

## GERMANY

# High level of social security under threat



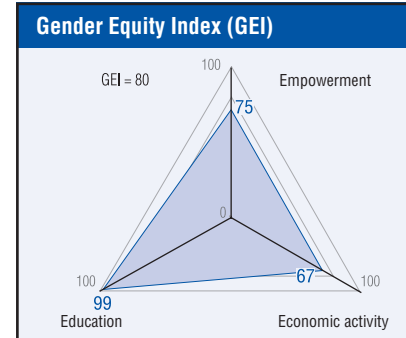
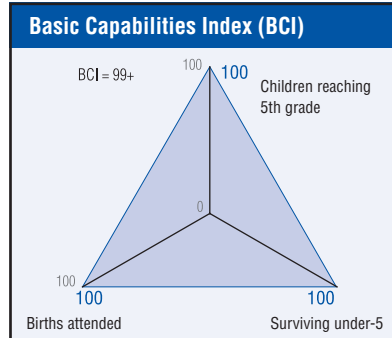
The implementation of neoliberal concepts requiring the scaling back of social security systems has led to major cuts in Germany's highly developed safety net. The recent raising of the retirement age means a pension cut for anyone who stops working before the age of 67, while health insurance reforms increasingly shift risks onto individuals. Meanwhile, the basic rights of asylum seekers are being violated, and promises of aid to promote development and social security in the global South remain unfulfilled.

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Germany has a highly complex system of social security. It is enshrined in a wide variety of corresponding legislation, ranging from the German constitution, known as the Basic Law, to labour law and labour market legislation and the country's comprehensive social laws. Both government action<sup>2</sup> and, to some extent, even private property<sup>3</sup> have obligations relating to social welfare.

Being closely related to the Fordist boom in the years which followed the Second World War, the financing of Germany's social security system is still based on the presumption of full employment and jobs with regular salaries. Today, however, the pay-as-you-go funding system based on this model no longer functions effectively, for Germany has a high level of unemployment and the number of workers with "full-time permanent contracts of employment in West Germany fell from almost 84% ... to just 68% of all employed persons between 1970 and 1995"<sup>1</sup> (Dombois, 2003). There are far more jobless than before, and the number of people in marginal and part-time employment has also increased substantially.

Admittedly, new models to finance social functions have recently been under discussion, such as the 'basic income', which would be funded by the state and guaranteed to every citizen regardless of income. Another alternative is a low wage supplemented with state benefits ('combi-wage'), and there are also calls for a minimum wage, which is intended to safeguard an adequate level of earned income. In practice, however, it is mainly neoliberal concepts which are being implemented at present, supposedly requiring social security systems to be scaled back even further. This, it is argued, is essential due to the constraints of glo-



balization, which is restricting German companies' scope as social partners. A key feature of Germany's statutory social insurance schemes is that they are generally financed jointly by both sides of industry – the workforce and the employers. By far the majority of companies in Germany have been complaining about this obligation for years on the grounds that this places them at a competitive disadvantage.

### Statutory pension and health insurance: towards the privatization of social risks

The currently very healthy state of the economy has pushed discussion about poverty in Germany into the background. Nonetheless, major cuts in the safety net provided by the social security systems have been made in recent months. The most significant change has undoubtedly been the raising of the retirement age from 65 to 67 years. The stated objective of this measure was to limit the pension contributions being made, especially by companies, not to secure the income replacement ratio. In effect, the raising of the retirement age means a pension cut for anyone retiring from working life before 67. Yet at present, only 38.4% of the 55-64 age group in Germany is still working (ver.di, 2007). Although many thousands of workers responded when the two largest German trade unions, the Metalworkers' Union (IG Metall) and the United Services Union (ver.di) called for protest demonstrations early in 2007, they were unable to prevent this change in the law.<sup>4</sup> Moreover, as far back as 2000-2001, the maximum achievable income replacement ratio under the statutory pension insurance system was reduced from 70% to 67% of net income.

In the meantime, the latest reform of statutory health insurance actually breaks with the previous system and increasingly shifts risks onto the insured persons: in future, the financing of the system will no longer be shared equally by the employers and the workforce. The health insurance funds can now require insured persons to pay a 'top-up' contribution, amounting to as much as 1% of their income, with no corresponding employer's contribution. Furthermore, some benefits are now being paid from tax revenue – currently accounting for spending of around EUR 2.5 billion (USD 3.4 billion), with plans to increase this to EUR 14 billion (Federal Ministry of Health, 2007). Admittedly, tax revenue is currently flowing in abundance (see below), but this type of subsidy could well be subject to cutbacks later. Criticism of the new arrangements also focuses on the fact that the funding base of the statutory health insurance system has not been expanded and that the self-employed and the affluent still do not have to contribute (Attac Germany, 2007).

