



**University of West Bohemia in Pilsen**

**Faculty of Philosophy and Arts**

**Master thesis**

**Risks and weaknesses of the welfare state - Case  
Study: Federal Republic of Germany**

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**Pilsen 2016**

**University of West Bohemia in Pilsen**  
**Faculty of Philosophy and Arts**

Department of Politics and International Relations

Study program: Political Science

Field of study: Political Science

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Pilsen 2016

I declare that this work has been elaborated separately and I used only the specified sources and literature.

Pilsen, July 2016

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### **Acknowledgements:**

I would like to express my deep gratitude to my master thesis advisor, Mgr. Lubomír Lupták PhD., for his useful advice concerning reworking of this master thesis.

I would like to thank to Bc. Lucie Berger, to the English lecturer and PhD. Marie Smolíková, the German lecturer, for their time and for editing services.

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## 1. Introduction

The main topic of this thesis is *Risks and problems of the welfare state - case study: the Federal Republic of Germany*. As stated in the title, the thesis is a case study. It is a detailed analysis of the case study, which was chosen as an object of research. The work assesses the development of the German welfare state since the unification of Germany in 1990. The analysis is based on the assumption that Germany is a conservative state, as it was ranked by Gøsta Esping-Andersen (hereinafter Esping-Andersen) in his typology. Contemporary manifestations and possible future development of the German welfare state are also considered in this thesis. The work is focused more specifically on the typology of a Danish expert Esping-Andersen, who distinguishes the arrangement of interrelations between the state, the market and the family. He used a criterion of decommodification and social stratification in his typology. Close attention is paid to the conservative (continental, corporate) welfare state model, which is also the oldest model. Germany is considered to be a typical contemporary representative because its social policy has been formed since the 80s of the 19<sup>th</sup> century.

Firstly, the thesis analyses the current state of the German welfare system and also defines its existing problems. When the main problem is defined, the chapter continues with mapping those actors, who may have their interests in the issue and are involved in some way. The thesis is focused on two lines of questions: The first line presents the theoretical comparison of a conservative type of social system and the current one, real characteristics of the German welfare state. Following questions will be answered in the conclusion: *Are the characteristics of the German welfare state, determined as the social conservative type of the regime by Esping-Andersen, still valid? If not, what are the distinctive characteristics of the contemporary German welfare state? Why did these characteristics change?* (Assuming that typologies are created for ideal types).

It is important to mention, that Germany according to Esping-Andersen corresponded with many suit premises, which were characterized for the conservative

type of the welfare state. The second set of questions, which the work will attempt to answer, concerns the future development of the German welfare state. In other words, *how can we capture the risks of the German welfare state which are associated with its current problems?* The aim of this work is to analyse the role of the German welfare state, to define its problematic areas and to find out what factors influence the emergence of risks that undermine the stability of the German welfare state and how effectively prevent risks if there is such a possibility. A method of political descriptive analysis was used in the work as the most suitable method for a total analysis of the German welfare state from multiple different angles.

Furthermore, the work follows actors and their approach considering changes happening in the welfare state and strategies that are proposed in the context of the transformation of the welfare state. The potential alternative proposal of actors in addressing this issue is compared. The actors are later evaluated using a matrix. The matrix concerns the issues of decommodification and stratification. It is composed of several potential alternative solutions, which are assessed on the basis of four evaluation criteria: economic demands, political enforceability, administrative throughout and the expected result. Economic demand is set of the decisive criterion. The matrix is evaluated on a scale rating from 0 to 5, with 5 qualifying the rating. A possible implementation of these variants is considered. Based on the specific typology criteria created by Esping-Andersen, the matrix determines the most appropriate solution to the main problem.

This thesis is divided into two parts. The first, theoretical part, is devoted to the typology of Esping-Andersen and the second part deals with the development of the German welfare state. The theoretical part aims to describe briefly the typology of Esping-Andersen and introduces the concept of the conservative state which by Esping-Andersen as was designated. The work uses descriptive analysis as a starting point. The work draws on printed and electronic sources. The information used in this thesis was largely drawn on primary sources, professional articles, scientific books and public policy documents or various strategies of actors involved in this field.

In the first chapter, called *the Typology of Esping-Andersen*, the concept of Esping-Andersen presented. The focus lies mostly on the conservative model. The analysis of the German welfare state is made in the chapter called *Characteristics of the German welfare state and the development of the German state*. In this chapter there are mentioned the strengths and weaknesses of the social system. Changes in the social system and the influence of causes are also discussed. The next chapter, called *the Discussion about the problems and risks of the German welfare state*, discusses current problems and risks of the social system that may affect the further development of the German welfare state. The chapter examines if the current state of the German welfare system is sufficient and whether the factors, which complicate efficient operation and management of the German social policy are reflected. In the next chapter *Actors of social policy* there are mentioned actors who are connected to the social system and might need or want to have some influence on the further development of the German welfare system. Among those actors are organizations, politicians and government officials, experts and other people. The last chapter entitled *Alternative solutions* deals with possible options for the main problem according to the actors. This chapter is initially based on the tree problem analysis. It describes the main problems of the stability of the welfare state. Moreover, there are also described two possible solutions of the main problems. Possibilities, which could contribute to the positive development of the German social welfare system, are chosen based on the criteria explained later in the work. There is shortly evaluated the respective variant which was identified as the most suitable and could change the German social system in the future. The last chapter introduces the proposals generated by actors and solutions which should capture the widest possible range of areas within the German welfare system.

## 2. The Typology of Esping-Andersen

The first chapter is a brief introduction to the topic of the welfare state. It also introduces the typology of a Danish expert Esping-Andersen, who managed to distinguish the arrangement of interrelations between the state, the market and the family. His typology is considered to be one of the most widely accepted typologies of welfare states (Večeřa 1993: 72). Esping-Andersen has been one of the most influential authors in the field of comparative research on social systems of the past two decades. His benefits can not be ignored even by the greatest critics of his theses.

In the first chapter, called *The Typology of Esping-Andersen* we can find a presentation of his concept, whereby the focus is laid mostly on the conservative model, which is typical for the Federal Republic of Germany. To understand the concept, it is necessary to focus on the book in which the author describes the so-called three political economies of the welfare state (Esping-Andersen 1990: 9). The author used a criterion of decommodification and social stratification in his typology. Great attention is paid to the conservative (continental, corporate) welfare state model, which is the oldest one (Rieger 1998: 64).

Danish theoretician of the welfare state, Esping-Andersen, pointed in the year 1990 to the diversity of real welfare states in his book *The Three Worlds of Welfare Capitalism*. He created three ideal types of welfare states - liberal, conservative and social-democratic. It was based on the manner of stratification, level of decommodification and relations between the state, the market and the family. His work *The Three Worlds of Welfare Capitalism* (1990), which made him famous in the scientific community, presents a theory which (as noted above) divides welfare states on the basis of different configurations of the relationship between the state, the market and the family into three main types (Musil 1996: 24).

The author used a wide range of indicators relating both to the institutional composition and the results of the functioning of social systems. The most important criterion is the one which explains to what extent the state reduces the dependence of citizens on the labour market, i.e. how the state guarantees citizens the right not to participate on the labour market without seriously jeopardizing their livelihood (Musil 1996: 24).

Esping-Andersen conducted a comparative research on the development of welfare states in advanced capitalist countries in order to prove that the majority of prior knowledge was incorrect. That is why he thought that he had to remake both the methodology and concepts of political economy so that he could adequately study the welfare state (Esping-Andersen 1990: 9–10). Esping-Andersen was not the first person who attempted to create a typology of welfare states. His theory contains a number of shortcomings, which are described in more detail later in this chapter. His typology is a classical starting point for analysis of many other authors. The theory of Esping-Andersen is groundbreaking and indispensable in several ways. Firstly, the author was one of the first who developed the idea of welfare state regime differences in their social and redistributive impacts into the theory. Secondly, he contextualized the welfare state into a broader context of political economy and offered the reconceptualization of the basic characteristics of the social state based on the concept of social rights, social stratification and the relationship between the public and private sector (public-private mix). Thirdly, Esping-Andersen introduces the concept of the welfare state. Its appearance varies depending on how the responsibility for ensuring the welfare of an individual is divided between the family, the state and the market. He also suggested distinguishing and evaluating social states based on theoretical, qualitative criteria. Esping-Andersen points out that the running of the welfare state, which can be expressed, for example, by measurement of income redistribution, does not depend very much on the sheer size of the welfare state (expenses), but the institutional structure and design of the welfare system are more important (Esping-Andersen 1990, 1999).

There were originally two types of approaches in explaining the welfare state. One of them stresses structures and whole systems and the other one stresses institutions and actors. The system, also called structuralism, theory seeks to capture the logic of development from a holistic perspective. It is a system in which there is a will and what happens is easily interpreted as a functional need for the reproduction of the society and economy. One variant begins with a theory of industrial society and argues that industrialization makes social policy necessary and possible - necessary because pre-industrial modes of social reproduction, such as family, church, and guild of solidarity, are destroyed by forces attached to modernization, such as social mobility, urbanization, individualism, and dependence on the market (Esping-Andersen 1990: 10–11). The core of this is that the market is not an adequate substitute because it obliges only to those who are able to act in it. *“The welfare state also allows the rise of modern bureaucracy as a rational, universalist and efficient form of organization”* (Esping-Andersen 1990: 97). It is a tool for managing collective goods, as well as a centre of power, and it will thus tend to promote its own growth (Esping-Andersen 1990: 10–11).

Most debates on the welfare state deal with two questions. Firstly, *does the extension of social citizenship reduce the salience of class?* In other words, *does the welfare state change the capitalist society?* Secondly, *what are the causal forces behind the development of the welfare state?* These questions are not recent. They were already formulated by political economists in the nineteenth century thus a hundred years before an emergence of the welfare state itself. Classical political economists - whether liberal, conservative, or Marxists - were preoccupied with the relationship between capitalism and welfare. Their analyses converged around the relationship between the market and the state (Esping-Andersen 1990: 10–11).

Nowadays, the main question among debates concerning the welfare state is whether the class division and social inequalities, which are produced by capitalism, can be brought back using parliamentary democracy (Esping-Andersen 1990: 12). The current social democratic model does not necessarily abandon the idea that the fundamental equality requires economic socialization. However, historical experience soon demonstrated that socialization was an objective which could be pursued realistically through parliamentarians. The social democratic model is the father to one of the leading hypotheses of contemporary welfare state and debates around it, the hypothesis that parliamentary mobilization of the classes is a mean for fulfilling key socialist ideals - equality, justice, freedom and solidarity (Esping-Andersen 1990: 13).

The key concept of the theory is the principle of decommodification and the main criterion for distinguishing types of social states is the extent to which the state allows decommodification of services and care. In other words, supposing the proposition that the class division of the capitalist society is based on the position of individuals on the labour market, the welfare state is then, according to the author, effective (it neutralizes the class position) to the extent it decommodifies the individual, i.e. the extent of providing the standard of living independently on its position on the labour market (Esping-Andersen 1990: 21–22). Different levels of decommodification result in a different type of social stratification. And finally, perhaps the most important benefit is that Esping-Andersen presented regimes of the welfare state as mechanisms of stratification itself.

