39	35	73	91
as % of av. net earnings				4%	3%	5%	6%
3rd child: ⁶⁾ at current prices		25	40	50	60	120	200
at constant prices (1976)		49	72	78	84	125	181
as % of av. net earnings		8%	9%	8%	7%	9%	12%

- 1) Earnings replacement ratio, according to pension formula for a beneficiary with 45 contribution years and life time earnings corresponding to average earnings of the insured population.
- 2) Actual pension drawn by a pensioner fulfilling the conditions of note 1.
- 3) Legal earnings replacement ratio during the first six weeks of illness.
- 4) Since 1975 legal earnings replacement ratio; in previous years earnings replacement ratio obtained by a single beneficiary with average earnings.
- 5) Rates to which single persons below 65 are entitled if without other income; persons above 65 get 30% more (until 1964: 20% more).
- 6) Since 1975 rates for 3rd and further children; between 1964 and 1974 benefits for the fourth and for the fifth and further children had special higher rates.

Notes to table 1

- 1) The data refer to the number of pensions paid under the workers', employees' and miners' scheme. One person may draw several pensions.
- 2) Total yearly pensions (incl. survivors' pensions)
- 3) The data refer to the number of sick persons within the compulsorily insured population. Absolute numbers are based on percentages reported in official sources. About 99 per cent of all compulsory members are entitled to cash benefits in the form of wage continuation.
- 4) Number of persons drawing unemployment insurance benefits or unemployment assistance benefits.
- 5) Regular benefits: Hilfe zum Lebensunterhalt
- 6) 1971
- 7) 1978
- 8) The data refer to persons relying on pensions or similar payments as their dominant source of income. It includes a small number of persons living predominantly from capital gains.

Table 2 and figure 6 demonstrate that welfare recipients have usually been able to keep pace with the living standard of the economically active population. The beneficiaries of the income replacement schemes have even sizeably improved their relative positions over time. In the income supplement programmes the average payments of the social assistance scheme (regular benefits) and of the housing allowance programme preserved a constant relationship to average earnings.¹⁹ Only child and education allowances have somewhat declined in relative terms. For the bulk of welfare clients the gap between income from work and income from the transfer system has thus rather been narrowed than widened.

To make welfare recipients participate in the increasing prosperity of the economy has always been an explicit policy goal of German governments (cf von Beyme 1979). Various institutional linkages tie transfers to earnings from work. Entitlements in the income replacement schemes are all expressed as percentages of lost earnings. Rising wages are therefore immediately transmitted into the system of transfers. In addition, the earnings-replacement ratios of all schemes have been consistently augmented in the post war period (cf table 3). Long-term benefits which are drawn for extended duration are either indexed to changes in wages or successively adapted to the development of economic conditions.

The indexation of benefits first came about in pension insurance when the reform of 1957 provided for annual increases of pensions according to changes in the wage level (with a time lag). Pensions under the industrial accident insurance scheme were indexed in 1964. If sickness and unemployment benefits are drawn longer than a year they are augmented at the same rate as pensions (since 1975). Although they are not indexed, benefits of the income supplement schemes are repeatedly adapted to changing economic conditions. Thus, the standard rates of the social assistance scheme have been revised annually since 1957. Education allowances are subjected to a bi-annual re-examination since 1974. Housing allowances are adapted to changing incomes and rent levels since 1978. Child allowances are the only benefit which is neither indexed nor regularly revised. Even they have been occasionally augmented, however.

These institutional mechanisms have successfully safeguarded benefits against setbacks in purchasing power. In all schemes per capita benefits have multiplied in real terms over the last decades (cf table 1). The degree of generosity, however, varies considerably among different programmes. This is shown in table 1 for average benefits and in table 3 for the legally established rates. As the per capita benefits are a function of a diversity of factors such as changing distributions of contribution and earnings records among the beneficiaries, inequalities among various client groups which are shaped by the political process are better reflected in table 3.