Nonetheless, this latest health reform also has some positive aspects. First, everyone living in Germany is now required, by law, to obtain health insurance coverage. Second, private health insurance providers will in future be forced to offer a basic tariff whose services and benefits, in terms of their type, scope and amount, are comparable with those provided by the statutory health insurance schemes. This basic tariff means that private insurers will now have to comply with some of the solidarity principles which underpin the statutory health insurance system: in the basic tariff, for example, insured persons cannot be charged extra to cover individual health risks (Federal Ministry of Health, 2007). It remains to be seen whether this type of market regulation will prove its worth.

1 The basic structure and key elements of this report were agreed at a plenary meeting of Social Watch Deutschland/ Forum World Social Summit on 15 March 2007. The draft text was cross-checked by the editorial team of the German Social Watch Report and approved, with amendments, on 11 June 2007.

2 The principle of the social state: see, for example, the website of the federal administrative authorities: <www.bund.de/nn\_3580/Microsites/Deutsche-Demokratie/Grundlagen/Sozialstaat/Soziales-Handeln/Soziales-Handeln-knoten.html\_\_nnn=true>.

3 There is a constitutional requirement that the use of property should serve the public weal, Basic Law, Art. 14, para. 2.

4 See, for example, *die tageszeitung*, Berlin, 30 January 2007.

## Migrants' basic social rights flouted

In its comments on Germany's fifth periodic report on the International Covenant on Economic, Social, and Cultural Rights (ICESCR), the NGO Pax Christi (2006) draws attention to "serious failings in the situation of refugees whose deportation has been temporarily suspended and people with no formal residence status, i.e. so-called 'illegals'." As a result of the restrictions imposed on refugees since the asylum laws were tightened up in 1993, says Pax Christi, Germany is violating the prohibition of discrimination enshrined in Article 2 of the Covenant. Although the employment ban for refugees has been abolished, the new regulations are so rigid that they still violate Article 6 of the Covenant, which guarantees "the right of everyone to the opportunity to gain his living by work which he freely chooses."<sup>5</sup>

Moreover, the right to education and even the right to health (ICESCR Articles 13 and 12, respectively) of refugees are being violated in Germany: in seven of the country's 16 federal states, there is no requirement for refugee children whose deportation has been temporarily suspended to attend school, and the same applies to some extent to the children of asylum seekers as well. In these cases, it is up to the head of the school to decide whether to admit the children. Meanwhile, the right to health is being denied, first and foremost to people who apply for political asylum. According to Pax Christi, the Asylum Seekers Benefit Act grants them only "very limited" healthcare, "and only for conditions causing acute pain. No provision is made for the treatment of chronic, pre-existing illnesses." (Pax Christi, 2006).

## Development policy and social security in the global South

The development of the countries of the global South and support for their social security systems is one of the programmatic objectives of German development policy. A policy paper published by the Ministry for Economic Cooperation and Development (BMZ)<sup>6</sup> in 2002 demonstrates a comprehensive understanding of social security in developing countries – albeit without any specific reference to social security as a human right. The catalogue of measures outlined in the policy paper includes:

- Measures to improve ... informal social security systems and their integration into a ... universal system.
- Support for reforms in the field of public social insurance ... with the aim of (a) expanding solidarity mechanisms within the systems and (b) ... opening them up to persons employed in the informal sector.

- Promoting best-practice partnerships between the private insurance industry, the state and organizations representing the poor (including the development of insurance services ...).