Esping-Andersen is convinced that it is necessary to establish the criteria for determining the role of the welfare state in the society at the beginning, and only after that one can observe certain types of welfare states on the basis of these principles. Then we have to look for the causes of differences between various social states. When searching for the reasons of the differences of the welfare state, it is necessary to focus on interaction effects. According to Esping-Andersen, there are three important factors: the nature of the class mobilization (especially the working class), class-political coalition structures and the historical legacy of institutionalization (Esping-Andersen 1990: 12 comparing with Rieger 1998: 59–90).

In his thesis of class mobilization Esping-Andersen argues that social classes act as main actors of changes. The parliament acts as an effective institution of power and the welfare state is a source of power itself. According to Esping-Andersen, the principles of social citizenship include provision of social rights, the inclusion of social stratification and interconnection of the market, the family and the state. As a part of his theory, it is relevant to know the extent to which state redistribution takes place and the level by which the redistribution is separated from the market mechanism. It is also necessary to examine what kind of stratification system raises social policy. Esping-Esping-Andersen notes the alternative systems of stratification, in which he highlights the social assistance system and social dualism, the corporatist model of status differentiation and universalistic system and status equality (Esping-Andersen 1990: 13 comparing with Esping-Andersen – Myles 2008: 1–8).

## **2. 1 Types of social states according to Esping-Andersen**

According to Esping-Andersen, the type of welfare state or the welfare regime means *“political organization of the economy, which specifies the rules for distribution of resources between different population groups, or the division of roles between the family, market and state in the area of social welfare of citizens”* (Esping-Andersen 1999: 34). In other words, it is about *“institutional provisions and rules that govern and influence: decision-making in the area of social policy, social spending, the definition of (social) problems, and even the structure of supply and demand of citizens for social welfare”* (Esping-Andersen, 1990: 80). According to Esping-Andersen, welfare regimes are the result of an interaction of three factors: the nature of class mobilization (especially the working class), class structures of political events and historical heritage of the institutionalized regime (Esping-Andersen 1990: 29 comparing with Schmidt 2010: 45).

In his study, Esping-Andersen rejected the argument on the logic of industrialization and capitalism, which would greatly influence the development of the welfare state. According to him, advancing industrialization and capitalism puts pressure on implementation and expansion of institutions of the welfare state. But the key independent variable explaining the creation, expansion and institutional settings of the welfare state is not industrialization and capitalism, but political forces (political parties in the context of democratic political systems) that created the social state at the beginning. He identified three (later four) different types of social states based on their ideological orientation and on the extent of decommodification within the capitalist Western world: conservative, liberal and social-democratic (Esping-Andersen 1990: 30).

Various systems of social security and social services guaranteed by the state in varying degrees could be viewed from many aspects. We can predetermine the form of typology according to the basis we choose. For example Marshall addresses issues such as whether social compensations are offered to everybody in the society or whether they are targeted at specific groups. *“Is the amount of benefits sufficient in comparison to the standard of living in the society? How is social security financed?”* It is important to know what type of solidarity the welfare state favours when creating typologies. Moreover, it is important to know how the state provides the means of social policy (Keller 2009: 50). Esping-Andersen benefited from the answers to the three basic questions: Firstly, he wondered to what extent services and state support are available to citizens without testing needs, paying insurance or submission of documentation for an employment. Furthermore, he looked at the extent to which social and tax systems contribute to inequalities in the society, to preserve the existing social stratification or redistribution of goods and services towards equality (Esping-Andersen 1990: 80). And finally, he solved to what extent the amount and payment of pensions depend on the state, the employers or the market system; how responsibilities are allocated in the provision of social services between public and private institutions. The first sets of questions determine the degree of decommodification, the second type the degree of stratification. The last decisive criterion is the relationship between the state and the market, which provides a structural context for decommodification and

stratification in the welfare state (Esping-Andersen 1990: 80). Esping-Andersen uses decommodification as the first pillar of his theory for the measurement of indicators such as replacement rates and conditions for payment of retirement pensions, sickness benefits, and unemployment benefits. He aggregates these indicators into a composite score. Scandinavian countries achieve the highest score; Anglo-Saxon countries reach the lowest score and continental countries fall in-between these two extremes. He measures stratification by using indicators of corporatism, etatism, and universalism, requirements for income testing, and amount of private spending on health care and equal access to social benefits. The results are again three models differentiated on the basis of conservative, liberal and socialist attributes (Esping-Andersen 1990: 74). The social democratic system promotes equality of status and provides social security for the middle class. The liberal state promotes individualism, limits the role of government in social policy and essentially, it divides the population on the majority reliant on insurance and minority reliant on state benefits. Conservative state is focused on the preservation of status differences in response to the individualization caused by the market and the industry (Večeřa 1993: 63).

Esping-Andersen illustrates the relationship between the state and the market on the relationship between private and public contributions to the pension system, under which he distinguishes three pension schemes. The first is a universalistic scheme where one can see the dominance of state pensions; the right to benefits is independent of the status or position in the market. Another scheme is residual, where the key role is played by the market and the role of state social security is marginal. And finally, the corporate scheme where the status is the main element of the structure of the pension system, social security depends on the employment status. Benefits for state employees are found in the framework of this type (Esping-Andersen 1990: 86). The position of the particular country in each of the above mentioned dimensions determines the final result of the country. Countries can be divided into one of the three types of the welfare regimes: the social-democratic, liberal or conservative (Annex No. 1: *Characteristics of the welfare state*). In 1999, the term defamiliarization appeared in work of Esping-Andersen *Social Foundations of post-industrial Economies* in response to feminist critiques. This term determines the possibility of

opting out of family responsibilities. According to Esping-Andersen (1999: 51), it is an indicator, which determines the extent to which the government or the market takes responsibilities of the family for housework and care for family members. According to Esping-Andersen, defamiliarization is measured by four indicators. The first indicator is the government spending on family services as a share of GDP. The second indicator measures the value of the package of financial contributions and tax breaks for families with children. The third indicator shows the size of existence and availability of child care services. Finally, the fourth indicator is the value of existence and availability of home care for seniors. Esping-Andersen created three types of state family policies. They were very similar to the earlier types of welfare state regimes. According to Esping-Andersen, social-democratic states, unlike other types of social states, show a high degree of defamiliarization. Today, in response to Esping-Andersen's theory, there are four types of welfare states: liberal, conservative, social democratic and southern European (Bonoli 1997: 351–372, Ferrera 1996: 17–37). Recently, some authors have also talked about the post-socialist type (e. g. Matějková – Paloncyová 2004).

### **2. 1. 1 Social democratic regime – Scandinavian type**

The social democratic model is based on the principles of universalism and decommodification of social rights. It applies those principles even to the middle class and strives for equality of minimal needs. The universal system includes all strata and classes, but benefits are graded according to the usual earnings. Social collateral is financed primarily by taxes. Emancipatory state policy also applies to the market and to the traditional family. This regime is based on high taxation of the population, active employment policy, high female participation on the labour market and generous social policy (Brunclík – Havlík – Pinková 2011: 39–43). This model is applied in Sweden and other Scandinavian countries. It was considered to be the most advanced type of a welfare state for a long time. The basic idea of this model is to guarantee all citizens a high standard of living. It assumes that all citizens are entitled to equal social security regardless their revenue. Social demands are considered, being

part of civil rights (Keller 2009: 50). This system operates on the basis of high taxes. Another important assumption for a functional social democratic regime is a policy of full employment. If there is a low employment rate, the state eliminates numerous expenses associated with the care of the unemployed. Since the 80s of the 20<sup>th</sup> century, the social democratic regime has been facing a number of challenges of a globalized world, e. g. competitiveness and rising unemployment. Scandinavian countries have always been small open economies focusing on the export. They have benefited from the high level of education of its population. However, due to the increasing international competition in these countries, the unemployment rate is growing even in these countries. As a consequence, expenditures on social policy are rising and so is the national debt. The governments of Scandinavian countries are forced to reduce the tax burden through the investment of foreign companies and they are trying to keep their businesses in their countries (Keller 2009: 51–52).

### **2. 1. 2 Liberal type**

This model is based on individual responsibility. Social assistance is characterized by the fact that there are people who are able to earn their living by work and those who are dependent on social benefits. This model is represented by the so-called minimalist welfare state. This system should force individuals to try to solve their social situation themselves. Social assistance is allocated equally to everybody regardless their previous income. Social benefits are minimized and are not intended to ensure the standard of living. The needs of residents are satisfied primarily through the family and the market. State intervention in the social sector is minimal and it is used only when the family and the market fail. The level of social benefits is aimed to provide only the basic existential needs. The family is supported mainly through tax relief. Social benefits are largely based on equity ratio and are targeted at clients with low incomes (Keller 2009: 52). The social system leaves a space for the market, especially in the area of childcare services. In the liberal type, there is a tested social assistance according to the property in the liberal type. There is also a little

universalistic redistribution, the benefits are small and the state encourages the market. Decommodification is minimal and there is political dualism within two layers. The most typical representatives of this model are the United States, Canada, and Australia, and in Europe, the model is represented by the United Kingdom (Večeřa 1993: 65).

### **2. 1. 3 Continental type**

Continental or conservative welfare state is historically the oldest one. Unlike the liberal type, it does not come from the liberal obsession with the market. In a corporatist (conservative) type, the state is prepared to replace the market as a source of social security. The emphasis is laid mostly on the preservation of status differences and the redistributive effect is, therefore, negligible. The system focuses on protecting those who are not employed due to disability, job loss, retirement, etc. Social benefits are dependent on the insurance period and the amount of insurance payment (Večeřa 1993: 72). The traditional division of roles between men and women is supported by this system. Representatives of this type are Austria, Germany, France and the Netherlands. France, however, due to its natality measures, differs from classic conservative countries. The other typical representative is Germany, whose social doctrine was formed during the 80s of the 19<sup>th</sup> century. Historically, this model evolved from the protection of qualified workers and employees, who achieved their status by their own job performance and who was trying to be prepared for any fluctuations of the economy. The main instrument for this protection was mandatory membership of working people in the social insurance system<sup>1</sup> organized on a professional basis. In the context of social policy, the direct state intervention is the maximal possible situation.

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<sup>1</sup> Social insurance remains, despite all the current problems and shortcomings, very important foundation stone. Its most important structural elements contributory financing and local government, will be maintained as a stable base of social security in Germany, with high approval of the population (Naegele – Bispinck – Hofemann – Neubauer – Bäcker 2010: 181).

We call this type conservative because it preserves the status differences between professions. Clients of the social model are viewed through their professional and family status. The whole system is oriented to the man as the head of the family, who should secure other household members (Keller 2009: 52–53). There is so-called intra class solidarity that represents the status system. Citizens possess social security which corresponds to their income. The state engages very little, only in case study of when the insurance system fails. The amount of social security and benefits depends on a number of premiums. The strongest collateral is subject to full work and high earnings. Anyone, who does not have security earned by employment, is dependent primarily on the support of the family. The greatest weakness of the German model, with the advent of globalization and accompanying processes, are the features that acted as its priorities in the past. It is complicated to ensure almost full employment. If people produce more and more without having secured full-fledged jobs, the welfare state loses its economic base. Flexible work does not insure against elementary social risks. The increase in unemployment and the reduction of labour costs, when trying to increase the competitiveness, reduce the flow of money into the state and it also increase the demand for social security. Dependence on family, social security and professional status prove to be inadequate at a time when classical family form and household ceases to be a rule (Keller 2009: 54).