By their very nature the income replacement systems provide for much higher benefits than the income supplement schemes. However, also within the group of income replacement programmes the generosity of benefits varies widely. Sickness cash benefits fully compensate lost earnings for a period of six weeks. After this they amount to 80 % of gross earnings with previous net earnings as a possible maximum. In the 1950s they had only replaced 50 % of lost earnings. Unemployment insurance benefits increased from an original 45 % to a present 68 % of lost net earnings. The legal rates in the pension insurance schemes have remained unchanged since 1957. In the standard case of an average earner with a contribution record of 45 years, old age pensions amount to 67.5 of (recent) average wages.²⁰ Invalidity and widows' pensions are lower, in standard cases amounting to 52.5 and 21 % of average wages respectively.²¹ The invalidity pensions of the occupational injuries insurance scheme are much more generous. In the case of permanent incapacity they amount to two thirds of lost gross wages which in most cases corresponds to the continuation of net earnings.

As sickness and unemployment benefits provide for short-term income loss, pensions of the pension insurance and the occupational injuries programme for long-term risks, differences in the generosity of the benefits between these two groups could be related to functional considerations of the varying costliness of the programmes. The differences within the groups of short-term and long-term benefits do not lend themselves to such an explanation, however. They are neither based on differentials in the market sphere, nor on different needs, but on political evaluations of the causes of

the income loss. The differences in evaluation can hardly be related to the differential bargaining power of various pressure groups, because the beneficiaries of all these schemes are equally recruited from the economically active population. The difference between sickness and unemployment benefits presumably reflects the attempt to keep the incentive to work among the unemployed population high, but they may also echo cultural values which equate unemployment with idleness. The difference between invalidity pensions in the occupational injuries and the pension insurance systems reflects the longevity of the originally institutionalized principle of German social policies to make the causes rather than the extent of indigence the reference point of administrative action.

The various income supplement schemes also provide for discrepant levels of benefits. Per capita transfers are highest in the educational allowance scheme for students. The public grants to university students amounted to almost one third of average net wages in recent years. Although they have not been growing with the same dynamism as the other expenditure categories, education allowances thus are on a remarkably high level when compared with other transfers. In the early 1950s the per capita benefits for talented university students ("Honnefer Modell") were higher than the average pension in the workers' scheme.²² In the 1970s the per capita education allowance including pupils of the secondary sector was higher than the regular benefit granted to social assistance recipients (who additionally receive benefits to cover the cost of housing, however).

The relatively privileged position of beneficiaries of the education allowance programme may probably be explained by the strategic political position of their middle mass parents. However, the gap between benefits of the education allowance and the assistance scheme has narrowed rather than widened over time. The fact that even the legal rates of the social assistance programme and the average housing allowance have grown at the same pace as wages is not easily explained by political economy models. Both groups have little collective bargaining power and lack political representation. Since their programmes are financed out of general taxation but are highly selective, we also considered them the prime candidates for curtailments. Instead, up to 1979 the standard rate of the

social assistance scheme has maintained a fairly stable relationship to average net earnings of 20 %, while per capita housing allowances kept constant at a level of 6 %.

The participation of all welfare recipients in the general upgrading of the standard of living was certainly facilitated by the high economic growth rates of the post war decades which allowed to expand social policies on the basis of more to everyone. In a protracted period of austerity conscious choices about the distribution of resources and cuts will probably play a more prominent role. In this situation the weak strategic position of assistance recipients may come stronger to the fore.²³

Differences of welfare entitlements within single programmes are only poorly documented in official statistics. However, such differences are almost entirely a function of the positions which the beneficiaries held in the market sector. The earnings-replacement ratios of the insurance systems directly transmit the status in the labour market into the system of transfers. In the income supplement schemes the relationship between market and transfer income is reversed. Entitlements are highest for the lowest earning groups, while the better off get progressively less. The tight linkage between transfer and market incomes has been loosened to a certain extent only in pension insurance, where entitlements based on merit have successively been complemented by entitlements based on need. Thus, for low-earning groups a minimum pension component was introduced.²⁴ As a consequence the trend towards an increasing difference between the average pension of employees and that of workers, which had set in in 1957, was reversed.²⁵

The global structure of disparities based on imbalances between the contributions paid and the transfers received is hardly explored. It has already been indicated that positive and negative transfers appear to incur largely in the same households. Even the lowest income groups pay considerable taxes and social security contributions, and even the higher earning groups receive public transfers (cf Krupp 1978). The proportion of households who receive higher transfers than they pay is, however, greatest in the lowest income groups. In this sense, the West German welfare state is redistributive despite its institutional orientation towards the preservation of status. Besides, a policy of status preservation

is in itself redistributive in the sense that it reduces the inequality in the distribution of the (in-)security of social status. Whether disparities in the incidence of positive and negative transfers can provide a structural basis for processes of group formation appears doubtful. Since even social science experts have difficulties to detect them, it seems unlikely that they will become visible enough to serve as a foundation for collective action.