In the Programme of Action 2015<sup>7</sup> adopted by the federal government in 2001, which sets out a poverty reduction strategy encompassing all policy areas, "Guaranteeing Basic Social Services – Strengthening Social Protection" is identified as a separate priority area for government action. However, with development policy focusing primarily on the attainment of the Millennium Development Goals (MDGs), social security now rarely features as a separate category. The term "social security" appears just four times in the 309 pages of the German Government's 12th Development Policy Report,<sup>8</sup> published in 2005. In its policy paper, the BMZ comments on the development of social security systems as follows: "On the one hand, there must be a balance of interests between private-sector and public-interest solutions; on the other, there must be a consensus-based balance between social justice and the development of well-performing systems"<sup>9</sup>

In practice, German development policy mainly supports two types of project: firstly, the administrations of developing or newly industrializing countries are given support to develop social insurance schemes for their populations, as in Vietnam and Indonesia, for example.<sup>10</sup> Secondly, the German government is promoting 'partnership' initiatives with private companies. In the Indian state of Tamil Nadu, it is working with the Allianz Group, a major German insurance corporation which provides life insurance coverage for poor groups there (GTZ, 2005). At present, no comprehensive evaluations of this field of activity have been carried out, so no firm conclusions can be drawn.

According to preliminary Organisation for Economic Co-operation and Development (OECD) figures, Germany's official development assistance (ODA) amounted to USD 10.3 billion in 2006. In real terms, this reflects a marginal increase of 0.9% compared to the previous year. The ODA/GNI ratio (ODA as a percentage of gross national income) increased to 0.36% (OECD, 2007a). However, USD 3.6 billion or 35% of Germany's ODA in 2006 did not deliver fresh resources for developing countries. For the second year the lion's share of the increase in Germany's ODA/GNI ratio was due to debt cancellation, notably for Nigeria and Iraq. In 2006, Germany's debt relief amounted to more than USD 2.7

billion (OECD, 2007b). Excluding debt cancellation and expenditures for educating foreign students from developing countries in Germany (about USD 925 million), Germany in fact spent only USD 6.7 billion or 0.23% of GNI on genuine aid resources in 2006.

Germany would need to increase its ODA by at least USD 1 billion in 'fresh money' annually in order to fulfil its commitment to raise ODA to 0.51% of GNI by 2010 and to 0.7% by 2015 (Commission of the European Communities, 2007).<sup>11</sup> With a tax surplus expected to reach around EUR 180 billion by 2011, there is certainly the financial scope to honour this pledge.<sup>12</sup> ■

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- VER.DI PUBLIK (2007). Berlin: ver.di (ed.), p. 3.

5 Decision on the right to stay, adopted by the Conference of Interior Ministers on 17 November 2006. See, for example: <[www.migrationsrecht.net/nachrichten-auslaenderrecht-politik-gesetzgebung/731-bleiberechtsregelung-beschlussvorschlag-wortlaut-innenministerkonferenz.html](http://www.migrationsrecht.net/nachrichten-auslaenderrecht-politik-gesetzgebung/731-bleiberechtsregelung-beschlussvorschlag-wortlaut-innenministerkonferenz.html)>.

6 <[www.bmz.de/de/service/infothek/fach/spezial/spezial069/spezial069\\_90.pdf](http://www.bmz.de/de/service/infothek/fach/spezial/spezial069/spezial069_90.pdf)>

7 <[www.bmz.de/de/service/infothek/fach/materialien/ap2015\\_kurz.pdf](http://www.bmz.de/de/service/infothek/fach/materialien/ap2015_kurz.pdf)>

8 <[www.bmz.de/de/service/infothek/fach/materialien/entwicklpol\\_bericht.pdf](http://www.bmz.de/de/service/infothek/fach/materialien/entwicklpol_bericht.pdf)>

9 See footnote 6.

10 On Vietnam, see: <[www.gtz.de/de/weltweit/asien-pazifik/vietnam/11287.htm](http://www.gtz.de/de/weltweit/asien-pazifik/vietnam/11287.htm)>. On Indonesia, see: <[www.gtz.de/de/weltweit/asien-pazifik/indonesien/14137.htm](http://www.gtz.de/de/weltweit/asien-pazifik/indonesien/14137.htm)>. A detailed publication, "Extending Social Protection in Health", compiled on behalf of the German Agency for Technical Cooperation (GTZ), is available from: <[www2.gtz.de/dokumente/bib/07-0378.pdf](http://www2.gtz.de/dokumente/bib/07-0378.pdf)>.

11 <[www.bmz.de/de/ziele/ziele/internationale\\_abkommen/odastufenplan/index.html](http://www.bmz.de/de/ziele/ziele/internationale_abkommen/odastufenplan/index.html)>

12 See, for example, *ZEIT-online*, <[www.zeit.de/online/2007/20/steuerschaetzer-ergebnis](http://www.zeit.de/online/2007/20/steuerschaetzer-ergebnis)>.