#### **2. 1. 4 Latin coast model**

Lastly, this family-oriented (Latin) type, which can be found in Italy or Spain, is by its non-intervention similar to the liberal regime. However, unlike the liberal regime, it relies on family help when protecting family members against economic and social risks. The economic activity of women in these countries is very low, the conflict of family and employment is significant and it supports young women to delay or deny the establishment of their own families (Keller 2009: 55–56). Mediterranean countries such as Greece, Italy, Spain and Portugal, represent this type. The welfare state began to develop with a delay in comparison with the rest of the European countries. This type combines elements of the conservative corporatist model and the

Scandinavian model. A significant role in this model is played by the family, which takes a considerable part of the tasks of the welfare state. Mediterranean countries are forced to savings because their high debt threatens their stability (Keller 2009: 57).

## **2. 2 Criticism of the typology of Esping-Andersen**

There were various systems of social protection in Europe during the second half of the 20<sup>th</sup> century. We normally use the term social models. These models are quite well distinguishable and have their peculiarities. Each welfare state as part of a social model seeks the economic and social security of its citizens, limitation of their income inequality and sustainability of economic growth and development (Tröster 2010: 1–10). Reflections on the different types of welfare states, their differences and possible combinations, are useful for several reasons. The notion of the welfare state is broad and boundless and typologies can properly serve to qualify and fulfil a specific content. It can be said that the different systems of the welfare state protect citizens against same risks. However, they do it with the help of different institutional structures, in various extents, and through different forms of financing. Typology makes the analysis of a series of social problems easier, as they are manifested in various forms. They allow deeper reflection on elementary questions of meaning and mission of the welfare state because various models of the welfare state are based on social philosophies. One of the key issues today, which can not be answered without a thorough typology of the welfare states, concerns to what extent different models of the welfare state are invariable and to what extent they can be similar. If their similarity was not real, it would greatly complicate for example the idea of a united Europe based on a social model (Keller 2009: 49).

Andersen tried to identify the impact of political variables on characteristics of the states in several stages. He found out that his basic theoretical arguments could be confirmed. It means that the key independent variable explaining the creation, expansion and institutional settings of the welfare state, which he sees in political

forces that created the welfare state in its beginning (in the context of democratic political systems we speak basically about political parties), influences the type of the welfare state. He also discovered those non-structural features of social policy, such as the influence of politics and power, remains marginal, while the dominant leadership role is played by economic and demographic variables. This also suggests that social spending will be somewhere in the centre of a major political conflict. A relatively clear correspondence between social states and political forces was also identified. Conservative principles of stratification certainly explain the presence of the Catholic Party and the history of absolutism. Conversely, socialist stratification is derived from strong social democracy (Esping-Andersen 1990: 81).

Some authors have pointed out that analysis of Esping-Andersen depends largely on the author's judgment (Powell – Barrientos 2004: 83). The analyses of welfare regimes carried out by other researchers, therefore, resulted in very different typologies of states. It is important to consider that typologies are set to a single point in time and they represent only ideal types. For example, some critics say that there are states that do not fit into either one type of the welfare state (e. g. the Netherlands, United Kingdom and Australia). Some criteria may be questioned and if new indicators are introduced, the classification may fail or may require new models (Mitchell 2011: 13–16).

There is also criticisms that the typology does not include the question of gender, and also that the results of the analysis are often dependent on the judgment of author. Other critics mention the very concept of welfare regimes. The analysis of cash benefits (such as Powell – Barrientos 2004) is also criticised, and also the fact that the identification of schemes was conducted exclusively on a pre-set analysis. As a consequence, there were many empirical studies focusing also on the example of state intervention in health and social services in order to confirm the division of Esping-Andersen. For example, Shalev, (in Powell – Barrientos 2004: 82), highlights the problems in Esping-Andersen's classification and claims that the analysis under this typology and its results are heavily dependent on the discretion of the author. Subsequent analyses focus on the score of decommodification, but the construction of the decommodification index and the resulting clusters are highly controversial -

analysis of various components of the welfare state regime creates different characteristics of the welfare state (Powell – Barrientos 2004: 83). A rather radical critique was performed by Kasza (2002: 271–287) in connection with the very concept of welfare regimes and its value as a tool for comparative analysis. Esping-Andersen changed his opinion between 1990 and 1999. Most authors highlight the added concept of defamiliarization, but Powell and Barrientos (2004) point out that there is also a change relating to social risks and welfare mix in connection with implications for the welfare state regimes. The welfare state, the family and the market are considered to be the three sources of social risk management (Powell – Barrientos 2004: 83–96).

However, the new attitude of Esping-Andersen from 1999 was more developed, identification regimes rested still on social rights dimension measured by decommodification (1990), later supplemented by defamiliarization (1999). According to Powell and Barrientos, 2004, both indicators contain single dimension and none of them measure adequately the new dominance of welfare mix (Powell – Barrientos 2004: 97–104). Musil believes that on the one hand, typology of Esping-Andersen is concise and can be therefore well adapted to different models but on the other hand, one cannot use it to describe the reality as pure types are not possible. What serves well is the capturing of the trends that are typical for countries with the specific orientation and can be a helpful tool in recognizing trends in hybrid systems (Musil 1996: 26).

In this chapter, *The typology of Esping-Andersen* is discussed in more details in order to describe the character of the social state and, specifically, characteristic elements of the conservative welfare state, to which Germany belongs. Germany is often recognized as a model state of the welfare state. The theory helped to define the basic premises of the welfare state, to approach them, state, which principles and factors shape welfare states. The chosen the typology of Esping-Andersen, who certainly has its limits, and many authors point out these limits. However, it is believed that Esping-Andersen managed to capture the exemplary link between the market, the state and the society. This line indeed reflects the resulting profile of the welfare state.

### **3. Characteristics of the German welfare state and the development of the German state**

The aim of this chapter is to briefly introduce the German social welfare system. The key issues discussed in this chapter are the main characteristics of the system; its instruments, the development of the system etc. The period of the global financial crisis, which occurred in 2008, will be considered as a symbolic milestone, as it marked a turning point in the development of the German welfare system and it later caused the emergence of new social risks<sup>2</sup>. There have been several new features in the German social system since the crisis.

The crisis was caused by the phenomenon of globalization and as a result, the development of social policy became less predictable. Besides, greater internal differentiation of German society was accompanied by a threat of social cohesion and certain weakness of government on issues of socio-economic reforms started to occur. This phenomenon, which was formed with modern capitalism, became stronger and expanded deeply in the German social system after 2008. It is, therefore, necessary to mention it because other additional risks and weaknesses may affect current and future social policy of Germany. By identifying this trend we can find better solutions with various strategies in order to ensure better functioning of social policy.

The current functioning is lagging behind the ideal objective. The welfare state may use different tools to carry out its social policy. The basic framework for applying

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<sup>2</sup> New social risks were defined at the beginning of this work as a situation in which individuals experience loss of welfare and which emerged as a result of socio-economic changes such as, among others, deindustrialization and the shift to a service economy, massive entry of women into the labour market, the growing instability of family structures or non-standard forms of employment (Armigeon – Bonoli 2006: 215 –219). Taylor-Gooby adds another important processes of bringing new social risks - the aging population and the privatization of social services and actions. These are not risks themselves, but they can cause new risks, "*when citizens-consumers opt for inadequate elections and when the regulatory standards in the private pension system are ineffective*" (Taylor-Gooby 2004: 4).

social policies is legal standards. Social interests are promoted when creating legal norms by conventional forms in representative democracies. Legal protection of civil rights is different from country to country. It depends on the extent to which the Constitution and other laws are devoted to the so-called social rights (Marshall 1963: 15). In the practice of social policy, we encounter with the effect of lower legal force than with the Constitution and laws - ordinances of ministries and local authorities, organizational systems of institutions and others. The size of institutions, their internal structure, centralized or decentralized way of managing, affects the availability, quality and breadth of services, ability to respond to changing needs and the overall effectiveness of social policies. The economic instruments of social policy are all those measures which affect the acquisition and redistribution of resources so as to achieve the intended objectives. One part is created by the invisible hand of the market (Potůček 1995: 51–52).

The other part is represented by the administrative, the non-market forms of acquisition and distribution of resources, which are of non-economic values and criteria. Another tool is various social programs including the setting of goals and their achievement. They are usually formulated by social groups, movements, political parties, enterprises, government authorities or other institutions. Social programs are the expression of the target focus of the activities of social actors and the needs of stimulation, coordination and evaluation of the consequences of such activities (Potůček 1995: 51–52). The formulation of goals in democratic societies tends to have recommending character and uses indirect stimulation, moral, organizational and financial support of relevant activities. Implementation of the social program should be preceded by a thorough analysis of the problem, a public debate on appropriate implementation of selected strategies, cost-benefit analysis of program implementation and estimation of its acceptability for the affected population. In order to achieve the success within the social policy, it is necessary to communicate through the mass media. Coercive actions also have an impact on the formation and implementation of social policy. They are used when normal channels of political influence of some social actors are not sufficiently effective (Potůček 1995: 53–54). Instruments of social policy and various principles of social citizenship, such as the provision of

social rights, inclusion of social stratification and interconnection of the market, the family and the state have an impact on the overall form of social system and its further development. It is essential to know the extent to which the state redistribution takes place and how extensively it is separated from the redistribution of the market mechanism. It is also necessary to examine what kind of stratification system raises social policy (Esping-Andersen 1990: 19–25).

### **3. 1 Characteristics of the German welfare state**

The Constitution describes Germany as a democratic, social federal state and the legal state. It specifies that the legislature cares about social justice and security of its citizens. Therefore, it has to deal with social policy. Social legislation has a long tradition in Germany. Its oldest industry is social security. The state is prepared to substitute the market as a source of social security (Večeřa 1993: 72). Germany introduced statutory health insurance for employees as the first country in the world in 1883. Nowadays, all employed people have compulsory insurance (up to a certain amount of income). There are additional types of insurance - unemployment, accident, inability to work, for people requiring care and the payment of pensions for the elderly. They usually require a certain amount of income (mandatory border), but can also be voluntary. Other social benefits are financed by the state from its coffers, for example, child allowance, parental allowance, housing or social assistance (Hormuth – Oberschelp 1999: 54).

According to the Employment Promotion Act, these benefits can help the apprentices to pay their vocational training, as well as pupils or students to obtain state funds or interest-free loans. Social legislation orders, inter alia, all employees not to be threatened or burdened with excessive fees. It protects expectant mothers and also ensures that nobody can be dismissed from day to day, and everybody who is ill receives a wage (Hormuth – Oberschelp 1999: 54). Laws on taxes are also important. They legitimize the amount of taxes according to social considerations. This ensures

certain extent of socially and politically welcomed redistribution of incomes. After the taxes payment, there are not as big difference between high and low salaries as it used to be. Money of the taxpayer flows, for example, in the area of social housing, in the program for creating jobs to achieve rents, in the area to secure the unemployed with money and subsistence (Kerrige 2014: 12).