In summary, then, the standard of living of welfare recipients has not fallen behind that of other groups. The purchasing power of per capita social transfers multiplied in the post war period. The relationship between transfers and wages either remained constant or shifted in favour of the clients of the welfare schemes. Although all welfare recipients participated in the rising prosperity of the post war years, they are not all entitled to equally generous benefits. Levels of benefit vary between different schemes and within single programmes. Differences between the generosity of various systems do not seem related to the bargaining power of their clientele or to the extent to which the institutional structure of the programmes gives rise to a welfare backlash. Rather they reflect the longevity of the old principle of German social policies to make the generosity of transfers contingent upon the causes rather than the extent of need situations. Differences in entitlements within single programmes merely reflect and prolong inequalities in the market sphere. In this sense they underline rather than counteract the importance of acquisition classes for the structuration of interests. In the following section, we will attempt to put these results into the context of the general perspectives on the impact of the welfare state on social structure which we have described in the first section.

III Summary, conclusions, and perspectives

The number of persons living from benefits of the social transfer system has been rapidly increasing in West Germany during the last decades. The growing importance of transfers allocated by political mechanisms has reduced the significance of income from the market sphere as a prime determinant of life chances. Thus it has probably contributed to diminish the salience of traditional class conflicts. On the other hand, the public transfer system is also a source of new inequalities which may eventually become a basis for new social cleavages.

In the West German welfare state several reference points for the development of such cleavages may be discerned. The expansion of social programmes has led to the steepest increase in the tax burden since World War I. In the context of economic austerity a further growing tax burden may become a source of increasing unrest among economically active tax payers. Whereas a smooth functioning of the economy requires the successful integration of the middle mass of dependent workers, a curtailment of social expenditures becomes politically difficult, because persons living from public transfers represent a rapidly growing proportion of the electorate. Their common interest is to at least preserve the attained level of benefits. Maintaining the balance between the interest in lower taxes and the quest for generous social benefits may therefore become increasingly difficult.

Within the transfer system some new inequalities are constituted. Apart from the child allowance scheme none of the German social programmes provides for universal access. Contributions to a system do not necessarily establish future entitlements. In some schemes access to benefits is limited to groups below an income-limit although all taxpayers contribute to their financing. For those who are entitled to benefits, identical needs may be compensated diversely, depending on the causes which gave rise to the need. These inequalities are independent of inequalities in the market sector. In a context of austerity, tensions between groups with discrepant welfare entitlements may become exacerbated.

So far none of these structural tensions has assumed a relevant role in the structuration of conflicts in West German society. The recent realignment of the party system is not based on

welfare issues but on ecological questions. The new party of the "greens" has taken a populist stand for the defense of social programmes. Present quarrels about the welfare state to a large extent reflect the old cleavage between the political "left" and "right" (cf Pappi 1976). Several institutional properties of the German welfare state favour an aggregation of interests of acquisition and welfare classes. The middle mass of the economically active population is integrated into the major social programmes. Entitlements to benefits for them are an important economic asset. Their interest organizations have long established linkages with the public transfer system in whose autonomous administration they have been participating for an entire century. The trade unions have always advocated an expansion rather than a curtailment of social programmes.

The benefits in the major programmes aim at status preservation rather than at (visible) redistribution. Since they are earnings-related they directly transmit the social status attained in the market sphere into the system of public transfers. Entitlements are based on previous contributions and thus on merit rather than on need (at least in the most important programmes). They are therefore likely to be considered as "deserved". All this favours the definition of inequalities which arise in the transfer system as a reflection of the "basic" inequality in the market sphere and the consequent aggregation of welfare issues with cleavages based on positions in the labour market.