As stated in the previous chapter, the German social system is characterized as a conservative-corporate regime, while a key policy area for Germany is unemployment (Esping-Andersen 1990: 142). The German welfare state is on a high level of stability. Despite this fact, the German social security system faces a crisis of social conservative mode). The welfare state in Germany is enshrined in the Constitution. It is not based on the goodwill of politicians, but it is committed to socially fair behaviour. In this context, it is important that compliance with this constitutional obligation is controllable by a supreme federal authority - the Federal Constitutional Court. The experience of the past decade has shown that this possibility is of great practical importance. There are repeated authoritative judgments of the supreme guardian of the constitution to fundamental questions e. g. the need to protect property, to pay contributions for pension insurance or the state family policy (Kerrige 2014: 12).

Nowadays, the social security in Germany is ensured by a variety of social programs. The core of these programs is social insurance including four parts – pension insurance, illness insurance, casualty insurance and insurance for the case study of unemployment. Social insurance is mostly for workers. The rest of the population is secured by additional programs of social help. The social security in Germany is also ensured by own private care consisting of maintenance obligation of relatives in a direct line. German citizens favour various forms of insurance, especially the life and health, insurance, which are supported by the tax relief. In addition to the main program, there is also a social security retirement, disability and widow's pensions (Munková 2004: 100–101). It is also significant that the state - in addition to statutory social insurance - implements active social and employment policy at all three levels (federal, provincial and municipal). The German welfare state is a very

important part of the economic value of Germany. For example, in 2011, Germany spent a total of € 798 billion on social services, which was about 31 percent of gross domestic product (Kerrige 2014: 13).

The characteristics of the German welfare state can be seen not only in its development but also in different areas of its services. There are also certain basic principles and elements which has shaped the development of the welfare state and which will largely shape it in the future. It is particularly important to stress the form of financing of the welfare state. In principle, social insurance is funded by contributions from the wages of insured workers and through contributions from their employers - mostly equally. The state provides subsidies if there are paid services to the uninsured or from different socio-political reasons e. g. in pension insurance, at the time of education period or in contributions from family assistance in health insurance. Financing services of the welfare state outside the social insurance is entirely a matter of the state - the Federal Republic, the state or local authorities. It is not easy to set borders in both areas and it is also subject to political disputes, but it remains a respected principle (Kerrige 2014: 13). Another characteristic of the German welfare state is an application of the principle of subsidiarity. This means that the state should manage everything that the civil society organizations and initiatives do not address in the field of social challenges. Activities of churches and charities take precedence over state activities when regulating social issues. The same applies to the work life. Unions and employers are constitutionally secured with collective bargaining in order to regulate working conditions e. g. wages and working hours. The state must hold back and may intervene or act only when the tasks and problems can not be resolved or adequately addressed by the civil society or by collective bargaining (Kerrige 2014: 14).

Another peculiarity of the German welfare state lies in a federal structure of the Federal Republic of Germany. The main actor of German social and employment policy is certainly the federal republic with the federal government and the federal Parliament. But besides this sector, states and municipalities have their own powers. Municipalities play a very important role e. g. in preschools for children or basic social

security needs. These institutions are very different. They thus have problems in setting borders relating to political responsibility and the funding of services of the welfare state (Kerrige 2014: 15). The health insurance, which is another obligatory component, includes three systems: statutory health insurance, voluntary or private and casualty insurance. Sickness insurance is governed by the principle of solidarity. Based on the principle of solidarity it also includes free insurance for wives and children of the insured, if they are not gainfully employed. This system is ensured through sickness funds, which have the character of individual corporations, which are represented by both employees and employers. In addition to these statutory sickness funds, there are also private health insurance companies, which are based on a similar principle. Casualty insurance, which is entirely financed by employers, is also very important. We can not forget to mention the unemployment insurance, which provides unemployment benefits and support in the case study of unemployment. Entitlement to benefits for the unemployed belongs to workers who are unemployed, are registered at the job centre as unemployed, are available to work, fulfilled the waiting period (payment of compulsory insurance for at least 12 months during the period of 3 years) and are not 65 years old or older. Unemployed is the employee who is temporarily unemployed and looking for work. If the unemployed is reluctant to accept suitable work or to participate in vocational training or retraining, he/she may not get the support for up to 12 weeks (blocking period). This is also applied when the unemployed gives up the job without any serious reasons (Hüttenbrick 2011: 11–16).

The basic law<sup>3</sup> of the Federal Republic of Germany obliges the state to ensure all individuals within its territory sedentary dignified existence. Social insurance is completely outside the existing German system of social insurance. Social assistance benefits are relatively low and represent German poverty threshold, i. e. the minimum

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<sup>3</sup> Grundgesetz is the basic principle of solidarity. Efforts despite the existence of risks to maintain the standard of living of the insured Deutscher Bundestag. *Grundgesetz für die Bundesrepublik Deutschland* (<http://www.bundestag.de/bundestag/aufgaben/rechtsgrundlagen/grundgesetz/>, 17. 3. 2015).

subsistence level. Social assistance or public assistance allows individuals to lead a decent life and the poor (if their family also desperately needs) are provided with the type of predicament. Social assistance is paid from taxes. It may be granted in the following forms: social assistance for a living: includes expenses for food, housing, clothing, body care, household equipment, heating; in addition to current benefits, there are also one-time benefits for larger purchases provided by the town or village (e. g. equipment, heating in the winter); assistance in specific situations: applies to e. g. treatment, assistance for the upcoming mothers, nursing care, social integration for people with disabilities; or as a help for creating livelihood security: for people who want to create an independent existence, e. g. for setting up small shops (Munková 2004: 102).

The family policy serves as a social assistance by various family benefits, such as parental allowance and parental leave. Those family policy measures can be described as direct actions. Besides them, there are still significant measures of an indirect nature, which are based on a unique complex of tax relief, such as various tax benefits for lone parents. Another important policy in the social system is the health policy, which is traditionally regarded as an important part of the national social policy. German health care system provides citizens with maximum quality services at minimal participation. The whole system of health policy is covered by a system of sickness funds. It is a system which is fully functional and it has been an inspiration for other countries. On the other hand, a negative feature of the German health policy is the fact that the costs connected with it are constantly rising and unless there is a fundamental change, they will continue to grow. The current demographic trends indicate an increasing proportion of insured people of higher age who are entitled to insurance. There is also the issue of housing policy, which currently seems to be problematic. The significant housing shortage is often attributed to constantly increasing the pressure of immigrants and to the increasing number of people who live permanently alone (Munková 2004: 106 comparing with Reuter 2004: 25–30).

### 3. 2 The history of the German welfare state since the reunification

In 1990, social rights expanded even to the inhabitants of the eastern part of Germany. Initially, it was difficult to unify two distinctive parts, since both the eastern and the western part had different opinions on the social system. Overall, the first few years after reunification were difficult years of both economic and social changes. Suddenly, unemployment increased which sharply caused unity. Given the diverse experience in both parts of Germany, a series of reforms had to be performed in order to integrate the residents of the eastern part better into the new structure of the united social system<sup>4</sup>. It was a really significant change for them. They were under the influence of the communist regime, which had a completely different view on social policy than western Germany. When unifying the two German states, economic, social and political principles of the Federal Republic were fully predominant and were transferred to the area of the former GDR (Kerrige 2014: 16). After the unification of two German states, the former German Democratic Republic (GDR) got the right to participate in the functioning of the welfare state. The consequence of the unification was a dramatic increase in the spending on the social welfare system. Revenues from the emerging new country were totally insufficient to cover the new expenses. This increase in the budget meant increase in the debt of Germany and also the increase of some taxes (Fleckenstein 2011: 60). The main reason for increase in expenditures of the welfare state was an enormous drop in jobs in the eastern part of Germany as a result of the transformation process. The former GDR was exposed to the competition from western economies. The exchange rate for the German Mark 1: 1 was not competitive for the products from eastern Germany. The newly formed unemployment rate became a large burden for the insurance system. The government started to create

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<sup>4</sup> The theory of new social risks says that the social state must be flexible and respond actively to new risks. It should also adapt to new expectations and demands which are created by the inhabitants of the welfare state. At the core of this theory, there is a claim that the transition from industrial to post-industrial economy and society led to the rise of so-called new social risks. Welfare states in Europe have to face these risks at the moment (Kemp 2008: 170).

temporary job offers with lower earnings to at least partially lower the unemployment problem. Some clients of the welfare system participated in various retraining programs during which they were entitled to receive labour wages in the full scale (Kerrige 2014: 16).

### **3. 2. 1 The development of the German welfare state from the reunification to the period of the world financial crisis**

Numerous companies from the former GDR collapsed in the framework of the unification. Registered unemployment<sup>5</sup> rose sharply and the costs of German unity literally exploded. Meanwhile significant and tangible economic and social convergence of formerly separate German states was achieved. But all the results achieved could not be overstated. The process of internal economic and social unification of Germany was not completed. Unemployment in the new German countries is still higher than in the old Federal Republic (Annex No. 2: *Unemployment in Germany 1980-2014* and Annex No. 3: *Unemployment of new and old federal republic until February 2015*). Wages and pensions differ. There are not equal living conditions in both parts of Germany. Germany is a country of high economic and social levels which has to struggle not only with serious problems and challenges but also with many shadows (Kerrige 2014: 17). Here we can confirm the findings of Esping-Andersen saying that the non-structural features of social policy, the influence of politics and power, remain marginal in the context of the impact on forming the social policy, while the dominant leadership role is played especially by economic and demographic variables (Esping-Andersen 1990: 21–22). In this case study, due to increased in economic spending, population growth, which was caused by German

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<sup>5</sup> According to the best scenario, employment thanks to refugees increases to about 500 000 people by 2020, the worst scenario counts with the increase of 250 000. At the same time, unemployment will increase by a total of about 300 to 350 000 people by 2020. This means that the number of registered unemployed is likely to exceed the 3 million limit in the next few years (Jungius 2010: 9–10).

reunification, it was necessary to ensure full-fledged jobs to not burden the social system (Ritter 2009: 57–62). The problems associated with unemployment and unification of two originally different social systems and economies, forced politicians to think about the improvements and forced them to create the benefits for both the state and the citizens of the German welfare system, since economic and social security of the citizens is a part of the social model in each welfare state (Tröster 2010: 1–10).

According to Peter Hartz, who represents changes of German social reforms, the problem of unemployment can be solved. Hartz promotes new ideas based on his long-term knowledges. Reforms of Hartz that are part of Agenda 2010 were adopted in response to slow growth of the German economy, the unfavourable situation on the labour market and, ultimately, to the so-called crisis of the German welfare state (Hartz 2002: 45–54 comparing with Butterwegge 2005: 245–255). The so-called Agenda 2010 is a package of economic reforms, which should have stimulated economic growth, change the social system and improve the economic situation of Germany. The motto was *Fördern und Fördern* (require and support). The agenda intervened in many areas, e. g. economy, education and the school system, labour market, health care and pension system and the family support. The EU set the year 2010 as a milestone of the Lisbon Strategy. The German government used a mark of this year for the reforms to point out this bond. It is somewhat ironic that this step was made by SPD government, a left-wing party, which traditionally focuses on generous kind of social policy. Agenda 2010 was agreed in 2002 and entered into force in 2003 (Sozialeurope. Eu 2012 comparing with Jochem 2009: 16).

Initially, the preparation of commission of Hartz was perceived as a political move of the German Chancellor Schröder to win the upcoming elections. From the perspective of today, reforms of Hartz appear to be the act of a truly ambitious attempt to reform of German social policy, maybe the most ambitious attempt since the end of World War II. However, the opinions on the reform vary greatly. For some people, the reform represents the possibility of stopping the economic stagnation and proving that the country is ready to take substantive reforms. Others point out to the many

shortcomings in the reform and believe that it will result in the evidence that large institutional system is too huge for achieving results through reforms. Hartz's commission was established by Schröder with the aim the reform the organization Personnel Service Agencies (hereinafter PSA) and the employment policy. The establishment of the commission was a direct response to the report of the German Federal audit which has revealed frauds of PSA officials who had distorted the statistics in an effort to show better results in placing job seekers (Müller 2009: 132).

Schröder, therefore, named the so-called Commission for modern services on the labour market, which became known as the commission of Hartz. It was named after its chairman Hartz, personnel director who was also a director of the Volkswagen plant. The strategy of the Commission was to find solutions for the crisis of the labour market within the tripartite party. The main objective was to propose a reform of PSA and to create an effective active as well as passive employment policy. After the re-election of Schröder, he promised that reforms would be implemented without significant concessions. Public discussions and political negotiations, particularly with the Christian Democrats, whose support in the parliament was a requirement, followed. Finally, two thirds of all the amendments to reform were approved (Wilson 1993: 141–169). Proposals of the commission of the Hartz were divided into four acts, usually known as Hartz I., II. III., and IV. As part of outputs of the laws, we can generally divide them into three areas: organizational reform of PSA, the reform of the unemployment insurance scheme and the introduction of tools aiming at the increase of the labour supply. These three pillars should have had the potential to change the German labour market and the welfare state. The first reform, Hartz I., which is of efficacy from January 2003, addresses the issue of the PSA reform and the definition of suitable work. The second reform, Hartz II., which has also been in force since January 2003, introduces the so-called mini-jobs and implements programs to support business. The third reform, Hartz III., which came into force a year later, in January 2004, deals with the internal organizational reform of PSA. And finally, the fourth reform, which is the most discussed one, came into force in January 2005. It should address the reform of unemployment benefits and social assistance (Bundesagentur für Arbeit 2009: 1–19).

Instruments of laws of Hartz were aimed at groups of candidates who had difficulties finding a place on the labor market or at employees with a certain disadvantage in the work performance - young people, low-skilled individuals, older workers, the long-term unemployed etc. The commission of Hartz primarily expected the increase of flexibility of employment, expansion of services on the labour market, dynamic job using the opportunity of applicants to begin regular employment which was accompanied by financial support, and further use of tax-free low-income jobs, by introducing various instruments such as programs *Ich-AG*, *Familien-AG* or "*Mini-Jobs*". Greater flexibility and improved integration of individuals into the labour market should be ensured by flexible forms of employment and unusual working conditions in the form of Mini-Jobs, Midi-Jobs, temporary employment, *Leiharbeit*, part-time employment and *Ein-Euro-Job*. Although the reforms do not support the creation of new jobs, they at least partly reduce the unemployment rate. They also act in the direction of social equality among the unemployed, where one could find significant differences in the past (Potoužková 2011: 78–88). Between 2004 and 2008, the unemployment rate in Germany decreased. It was partly due to reforms, partly due to the global economic growth. The protection of employees with full-time jobs for an indefinite period was increased. The implemented reforms helped with the partial involvement of formerly unemployed into the labour market but the other hand, they deepened the differences between various groups within the labour market. This certainly does not correspond with the general trend of flexibilization and it creates further and deeper disparities (Bundesagentur für Arbeit 2009: 9–10).

### **3. 2. 2 The development of the German welfare state after the outbreak of the financial crisis**

As mentioned above, after the financial crisis in 2008, there were some new traits in the German social system, mainly as a consequence and a reaction to the new phenomenon of globalization. The most important change is the fact that since the crisis, the development of the social policy has become less predictable than before.

Traits which acted as the priority of the German system are considered to be the greatest weakness of the German model with the advent of globalization (Keller 2009: 53).

The German government focused its strategy on the crisis solution by eliminating the consequences of the contraction in industrial production and the growth of government spending on long-term purposes (infrastructure, education, etc.), in order to preserve jobs. The German government launched two fiscal stimulus packages, the so-called Konjunkturpaket I. and II. Given the focus of this work, we will deal primarily with the impact of incentives on the labour market. Given the considerable impact of the crisis on the German economy, the government decided for further stimulus and support measures under the so-called Konjunkturpaket II., in 2009 (Potoužková 2011: 78–88). The most discussed measure within eliminating the impact of the crisis on the German economy is undoubtedly the so-called Kurzarbeit (part-time jobs), which can be considered as a synonym to the fight with the crisis. It is an instrument of employment policy which allows companies not to lay off employees when there is a short-term business cycle slump in demand. The idea is to let them work for shortened working hours. The difference between regular and shortened working hours contract is the fact that the shortened contract is paid by the state. At this point the tool Kurzarbeit is an effective measure for short-term business cycle outages, when there are short and sharp drops in demand and businesses rather prefer to keep their employees than to dismiss them and hire them back when the crisis is overcome. If we focus on the areas in which the Kurzarbeit is used, there are several questions about the long-term usefulness (Bundesagentur für Arbeit 2009: 12).

Given the rigidities on the labour market and high costs connected with dismissing the workers employed for an indefinite period, we can expect a situation where the labour market returns only employees for atypical employment. These rigidities also worsen a chance for young and less educated people to find proper jobs when they enter the job market. This fact deepens the disparities even more. This fact represents a major change for the Germans, who were accustomed to the social model which guaranteed high employment and where the labour was also one of the means of

social stability. The point is that the largest part of the funds, which are gained for social spending, is tied to the salaries of employees, both in the form of social security contributions and through direct taxes. The German state is more than two-thirds funded by contributions of employees and their employers. It thus relies on the assumption of almost full employment and the majority of full-fledged forms of work. When people produce more without having secured full-fledged jobs, the welfare state is losing its economic base (Schmidt 2012: 87–100).

Flexible work does not insure individual against elementary social risks. The rise in unemployment, as well as reduction in the cost of labour when increasing competitiveness, reduces the inflow of money into the state coffers and it also increases the demand for social security. In this context, we talk about the trap of conservative model: the greater the scope of fiduciary work and unemployment, the greater the insurance burden on those who do not have full work. Dependence of social security on family and professional status proves to be inadequate at the time when the classical form of family and household ceases to be the rule. Inadequacy is due to the fact that social risks, which are preferably hidden in this system, refer to the typical male life cycle with strong support from men as the head of the family. The rigidity of German social security system in the conditions of globalization is reflected in the reluctance to move away from a model based on full-fledged employment. Furthermore, the rigidity is represented by the fact that social security, which underpins the system, is threatened by the flexibilisation of work. Finally, social demands are treated as laws, as some kind of personal property for which people can not be prepared. Resistance to changes in the social security in Germany has three main social supports. These include well-paid employees, who are guaranteed a high standard of living by the system in case study they find themselves outside the labour market. For them, it is crucial to maintaining the wages together with an emphasis on passive employment policy in the form of high benefits. Further support for the existing system are pensioners, who make up about one quarter of the population and who are at risk of becoming victims of downsizing the welfare state. We have to add the public sector employees who are paid directly by the state. They enjoy a privileged social securing and they would be among the first to experience the transition to a

minimal state interventions. Those who talk about the need of modernization of the German welfare system, suggest, among other things, to move the weight of funding from premiums to taxes. This is the reason why unions are against modernization. This manoeuvre would knock them out of the game as all decisions would be transferred to the tripartite: the government, the parliament and the political parties (Keller 2009: 53–55).

We do not know anything about our future today. It is uncertain and this fact makes us stressed. People who do the same job receive the different evaluation. People with more institutional knowledge are often in lower positions than those who have less knowledge. Another problem is that employees are mutual competitors, whose aim is to retain their place. Since people with better qualifications are unable to work in the management (due to a lack of organizational skills), management is left for less skilled workers, which this is inefficient. Modern capitalism emphasizes that people must adapt and try to be more active at work. Today, new companies face anxiety. This condition is caused by the future which many companies can not predict, for example, the future debts or investments (Sennett 2006: 21–42). The process of causality (the process of formation of new companies with new technologies and disappearance of others with have outdated the technology) enables companies to keep employees on a temporary duration. This way, employers avoid the fact that they would have to pay some benefits. In the process of flexibilization of work the scope of fiduciary work has been increasing and employees tend to be occasional volunteers or part-time employees. Companies often employ their workers on short contracts (Sennett 2006: 43–52). As a result, the company can quickly restructure the workforce, the employees are more committed to work and it is not a problem for them to get further training temporary staff is not part of the society and thus not subject to such great pressure and stress as for permanent employees. Such work habits affect the overall behaviour of people. Immediate consumption in modern capitalism is preferred on the market. There are no stable relationships or partnerships in modern capitalism. Employees are no longer important for companies. It is visible on a low confidence of employees towards in the company (Sennett 2006: 52–75).

This chapter serves to present the German welfare state and to show its development and changes (Germany typology by Esping-Andersen – Annex No. 4: *Changes in the German society*). The aim of this chapter is to point on the premise that occurs with the onset of the transformation of the welfare state, with the reunification of Germany, the arrival of migrants into the German territory and the general demographic trends in Germany. It points out that premises on which the German welfare state worked previously are no longer valid. With the emergence of new social risks and global challenges, it is necessary for Germany to reconsider the current approach to the social policy of the state and to seek new opportunities, which would streamline the running of the German welfare state.

#### **4. The Discussion about the problems and risks of the German welfare state**

This section, entitled *Discussion about the problems and risks of the German welfare state*, deals with current problems<sup>6</sup> and risks of German social system, which may affect the further development of the German welfare state, are dealt with. First of all, the chapter examines if the current state of the German welfare system is sufficient or not. Moreover, it examines the question whether or not are the factors, which complicate the efficient operation and management of the German social policy, reflected. Primarily, the chapter deals with the issue from a perspective public policy.

In the framework of the German welfare state conservative ideology was preferred. This ideology recognizes the central influence of the family, and on the

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<sup>6</sup> There were mainly two problems in the political sphere which dominated this year. It was the crisis in Greece and the immigration of refugees, which overshadowed the problems of demographic development and the need to create a globalized and digitized world. German economic policy should, however, return to the creation of effective economic processes (Spiegel. Online 2016).

contrary, assigns a marginal role to the market, while the state has to have a supportive effect. However, the main source of solidarity has to be the family. There is a strong degree of decommodification in this model. Nowadays, herein mentioned ideology, which shaped the conservative welfare state, is changed its premises. The family has ceased to be the central concern and vice versa market gained a bigger role. The main source of solidarity transfers from the family to the state, since the families themselves are no longer able to meet the ever-increasing risks of the new social state. Furthermore, the level of decommodification, which meant a high status for men as breadwinners, is now reduced (Schmid 1998: 22–28).