The differences in the generosity of benefits among various programmes do not provide a firm basis for the formation of interest groups. In the first instance they fragment welfare recipients into various client groups. The receipt of benefits in many cases is only a transitory experience. Recruitment to the schemes which provide different benefits for identical needs is not structurally patterned but accidental.²⁶ Among the recipients of various schemes there are no structural channels of contact or communication. Disparities which are not perceived and confirmed in regular contacts appear unlikely to serve as a basis for processes of group formation. The beneficiaries of various programmes probably do not perceive themselves as "relevant others". For the definition of their situation the development

of benefits over time will probably be of more central importance than differences between various schemes. So far, the benefits of all programmes have been considerably augmented. Even the payments of schemes which appeared likely to incite a backlash and whose beneficiaries have only little bargaining power have kept pace with the rising standard of living among wage earners. There were no processes of pauperization among members of a new subproletariat constituted by persons on welfare. In summary, it appears rather unlikely that tensions or structural cleavage lines constituted by the transfer system will become a dominant mode of structuration of German society.

From the German experience we can maybe develop some more general hypotheses about settings of social policy which tend to impede group formations based on welfare classes. The potential for a structuration of conflicts on the basis of inequalities created by the welfare state seems to be low:

- where older societal cleavages have found firm organizational expression;
- where conflicts about the welfare state have already been formulated and channeled by prevailing interest groups;
- where social programmes are universal in coverage or embrace at least the middle mass of income earners;
- where benefits are earnings-related, thus reflecting already existing inequalities in the market sphere; however, a combination of earnings-related benefits with minimum standards may prevent a politically de-stabilizing superimposition of under-privilege in the market and the transfer sector;
- where beneficiaries of the schemes have also contributed to their financing, thus nourishing the perception that entitlements are deserved;
- where the administration of programmes is not monopolized by the state, but run by partly autonomous bodies in which traditional interest groups are represented -possibly together with representatives of the beneficiaries in order to provide channels for the institutionalization of conflicts about transfers.

Most of these conditions prevail in West Germany. However, even in the German setting, three problems linked to the welfare state may become of increasing salience in the future. First, due to

demographic changes the number of pensioners will rise much faster than the number of economically active contributors to pension insurance in the 1990s. This will either oblige policy makers to raise contributions or to cut benefits. Either measure will probably exacerbate tensions between the generations. Discussions about curtailments through a modification of the pension formula which has been in unmodified effect since 1957 have already set in.²⁷

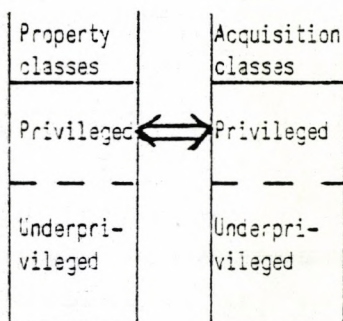
Second, the increasing de-differentiation of sex-roles is in tension with the legal or factual differentiation of pension entitlements for men and women. A reform of the discrimination of men in the survivors' pensions programme is presently under way. In the context of the general mobilization of women the enhanced attention for sex-specific entitlements will probably fuel demands for a lowering of the qualification period for the receipt of old age pensions for women, because mothers can rarely fulfill the prescribed contribution record of 15 years. The scarce resources in the already strained pension system set, however, tight limits to the realization of such demands.

A third potential for conflicts may arise from the combination of problems in the labour market, the unemployment benefit programmes, and the educational system. The recent years saw steep increases in youth unemployment. Since they never contributed to the insurance scheme, unemployed young persons are not entitled to benefits. At the same time the explosive expansion of the educational system has - in the context of shrinking public resources - led to rising unemployment among university graduates. Especially teachers do no longer find positions. If the present employment crisis persists, the combination of a growing number of young persons who are not integrated into systems of social control, and intellectuals in search of mobility chances could become a fertile ground for the growth of radical political movements.

Independent of the extent to which tensions created by the welfare state presently give rise to interest group formations or conflicts, the debate on the emergence of welfare classes opens up stimulating theoretical prospects, because it invites us to reverse the traditional question about the social bases of politics in favour of a search for the political bases of social structuration. In a historical perspective we might ask to what extent the dominance

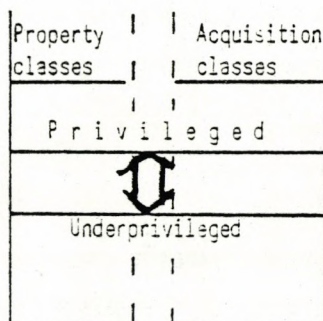
of conflicts between acquisition classes was not only based on a specific mode of production, but also on specific institutional settings. Thus the gradual introduction of the freedom of association and of universal (manhood) suffrage equipped the underprivileged classes with the power resources that are prerequisites for effective collective action. Prior to these institutional changes vertical processes of interest formation under control of the privileged strata and horizontal conflicts between privileged property and privileged acquisition classes were more prominent. Now, after the long dominance of horizontal coalition formations with vertical conflicts between privileged and underprivileged classes, the new institutional setting of associational or corporatist democracy with professional elites and a growing importance of state allocated transfers may eventually redress the pattern of coalition formation and conflicts again. The following chart summarizes this hypothetical process in schematic form:

Bourgeois census democracy
with limited freedom of
association



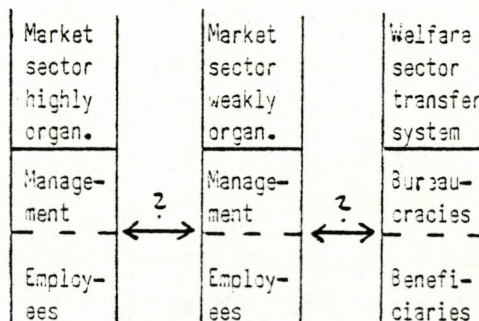
Vertical patterns of group formation and horizontal conflicts between privileged classes (underprivileged classes without adequate power resources for effective mobilization)

Parliamentary democracy
with universal suffrage and
freedom of association



Horizontal patterns of group formation with vertical conflicts between privileged and underprivileged classes (mobilization of underprivileged classes)

Associational democracy
with developed welfare state



Strengthened importance of vertical patterns of group formation and conflicts between sectors with different degrees of organizational power and political representation

Of course, such a "model" is highly speculative, but the extent to which different political or institutional settings generate different patterns of interest group and coalition formation certainly deserves more systematic study - also in an historical perspective.

NOTES

- 1 This refers to social security expenditure (excluding housing and education) according to the definition of the International Labour Office in the 13 major Western European democracies. For a systematic analysis of the post-war development of social security outlays in these countries see Alber 1982a.
- 2 For similar arguments see Touraine 1973.
- 3 According to Wilensky the middle mass unites the upper strata of the old working class (craftsmen, foremen, high-paid operatives) with the lower ranks of the middle class (clerks, salesmen, small entrepreneurs, semi-professional and semi-technical people).
- 4 It may be noted in passing that the idea of a supersession of occupational "status" by sectoral "situs" identities seems to be pervasive in several theories of "post-industrial" or "late-capitalist" societies- cf Bell 1973, O'Connor 1973, Touraine 1973.
- 5 The statistical category refers to persons living from pensions or similar sources of income. Unfortunately it includes an unspecified number of persons living from capital gains. Detailed figures for the state of Baden-Württemberg show that the proportion of people living from capital in the category is below 3 %.
- 6 The data for figure 1 are taken from various editions of "Arbeits- und Sozialstatistik- Hauptergebnisse" and -for 1980- from "Statistisches Jahrbuch für die Bundesrepublik Deutschland 1981".
- 7 These percentages refer to income taxes and social security contributions as per cent of the aggregate sum of wages.
- 8 This refers to social assistance, housing and education allowances. Together these schemes represent less than 5 % of all direct social expenditure (excluding property formation)- cf "Sozialbericht 1980".
- 9 For a systematic description and analysis of this process in a comparative perspective see Alber 1982.
- 10 A sounder assessment of the potential for a welfare backlash to find organizational expression would of course have to rely on an analysis of changing attitudes towards the welfare state in opinion polls. Unfortunately I have not yet been able to see recent survey results such as the analysis of Coughlin 1980. The inconclusive evidence of some of the older surveys is summarized in Alber 1980.
- 11 The coverage data show the number of persons (expressed as % of the labour force) who are in the process of acquiring entitlements by paying compulsory contributions.
- 12 The percentages reported for the other schemes merely serve to put the absolute figures into a comparative perspective.
- 13 Again it must be remembered that the official statistics only give a somewhat distorted impression because they refer to the number of transfers paid rather than to the actual number of beneficiaries.