Due to the factors such as post-industrial capitalism and globalization, there are new social risks within the social state, which cause that the current state of the German welfare state is totally different and has different premises than before the advent of post-industrial capitalism and strengthening of the role of globalization. At present, it is necessary that the German welfare state focuses on underpinning risk while it is still possible to maintain, improve and streamline the operation of mainly German welfare state. The state must focus on those areas where it previously failed before (Schmid 1998: 29–32 comparing with Keller 2011: 35–51).

Areas, where the state has not taken any remedial action, include various measures that are associated with the demographic structure of the population. The German state must address challenges such as the aging population, low birth rate, lack of skilled workers, the predominance of not fully-fledged work (part-time), failure of working guests and their families on the labour market, general problems with immigration and the increased proportion of clients of the welfare state who are fed from social benefits. Moreover, financial costs associated with the unification of Germany contributed to the crisis of the German welfare state (Kotous 2004: 79–81). The German welfare state seeks to underpin those mentioned issues and associated risks, for example by means of Hartz reforms. Those reforms have helped to a partial involvement of formerly unemployed into the labour market, but they have also deepened the differences between various groups within the labour market. This certainly does not correspond with the general trend of flexibilization and it vice versa

creates additional depth and disparity (Bundesagentur für Arbeit 2009: 13). Still, there are number of tasks left to do in order to avert the future in which the German welfare state could even collapse because of the burden. The necessary political consequences have been debated for many years. But the measures which have been taken so far are only the first steps towards mastering the demographic challenges. Much more must be done in the future in order to manage the ongoing demographic changes (Annex No. 5: *Demographic development of population in Germany from 1960-2050*). Immigration of foreign workers must be strengthened. It is also necessary to deal with predictable consequences on health systems and social care, greater prevention and new forms of care. Germany is running out of time. There are obvious demographic changes in kindergartens, schools and on the labour market (Degener 2010: 4–8).

The chapter discusses problems which the German welfare state has to face today<sup>7</sup>. This chapter served for a complete overview of network risks and problems of the welfare state. Issues discussed here are also further examined in the chapter *Alternative solutions*. There is the tree of problems which solves the importance of problems in the context of the welfare state. It attempts to determine which problems are necessary to fully deal with.

## **5. Actors of social policy**

This chapter is focused on actors who are interested in the issue of the welfare state. Firstly, the work of the actors in the social system will be pointed out. Secondly, the chapter deals with their influence on the development of the welfare state (Annex

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<sup>7</sup> The welfare state is still seen as a kind of socio-political company. It often has to deal with or to catch problems whose causes lie outside the social sphere. One example may be the creation of opportunities on the labour market. This leads to social problems and economic decisions in the interest of labour flexibility, which may lead to uncertain employment and to ultimate dependence on state benefits. Therefore, it is not good if social effects are depend on either political, but also private economic decisions (Klimpel 2010: 26–28).

No. 6: *Actors in the social state*). Politics - including social policy - arise from the interests of people and institutions. It transforms them at the same time. So when we talk about social policy, we always need to ask the following question: *A social policy of whom, for whom or against whom?* The process of forming and implementation of social policies involve a number of entities, whether in terms of active creators and implementers or passive consumers. Randomly, the same person or institution often acts in both roles simultaneously (Baldwin 1990: 12).

Social policy is implemented by the welfare state, which guarantees a minimum income for individuals and families at the subsistence level. It provides social security for ensure an adequate level of social security and sovereignty. The most important actor in the welfare state is state power and administration, which create professional political apparatus controlling a territory whose authority ensures the right and the opportunity to use coercion. The German state provides social security for the citizens (Kaufmann 2013: 194). Social security is implemented through a variety of social programs. For example, family policy is focused on financial compensation for social events such as childbirth and care related to it. Germany also has a mandatory health insurance system, in which maximum quality of services at minimal participation are provided. At the same time, the entire health system is covered by a system of sickness funds. The educational system is widely decentralized – both national and regional governments maintain control over it (Walwei 2006: 3–4).

The welfare state is still seen as a kind of socio-correction firm. It often has to deal with problems or tries to catch those problems whose causes lie outside social spheres. For example, the deficit on the labour market in creating opportunities leads to social problems and economic decisions in the interest of flexibility of work, which can lead to an uncertain employability and ultimately to the dependence on state benefits. Therefore, it is not good if social effects depend on political, as well as on private economic decisions (Kaufmann 1997: 119). All branches of government are involved in the formation and implementation of social policy. The Parliament enacts and amends laws, it sets the budget of the state, the government takes respective programs and individual measures, the courts are responsible for compliance with the

law. Civil servants have a great opportunity to influence the real nature and in particular the manner of implementation of social policies. We talk about the hidden power of bureaucratic apparatus, which induces the need to find effective ways of public scrutiny of their activities (Wilson 1993: 148–161). One should not forget the importance of political parties that approach solutions of various social problems in their programs. They are also involved in the formation and implementation of social policy. The mass media are also important as they mediate the circulation of information between the various actors in social policy. They also enter into an ongoing dialogue in the context of developments in the social policy of a particular state. Other actors in the welfare state are the unions, which defend the interests of its members in labour and social areas. They often implement or participate alone in the implementation of social policy measures (Potůček 1995: 55–57).

Actors of social policy create coalitions. They combine their strength and resources to promote different interests. They especially try to influence the text of enacted laws, the method and the amount of distributed resources or particular decisions. They may arise ad hoc tribunals to enforce a one-off project or pursue a long-term objective in order to strengthen certain policies or decision-making criteria. In a democratic society, every socio measure is the result of negotiations and compromises between the aforementioned actors. Fundamental reforms occur rarely relatively, since they significantly interfere with the spheres of interest of many actors (Potůček – Vass – Kotlas 2010: 33–60). Each actor has its social policy interests (Annex No. 7: *Quick analysis of actors*). Citizens strive to be secured in the case study of uncertainty, such as unemployment. The state has also its own interests. It wants to cover the costs of the efficient functioning of the administration by collecting taxes from the citizens. It thus creates reserves in the social system and retroactively provides citizens with adequate social security, and therefore the conservative welfare state strives for full employment of the majority (Potůček 1995: 55–56).

On the contrary, governments struggle to keep their power and position and they need satisfied electorate, thus satisfied social citizens. Considerable influence belongs to trade unions and various lobbyists who are lobbying for mainly economic

programs. These programs are usually beneficial for the groups connected with them and that means a certain amount of profit. Lobbyists have an impact on different enforcement of strategies (Potůček 1995: 57). It is important to remember that every actor in the context of the welfare state has its own interests and thinks about the risks and problems differently. For example, the state will primarily try to enforce a strategy that would generally help the social security system. However, a lobbyist will take into account the particular group that defends the interests even at the expense of other groups. Citizens will defend their own interests, so they will prefer to choose such a political force to ensure particularly favourable position for them and they will not take into account whether it has benefits for other members of the society. There are many actors in the context of the welfare state but not everyone of them is mentioned here. Every actor has different interests and different influence on the social policy of the state. Someone has negligible influence and someone else, on the contrary, substantial influence. For example, the state as the actor has a major impact on forming the social system. But other actors are also important. If for example, the state accedes to the fact that it wants to put a new strategy into practice, other actors must be implemented in the strategy because they can fill the theory and put it into practice properly. It is important to realize that there is a big difference between creating a strategy, proving it and implementing it. All three elements are important. In terms of success, it is important that the strategy works in practice.

This chapter examines the actors who operate within the framework of the welfare state. It is obvious that those actors, whose have influence and interest in the German welfare state, are important as they affect the final development of the welfare state. It must not be forgotten that all individual actors have their own interests and those interests may be contrary to the interests of other actors. The enforcement of certain trends, the strategies or the direction of further development is affected by actors which have a stronger influence than others and can thus push their interests at the expense of others. By analyzing the actors, it is clear that some strong actors decide to enforce or not enforce relevant strategies.

## 6. Alternative solutions

The following chapter presents the two proposals for solving those problems identified as main problems of the German welfare state. The first chapter deals with the key one, which is graphically described by a tree of problems. It is subsequently followed by two proposals for solutions to improve the current situation and tackling the issue. The first draft briefly introduces the concept of an integrated tax transfer.

The second proposal addresses the issue of comprehensive integration of migrants on the labour market. These proposals have already been discussed and the German social policy tries to implement them. However, the full implementation of those proposals has not been reached yet. It is given by contradictory actions of individual actors. The aim of this chapter is to propose such a solution that would streamline the existing mechanism. Designing the solution is based on the tree of problems. First, it is necessary to develop such measures that would eliminate the causes of meta problem, thereby suppressing consequences. When treating problem areas, the whole mechanism of the social system will be streamlined. Alternative solutions were chosen according to the authors thoughts about the greatest influences on solving problems of the labour market and streamlining opportunities on the labour market. Using a matrix,<sup>8</sup> it has been assessed which strategies have a bigger chance of success and which ones are therefore necessary to take into account and devote proper time to them. Possibilities were judged based on four criteria: economic performance, political enforceability, administrative enforceability and the anticipated result.

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<sup>8</sup> A method of weighted utility of various public projects. This method determines the total weighted significance of the individual variants. The procedure is such that it first determines the unweighted significance of the individual variants that binds to a given criterion. Weighted usefulness is then obtained by multiplying the weight of unweighted usefulness of criteria (Nekola 2007: 342–380).

## 6. 1 The tree of causes and consequences

This section of the work is focused on the so-called tree of problems (Annex No. 8: *Tree of problems, causes and results*). From the tree of problems, it is obvious which problem is developed and we can also see all the causes of the meta problem. In the middle of the diagram, there is the meta problem. In this case study, it is the unemployment problem. It is caused by many factors. The problem with unemployment appears to be the major problem within the framework of the German welfare state. The current share of the active population on the labour market, which would have full-fledged jobs, thus be efficient and have sufficient influence on the maintenance and further development of the German welfare state, is insufficient.

Imaginary roots of the tree are the causes of the problems. It is necessary to deal with the causes. Consequences eliminate the causes (even the disparity in the unemployment between east and west, create new jobs, integrate new actors into the workforce). Two major causes have been identified based on the findings of the analysis. The first one is the impact of global issues (low birth rate, aging population, the increase of migration, the emancipation of women on the labour market). The second one is the influence of reunification, which results in a different level of employment in the various federal are countries. In there are consequences symbolically referred to as branches. The following consequences of the meta problem are defined as legitimacy crisis of the welfare state, social and economic crisis and the increase in clients of the welfare state, while the increase in clients of the welfare state is what should mainly be reduced with the suggested proposal described here. By reducing the number of clients of the welfare state, the state will have lower spending on social security and it will redistribute the money in areas where they are more needed.

## 6. 2 Proposal No. 1

Long-term unemployment, i. e. unemployment of those who are without a job for more than a year, affects more than one million people in Germany. Around 300,000 of them do not have work for more than three years. Reintegration of these people into employment today is a special challenge. The strategy regards directive taxation. Businessmen, who have the possibility of deferring income taxes until the moment when they start to create new capital and new job opportunities, are favoured within this concept.

Joachim Mitschke addresses the issue of reform of the German tax law. The concept is based on the fact that income tax should be simple, transparent and practicable to reduce tax rates, thereby increase fiscal revenue. His basic idea is that income should be tax-free until it is consumption, given away or inherited. In this way, only private parts of income are taxed. The idea is based on easily understood note that the income is only compatible for own consumption or investment (Mitschke 1995: 76–82). In other words, deferred taxation allows people with good ideas to make projects, to create a base, to allow the potential to create jobs for other people and start paying taxes after the completion of consumption. You can distribute your profits or make investments and must pay a tax to the appropriate tax authorities. Only individuals have to pay income tax (Mitschke 1995: 76–82 comparing with Mitschke 1985).

The reform of tax policy in Germany is a subject of a long-term discussion. The proposals of the concept of integrated tax and transfer system by Joachim Mitschke, also known as Frankfurter proposal, are among the most famous suggestions. This concept contains two basic reform ideas. The first idea means a complete transition to income taxation on the principle of deferred income tax (i. e. the taxation of profits after their pumping or their use for consumption - a variation of cash flow). The second idea is the proposal of substantial reorganization of the social system and transition to an integrated tax and transfer system of civil charges or civil fee (model of negative income tax). Impacts of deferred taxes should have a positive impact on

tax revenue (Revenues in Germany see in Annex No. 9: *Revenues and expenses on the social state from 2000-2012*), increased employment and economic growth (Frankfurter Allgemeine Zeitung 1995: 2–7).

### **6. 3 Proposal No. 2**

The comprehensive strategy for the integration of migrants<sup>9</sup> on the German labour market was chosen as the second proposal.<sup>10</sup> This strategy seeks the most effective utilization of migrants on the German labour market. The strategy addresses the issue of integration of low-skilled workers and those who have not their graduation from abroad. Integration of migrants must be established from the childhood and continue to adulthood, for example through various retraining courses. Educated migrants must be given the opportunity to apply for positions on the German labour market.

The unemployment of migrants (Annex No. 10: *Comparison of unemployed German people and foreigners from 2004-2006 and 2004-2013*) depends on their overall lower level of qualification and the resulting higher number of migrants in precarious working conditions. If we want to improve the situation of migrants on the German labour market, it is necessary to begin addressing the structural factors that contribute to their weaker and more vulnerable position on the labour market (Jungius

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<sup>9</sup> Age, qualification of refugees, training and their education, will play a decisive role in their integration into society. They will certainly need some kind of training. Integration into the labour market is crucial when trying to integrate someone into the society and it should not be an obstacle for getting a job. Work on fixed-term contracts (Zeitarbeit) or on specific projects (Werkverträge) must be kept (Jungius 2010: 22–23).

<sup>10</sup> Immigrants should not have greater privileges than other workers but should not be disadvantaged in any way. The minimum wage is likely to be a major obstacle for entering the labour market for many refugees. The minimum wage should definitely not be increased. The refugees seeking employment should be treated as long-term unemployed from the beginning. Exemptions from the minimum wage for the long-term unemployed, who are starting a new job, should be extended from 6 to 12 months (Booth 2010: 1–9.).

2010: 22). The migrants (Annex No. 11: *Number of foreign immigrants according to their nationality, until 2011*) who live in Germany include the Turks who came to Germany in the framework of the Turkish labour migration, which was initially perceived as temporary. However, a considerable part of contract labourers decided, for various reasons, to stay in Germany for much longer time than was originally planned. Later, this first generation of men-workers decided to bring their families to Germany, which was legally possible under the principle of family reunification. While the first generation of invited staff had virtually no unemployment, the current situation of a large number of people of Turkish origin can be identified as problematic. Due to the background from which they come and the lack of language skills in the workplace, the members of this generation have still problems with language in Germany. Lack of education and problems with German are crucial as they are often passed on to the next generation. They were not improved due to the structural errors in the German school system (Jungius 2010: 10 comparing with Sarrazin 2010: 231–232).

Another large groups of migrants is the Poles. Their number is still rising. Nowadays, the Poles have still limited access to the German labour market, which considerably limits the possibility of legal economic activity. The Poles have (on average) the highest level of education and professional qualifications of all the groups of migrants living in Germany. At the same time, however, they have to face the typical problems, such as problems with the recognition of awarded degrees, with limited access to the labour market and other typical problems of illegal immigrants in temporary employment relationships (Jungius 2010: 12). Other recently numerically significant group of migrants are those who are from the Third World countries or regions outside Europe. The admission of citizens from the Third World (from non-European countries) to Germany, is defined by the Residence Act (*Aufenthaltsgesetz*) from the year 2005, which is a major part of the Immigration Act. The citizens of the Third World countries can access the German labour market only when this information is specified in their permit. Some groups of people with permission to limited stay have also limited access to the labour market, e. g. asylum seekers or refugees under the Geneva Convention. The same fact is for a husband or wife of

German citizens and foreigners who have work permits in the context of family reunification. The rest has secondary access to the labour market. Foreigners, who reside in Germany, have the same entitlement to aid in material distress, sickness benefits and care allowances as German citizens (Kemmerling – Bruttel 2005: 21–32).

More than a quarter of immigrants receive state support in the form of the so-called basic security for the unemployed (hereinafter ALG II). The share of ALG II benefits is the highest among immigrants from countries in Central and Eastern Europe, including displaced people and migrants from Turkey<sup>11</sup>. There are few causes of the employment crisis of migrants in Germany. The main reason, however, can be characterised as the problem with qualifications and skills recognition. Many migrants in Germany have no professional qualifications. Children from second-generation of migrants lack proper education (Annex No. 12: *Level of education*).

The German educational system has failed in this area. Highly selective three-tier school system structurally discriminates children from the socially weaker background by the fact that many migrant children are separated from others at an early age. In addition, teachers do not reflect special needs of children of immigrant origin (Bauer 2002: 15–24). Besides the lack of professional qualifications, another problem that migrants encounter is the labour market, is the recognition of qualifications acquired abroad. Most qualifications are not recognized in Germany. Given the fact that the recognised education is formally worthless, migrants who do not have recognized qualifications, have hardly any chance for a good job placement. People, who do not have recognized professional qualifications or experience either do not find work or are forced to accept low-skilled work. (Jungius 2010: 6).

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<sup>11</sup> Sarrazin, the author of a book which can be named in English „*Germany Is Doing Itself Away*“ and in German „*Deutschland schafft sich ab: Wie wir unser Land aufs Spiel setzen*“ In his book described many Arab and Turkish immigrants as unwilling to integrate. Sarrazin advocates a restrictive immigration policy (with the exception of the highly skilled) and the reduction of state welfare benefits (Sarrazin 2010).

The labour market is lacks skilled workers. Increasingly, more industries complain that they do not have necessary manpower and they lack professional training for adolescents in demanded occupations. Such highly developed country of services and industry can not manage such a lack of professional forces without any decrease in the growth and prosperity. Except the previously mentioned immigration, new efforts to improve and enhance the education and qualifications, as well as the conditions to improve compatibility of families and career, are needed. This is necessary to be performed from an early child education in nursery schools through training and retraining of the unemployed, as well as parental leave and better care for small children in nurseries and all-day schools (Bauer 2002: 15–23). The refugee crisis clearly shows that Germany can not avoid global problems. Due to the good state of the public budget and increased efficiency of economic policy, the predicted expenditure budget can be bearable. The successful integration of refugees requires speeding up the decision-making processes in the field of asylum and lowering entry barriers for getting jobs. Age, qualification of refugees, training and education of refugees, will play a decisive role in their integration into the society. It will be necessary to provide them with some training. Integration into the labour market is crucial when trying to integrate someone into the society and therefore should not be an obstacle when getting a job (Jungius 2010: 20–23). Immigrants should not have greater privileges than other workers but they should not be disadvantaged. The minimum wage is likely to be a major obstacle for entering the labour market for many refugees. Minimum wage should definitely not be increased. The refugees seeking employment should be treated as long-term unemployed from the beginning (Jungius 2010: 23).

Therefore it is necessary to accede to these measures within this strategy. Due to the limited space of this work, those measures are presented only briefly and they are not discussed specifically. It is necessary to focus on the lack of skilled workers, as the most vulnerable group on the German labour market, which are the least qualified. Lack of professional qualifications and language skills significantly limit their opportunities for employment or force them to enter into insecure employment relationships. This problem must be addressed on several levels. It is crucial to focus

on children and young people in kindergartens and schools and on adults, who due to the lack of qualifications, are outside the labour market.

The important steps also include the continuing reform of the three-tiered school system and preschool education which should provide children from immigrant backgrounds with an opportunity to achieve good results. It is also necessary to enhance the professional skills of adults through language and retraining courses. A crucial point is to review retraining measures based on the specific needs of migrants. It is appropriate to address the issue of recognition of qualifications acquired abroad. The most important step is to facilitate the recognition of education obtained in the country of origin or facilitate the recovery of qualification according to German standards with the comprehensive system of specific courses. These measures will enable migrants to find work in their field. It is also appropriate to address the problem of job insecurity and abuse of workers. We should not forget the entire reorganization of the employment relationships in the care services at home.

#### **6. 4 Evaluation**

The two above mentioned proposed solutions are questions of time in terms of longer duration. Even if the second proposal is after all only a matter of prolonged and continuous efforts of truly comprehensive integration of migrants, it needs some time for achieving any evident results. In the case study of the first proposal, results will appear for businesses record with some success and that is why therefore they, provide the state with new jobs in exchange for the tax deferral on income for the state. However, it can not be guaranteed that the entrepreneur will not bankrupt before he/she begin to create suitable conditions within the market economy. Conversely, the second proposal, if properly grasped, ensures plenty of actors who will participate in the strategy and thus bring positive results for the economy of the state and the society and the German social system in general.

On the basis of the above results the matrix has been set, in which of proposals four mentioned criteria are evaluated (Annex No. 13: *Criteria table*). They are rated on a scale from 0 to 5, with 5 being the highest possible score obtained for a given criterion, i. e. the best ranking. The criteria themselves are also evaluated on the basis of their importance in the promotion strategy. Economic cost has been determined as the most important aspect, because if the proposal is too expensive, it may represent a significant burden for the state apparatus. Economic factors are therefore evaluated by 5. The second highest number is attributed to a political criterion. If the political criterion is not fulfilled, the proposed solution becomes unnecessary, since there is no hope that it would get into the implementation process. The political criterion is evaluated by 4. The aim of the proposed suggestions is the change of the current situation and its effectiveness. For this reason, a strategic criterion has a value of 3. The last one, administrative criterion, is evaluated by 1, as administrative enforceability is not an obstacle. The process of evaluation is shown in the table of criterion (Annex No. 14: *Criteria table*, Annex No. 15: *Criterion of evaluation*). Based on the criterion table proposal No. 2 would be more appropriate. The financial demands of the first variant are not so big, they are evaluated by 5. Conversely, the financial demands of the second variant are relatively higher due to the complete transformation of the social system, which should address the complex integration of migrants to the labour market, so they are evaluated by 3. The value of implementation of the legislative framework of the first proposal is evaluated very high because there are not any radical changes that would lead to nowhere, i. e. the value of 5. Similarly, the second draft is, by no means a radical change, since the mainstreaming strategy is constantly discussed as a useful strategy that should be fulfilled as much as possible. It is also evaluated by the number 5. Within the evaluation strategies the second proposal is evaluated better because from a strategic point of view it seems to be more profitable and as mentioned earlier, it is more complex and addresses wider issues. The second proposal is therefore evaluated by the number 5 as it seeks specifically to eliminate subproblems, while the first, aims fairly unilaterally at creating jobs and it does not deal with other issues related to the social issues. It is evaluated by the number 2. The last criterion of administrative enforceability and the expected result is

evaluated by 2, because it is believed that changes will not be so much crucial for the overall welfare state. Conversely, the second proposal is evaluated fairly well as the expected changes for the future development of the welfare state will greatly help to make the social state more efficient. It is evaluated by the number 4.