- 14 Since these figures exclude pensioners under the special schemes for civil servants, farmers, and free professions, the actual percentage of old people in receipt of public pensions is higher. However, the reported ratios overstate the proportion of pensioners in the general system, because they refer to the number of pensions paid, and one person may draw several pensions. Expressed as a proportion of the population above age 65, the figure for 1979 would be 66 %. 65 years is the normal age limit for the receipt of pensions in the German system, but for women and special groups this limit is actually lowered to 60. The increase in eligibility ratios in the 1970s reflects the introduction of the flexible age limit in 1972 which permitted a reduction in the retiring age from 65 to 63 years.
- 15 About one third of the beneficiaries are older than 65 years, about one fourth are children below the age of 14.
- 16 These figures do not include pensions paid under the accident insurance scheme for students and pupils.
- 17 This does not fully apply to invalidity and survivors' pensions. Whether invalidity pensions in the occupational injuries and the pension insurance schemes are drawn beside or instead of earnings depends on the degree of incapacity.
- 18 The limit is defined as the sum of a general ceiling plus various allowances which depend on personal circumstances such as the number and age of children.
- 19 The fact that the per capita amount of all assistance benefits together (including the special benefits for particular circumstances) grew faster than average wages does not necessarily indicate an improved quality of benefits. Since entitlements are expressed as income supplements which cover the difference between reckonable private means and a decent standard of living, higher relative benefits may also indicate that the transfers had to cover widening gaps. The same logic applies to changes in the other income supplement schemes.
- 20 The percentage actually refers to the proportion of the general computation base of the pension formula. The average old age pension is lower than this standard pension because many pensioners have only short contribution records, or life time earnings below the average wage. The decrease of per capita pensions in recent years presumably reflects the increasing proportion of female pensioners with low earnings and short contribution records. The statistically typical pension which the majority of male workers actually received amounted to 64 % of average net earnings in 1979.
- 21 Invalidity pensions vary with the degree of incapacity and the length of the contribution record. The cited case assumes full incapacity occurring below age 55 and contributions from the age of 20. The widow's pension rate applies if death occurred below age 55, contributions were paid from the age of 20, and earnings corresponded to the average wage.
- 22 The average worker's pension (old age and invalidity) was DM 89.70 in 1955, whereas the per capita benefits of students amounted to DM 94 according to the data published by the German social ministry (cf Übersicht über die soziale Sicherung 1977:277).

- 23 Even groups with little organizational power may find potent political spokesmen, however. Thus conservative politicians frequently favour a stronger selectivity of social programmes and a higher concentration of benefits on the most needy especially in times of austerity.
- 24 The personal computation basis for the calculation of benefits was raised to 75 % for persons with long contribution records who did not reach this level.
- 25 The average pension for employees fluctuated around 152 % of the average worker's pension up to the reform of 1957. It then climbed to a high of 172 % in 1969, to fall again down to 152 % in 1980.
- 26 Thus, invalidity pensions may depend on whether a road accident occurred on a trip between home and working place (giving rise to an entitlement for occupational injuries insurance pensions) or on a holiday trip (constituting invalidity pension entitlements).
- 27 In the case of enhanced tensions, an increase of contribution rates may be politically less de-stabilizing than a curtailment of entitlements. The future pensioners have probably built up stable pension expectations on the basis of the present formula whose long persistence they have financed with high contributions. Since they have been socialized in a democratic setting and frequently also in institutions of higher learning, they will probably be easily mobilized for political protest movements.

References

- Alber, Jens
1980 Der Wohlfahrtsstaat in der Krise? Eine Bilanz nach drei Jahrzehnten Sozialpolitik in der Bundesrepublik. Zeitschrift für Soziologie, 9:313-342.
- Alber, Jens
1982 Vom Armenhaus zum Wohlfahrtsstaat. Analysen zur Entwicklung der Sozialversicherung in Westeuropa. Campus, Frankfurt.
- Alber, Jens
1982a Some Causes and Consequences of Social Security Expenditure Development in Western Europe, 1949-1977. Paper prepared for the XIIth World Congress of the International Political Science Association, Rio de Janeiro, August 9-14, 1982.
- Badura, Bernhard and Peter Gross
1976 Sozialpolitische Perspektiven. Piper, München.
- Baier, Horst
1977 Herrschaft im Sozialstaat. Auf der Suche nach einem soziologischen Paradigma der Sozialpolitik; pp. 128-142 in: Christian von Ferber and Franz Xaver Kaufmann (eds.): Soziologie und Sozialpolitik. Kölner Zeitschrift für Soziologie und Sozialpsychologie, Sonderheft 19. Westdeutscher Verlag, Opladen.
- Bell, Daniel
1973 The Coming of Post-Industrial Society. Basic Books, New York.
- von Beyme, Klaus
1979 Die großen Regierungserklärungen der deutschen Bundeskanzler von Adenauer bis Schmidt. Hanser, München.
- Bergmann, Joachim and Gerhardt Brandt, Klaus Körber, Ernst T. Mohl, Claus Offe
1969 Herrschaft, Klassenverhältnis und Schichtung; pp. 67-87 in: Theodor W. Adorno (ed.): Spätkapitalismus oder Industriegesellschaft? Verhandlungen des 16. Deutschen Soziologentages. Enke, Stuttgart.
- Coughlin, Richard M.
1980 Ideology, Public Opinion and Welfare Policy: Attitudes Toward Taxes and Spending in Industrialized Societies. University of California Press, Berkeley.
- Dahrendorf, Ralf
1959 Class and Class Conflict in Industrial Society. Stanford University Press, Stanford.
- Flora, Peter
1981 Solution or Source of Crisis? The Welfare State in Historical Perspective; pp. 343-389 in: W.J. Mommsen (ed.): The Emergence of the Welfare State in Britain and Germany. Croom Helm, London.
- Flora, Peter
1981a Social Change and Modernization in Western Europe. Paper for the Colloquium on Understanding Political Sociology, 18-22 May 1981, Bad Homburg.
- Flora, Peter and Arnold J. Heidenheimer (eds.)
1981 The Development of Welfare States in Europe and America. Transaction, New Brunswick.

- Giddens, Anthony
1973 The Class Structure of the Advanced Societies. Hutchinson, London.
- Gough, Ian
1979 The Political Economy of the Welfare State. Macmillan, London.
- Janowitz, Morris
1976 Social Control of the Welfare State. Elsevier, New York-Amsterdam.
- Krämer, Werner
1981 DGB-Grundsatzprogramm '81. Grünewald, Mainz.
- Krupp, Hans-Jürgen
1978 Das monetäre Transfersystem in der Bundesrepublik Deutschland-
Elemente einer Gesamtbilanz; oo. 21-69 in: Krupp and Glatzer.
- Krupp, Hans-Jürgen and Wolfgang Glatzer (eds.)
1978 Umverteilung im Sozialstaat. Empirische Einkommensanalysen
für die Bundesrepublik. Campus, Frankfurt.
- Lepsius, Rainer M.
1979 Soziale Ungleichheit und Klassenstrukturen in der Bundesrepublik
Deutschland; pp. 166-209 in: Hans-Ulrich Wehler (ed): Klassen
in der europäischen Sozialgeschichte. Vandenhoeck&Ruprecht, Göttingen.
- Lipset, Seymour Martin
1964 The Changing Class Structure and Contemporary European Politics.
Daedalus, Winter: 271-303.
- Marshall, Thomas H.
1964 Class, Citizenship and Social Development. Double Day, Garden City.
- O'Connor, James
1973 The Fiscal Crisis of the State. St. Martin's Press, New York.
- Offe, Claus
1972 Politische Herrschaft und Klassenstrukturen Zur Analyse spät-
kapitalistischer Gesellschaftssysteme; pp. 135-164 in: Gisela
Kress and Dieter Senghaas (eds.): Politikwissenschaft Eine
Einführung. Fischer, Frankfurt.
- Pappi, Franz Urban
1976 Einstellungen zum Wohlfahrtsstaat; pp. 213-218 in: Zapf 1976.
- Pappi, Franz Urban
1979 Konstanz und Wandel der Hauptspannungslinien in der Bundesre-
publik; pp. 465-479 in: Joachim Matthes (ed): Sozialer Wandel
in Westeuropa. Verhandlungen des 19. Deutschen Soziologentages.
Campus, Frankfurt.
- Parsons, Talcott
1960 Durkheim's Contribution to the Theory of Integration of Social
Systems; pp. 118-153 in: Kurt H. Wolff (ed.): Emile Durkheim,
1858-1917. Ohio State University Press, Columbus.
- Rose, Richard and Guy Peters
1978 Can Government Go Bankrupt. Basic Books, New York.
- Sehringer, Roswitha
1977 Partizipation; pp. 731-819 in: Zapf 1977.
- Standfest, Erich
1977 Sozialpolitik und Selbstverwaltung. Bund Verlag, Köln.
- Tennstedt, Florian
1976 Sozialgeschichte der Sozialversicherung; pp. 385-492 in:
Maria Blohmke, Christian von Ferber, Karl Peter Kisker, Hans
Schäfer et al.: Handbuch der Sozialmedizin Band III Sozial-
medizin in der Praxis. Enke, Stuttgart.
- Touraine, Alain
1972 Die postindustrielle Gesellschaft. Suhrkamp, Frankfurt.

- Vobruba, Georg
1978 Staatseingriff und Ökonomiefunktion. Der Sozialstaat als Problem für sich selbst. Zeitschrift für Soziologie 7:130-156.
- Wilensky, Harold
1975 The Welfare State and Equality. University of California Press, Berkeley.
- Wilensky, Harold
1976 The "New Corporatism", Centralization and the Welfare State. Sage, Beverly Hills.
- Wilensky, Harold
1981 Leftism, Catholicism, and Democratic Corporatism: The Role of Political Parties in Recent Welfare State Development; pp. 345-382 in: Flora and Heidenheimr 1981.
- Zapf, Wolfgang (ed.)
1976 Probleme der Modernisierungspolitik. Institut für Sozialwissenschaften, Mannheim.
- Zapf, Wolfgang (ed.)
1977 Lebensbedingungen in der Bundesrepublik 1950-1975. Campus, Frankfurt.

EUI WORKING PAPERS :

- | | | |
|---------|-----------------------------------|--|
| No. 1 : | Jacques PELKMANS : | The European Community and the Newly Industrialized Countries |
| No. 2 : | Joseph H.H. WEILER : | Supranationalism Revisited - Retrospective and Prospective The European Communities After Thirty Years |
| No. 3 : | Aldo RUSTICHINI : | Seasonality in Eurodollar Interest Rates |
| No. 4 : | Mauro CAPPELLETTI / David GOLAY : | Judicial Review, Transnational and Federal : Its Impact on Integration |
| No. 5 : | Leonard GLESKE : | The European Monetary System - Present Situation and Future Prospects |
| No. 6 : | Manfred HINZ : | Massenkult und Todessymbolik in der nationalsozialistischen Architektur |
| No. 7 : | Wilhelm BÜRKLIN : | The "Greens" and the "New Politics" Goodbye to the Three-Party System ? |
| No. 8 : | Athanasios MOULAKIS : | Unilateralism or the Shadow of Confusion |
| No. 9 : | Manfred E. STREIT : | Information Processing in Future Markets - An Essay on the Adequacy of an Abstraction |
| No. 10: | Kumaraswamy VELUPILLAI: | When Workers Save and Invest : Some Kaldorian Dynamics |
| No. 11: | Kumaraswamy VELUPILLAI: | A Neo-Cambridge Model of Income Distribution and Unemployment |
| No. 12: | Kumaraswamy VELUPILLAI: | On Lindahl's Theory of Distribution |

EUI WORKING PAPERS:

- No. 13: Gunther TEUBNER : Reflexive Rationalität des Rechts
- No. 14: Gunther TEUBNER : Substantive and Reflexive Elements in Modern Law
- No. 15: Jens ALBER : Some Causes and Consequences of Social Security Expenditure Development in Western Europe, 1949 - 1977
- No. 16 : Ian BUDGE : Democratic Party Government: Formation and Functioning in Twenty-One Countries.
- No. 17 : Hans DAALDER : Parties and Political Mobilization : An Initial Happening.
- No. 18 : Giuseppe DI PALMA: Party Government and Democratic Reproducibility : The Dilemma of New Democracies.
- No. 19 : Richard S. KATZ : Party Government : A Rationalistic Conception.
- No. 20 : Jürg STEINER : Decision Process and Policy Outcome : An Attempt to Conceptualize the Problem at the Cross-National Level.
- No. 21 : Jens ALBER : The Emergence of Welfare Classes in West Germany : Theoretical Perspectives and Empirical Evidence