Although the first draft on will bring new jobs to the job market, it will fail to provide skilled workers for whom there is a demand on the labour market. For this reason, it is better to focus primarily on the comprehensive integration of immigrants. However, deepening of fiscal reforms should continue as the welfare state which is fully bonded to the economy of the state and its actors. However, it is necessary to begin with improving the status of migrants in the society and on the labour market. Focus should also be laid on solving problems associated with new social risks<sup>12</sup>. If the German welfare state does not face the issue of integration of migrants, it will deal with a number of related issues, e. g. the social burden of the welfare state. Germany can not afford this fact.

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<sup>12</sup> Risk analysis is an essential and necessary step for managing any risk in the society, especially those risks to human health and the environment. In doing so, risk assessment can not be seen as a technical matter. It is rather a combination of engineering, science and humanistic disciplines. If the risk assessment is used in decision-making processes, other aspects, e. g. economic, psychological and political, are often connected with it. The risk assessment provides a number of knowledge usable in preventing undesirable events, as well as in preparation for its management, when such event happens, and intervention itself. Acquired knowledge about the risks is used to create a security policy, assessing alternatives, resource allocation, etc., whether it is a corporate, regional or national level. Given that there are many ways and methods which can assess the risk, it is important to select an appropriate method, approach to the situation, goals and the context in which the assessment is conducted. Each approach and method of risk assessment has its advantages and its drawbacks. Selecting an appropriate approach and methods therefore depends on the purpose of the evaluation, the nature of the data that are available, funding and often on the social and political context. The biggest obstacle in the assessment of risk is usually a lack of data and information (Weichhart 2007: 201–214).

This chapter deals with the main problem of the whole work. The two solutions of proposals were compared in the chapter. These solutions can help to streamline the German welfare state. Based on the results of the comparison, the conclusion is following. It is necessary to look for new ways of how to tackle and pursue the search for solutions. Also enough time should be devoted to this task. One of the most important reforms, strategies and efforts of the German welfare state, should be the full integration of immigrants into the labour market that would solve a number of problems, not only unemployment but also the risks associated with it.

## **7. Conclusion**

Few questions were set in the first part of the thesis – these questions will be answered in this chapter. The first question: *Are the characteristics of the German welfare state are still valid? (As was determined by Esping-Andersen for the conservative type of social system.)* Firstly, it is necessary to realize that the limits of the theory of social regimes by Esping-Andersen do not reflect global issues and also do not focus on the description of classical functioning of social system. They only describe the characteristics of the regime and they stress importance and interdependence of the relationships between the market, the state and the citizen. Based on the presented evidence, these features are no longer valid. However, the overall social policy of the German state still holds more conservative position on the welfare state. The second question was: *What are the distinct characteristics of the contemporary German welfare state?* It can be stated that the German social state mainly changed with the advent of global change that began to formulate social policies of Germany. The number of clients of the welfare state has increased.

Clients are not only citizens who fully work and are in the event of unemployment protected by the state, but there are groups of people which are in some intolerable situation and survive due to the benefits. Benefits are no longer relevant mainly for maintenance of social standards. There is a closely related question to this topic. *Why have the characteristics changed?* It is because of many factors e. g. the reunification of Germany, the influence of immigrants, the impact of the economic crisis, the arrival of women into the labour market and weakening role of the traditional family as the economic unit. There is another question along with these issues. *How can we capture the risks of the German welfare state that are associated with its current problems? Which strategies shall Germany choose to use?* It is necessary to fully concentrate on solving the main problem of the German welfare state, therefore, the issue of unemployment. It is appropriate to focus on the question of full integration of migrants on the labour market. This should help the stable development of the German social state and help to avoid the constant increase in spending on the German social security system. The European social model characteristic for most of the postwar industrial societies in Europe was built on three basic premises. These included a high rate of employment, extensive and generous system of social programs and strong family ties based on the gender division of roles. The postwar welfare state was aimed at protecting against the biggest risk, which was a loss of a job of the man – breadwinner.

From the aforementioned, global changes brought new social risks. It is not possible to determine the typical customer of the new welfare state, but it is not certainly a male-breadwinner. Individuals may be the clients of the new social state in different life stages, such as children of working parents, adolescents in job training to enter the labour market, retraining courses for adults, working parents with young children or elderly people in need of care services. With the economic emancipation of women, there are new trends in the field of family ties (reduction of total fertility rate, broader family ties) and new forms of family life (divorced marriage, single parenthood, cohabitation of couples with children, etc.), which also contribute to the increase in social risks for specific population groups, such as families with children (Huber – Stephens 2006: 147–158). Poverty has influence on woman with the lowest

skills and relatively little work experience. There is an accumulation of risk factors adversely affecting their chances to succeed on the labour market (Esping-Andersen 2002: 105). Women with lower levels of education become mothers at a younger age and they are more often breadwinners. Due to the improvement of medical care, its availability, as well as changes in lifestyle, there is a shift in the average life expectancy. This process, along with a decrease in fertility, leads to an increase in the average age of the population or the aging population of all countries of the European Union (Formanková 2010: 72). Nowadays, young people, low-skilled workers and women are among the groups with the lack of political influence.

Uncertain approach to pensions, health care, employment, the necessary income, family policies and educational opportunities, contribute to the emergence of new forms of social exclusion and poverty in the post-communist countries. Economic uncertainties and risks thus expand more even among the population with less potential to adapt to change conditions on the labour market and social security (Taylor-Goodby 2004: 219–223, Armingeon – Bonoli 2006: 146–157). The welfare state must be flexible and actively respond to new social risks and also to adapt to new expectations and demands from citizens. It is also important to have gradual rationalization of services. The new social risks have been more and more discussed since the 80s of the 20<sup>th</sup> century. Their emergence and spread are associated either with the advent of postindustrial society or with the transition from national industrial capitalism to global financial capitalism. It is essential that these processes result in significant changes of the labour market, there are changes in the behaviour of the population and transformed patterns of family life.

All types of the welfare state face similar challenges, particularly the deepening lack of funds for its functioning. Around the turn of the 70s and 80s, new risks emerged out of the existing pillars of the social security. The emergence of new social risks occurs in the family, the labour market and in terms of insurance. Absence within the family pillar of the welfare system has often had impact on single mothers, who are unable to reconcile the requirements of the employer and to care for their children, sick family members or their own parents. Another failure is the number of single-

parent households, which are mainly consistid of single mothers with one or more child. Flaws in the market are visible on the increasing difficulty of young people to gain their first stable job, as well as on the issue of older people to retain their jobs until retirement.

Another source of new risks are the changes in the insurance system when the privatization of insurance systems, individualization and accompanying depolarization of insured people make it difficult to insure individuals in various life stages in which the clients of the welfare state are not economically active. New social risks may bring the family to the poverty line, despite the fact that both partners are employed. Also, single mothers who have jobs are not able to feed themselves and their children.

Another problem is that households can find themselves easily in debts. When there are pressures on the household, debts are rising. If there is a long-term job loss, serious illness or divorce, the household is no longer able to repay its loans. The process of establishment of service economy has a number of unpredictable traits. While the service as a whole, the growth rate of labour productivity is significantly lower than in the industrial sector, income differences are considerably higher. It means that the best-paid professions may claim a growing share of rewards and the worst remunerated fall into the category of working poor. All cases studies of new social risks share the fact that some typically human things prevent people from being most economically exploitable. For example, Giuliano Bonoli highlights the emergence of five main social risks: the need to reconcile family life with gainful employment, the existence of single-parent families, the need to care for sick or elderly household members, low or already obsolete work skills and lack of insurance of persons, especially in old age (Bonoli 2005: 431–449). Social risks are events that significantly reduce the ability of individuals to have their own secure social independence. If a person is not insured against these events, he lives in perpetual uncertainty and may not manage the presence or is not able to positively participate in building the future.

From the aforementioned, it is clear that the state must solve the problem of the new social risks. However, if the state focuses on comprehensive solutions to the new social risks, it is necessary to first resolve the issue of migrants. If the state does not do so, it might have negative consequences and might lead to worsening of the social problems within the state. In such a situation it could also happen that the welfare state would not be able to cope with so many problems.

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## 9. Resume

Das Thema der vorgelegten Masterarbeit heißt *„Risiken und Probleme des Sozialstaates – Fallstudie: Bundesrepublik Deutschland.“* Diese Masterarbeit ist zugleich eine Fallstudie, die eine Detailanalyse des Falles ist und es dient als ein Forschungsobjekt vorgelegter Masterarbeit. Es wird Entwicklung des deutschen Sozialstaates seit der Wiedervereinigung Deutschlands im Jahr 1990 beurteilt, wobei die Analyse davon ausgeht, dass Deutschland ein konservativer Staat ist, in gleicher Weise bekannte Typologie von Gøsta Esping-Andersen. Ferner werden der gegenwärtige Ausdruck des Sozialstaates und die möglichen Perspektiven zukünftiger Entwicklung des deutschen Sozialstaates verfolgt. Ziel der Masterarbeit ist die Rolle des deutschen Sozialstaates übersichtlich zu analysieren und seine problematischen Gebiete zu definieren. Folgend wird daraus erschließen, *durch welche Faktoren das Entstehen von solchen Risiken beeinflusst wird, die die Stabilität des deutschen Sozialstaates untergraben.* Zu gleich wird eine Frage: *Wie kann man, falls es geht, die Risiken effektiv vermeiden?* Für die Masterarbeit wird als Untersuchungsmethode die deskriptive, politische Analyse gewählt, weil sie am besten ermöglicht, die Problematik des deutschen Sozialstaates aus mehreren Sichten zu analysieren.

Auf der Basis einer Matrix wurden zwei Vorschläge verglichen: *Wirtschaft Vorschlag Steuertransfer* und *Integration von Migranten in die deutschen Arbeitsmarkt.* Am besten für die langfristige Entwicklung des deutschen Sozialstaates ist, sich auf die systematische Assimilation von Migranten zu konzentrieren. Es ist wichtig, die Mentalität, über zu ändern. In Rahmen der Assimilation wird von großer Bedeutung die Migranten ihre Weltanschauung und ihre Kultur zu verstehen und zu begreifen. Im Rahmen den deutschen Sozialstaat sind viele demografische Herausforderungen unserer Zeit zu lösen. Die Integration von Migranten bringt einen positiven Einfluss auf verschiedene negative Auswirkungen im Zusammenhang mit der Entwicklung der Globalisierung, die den deutschen Sozialstaat vor neue soziale Risiken stellt.

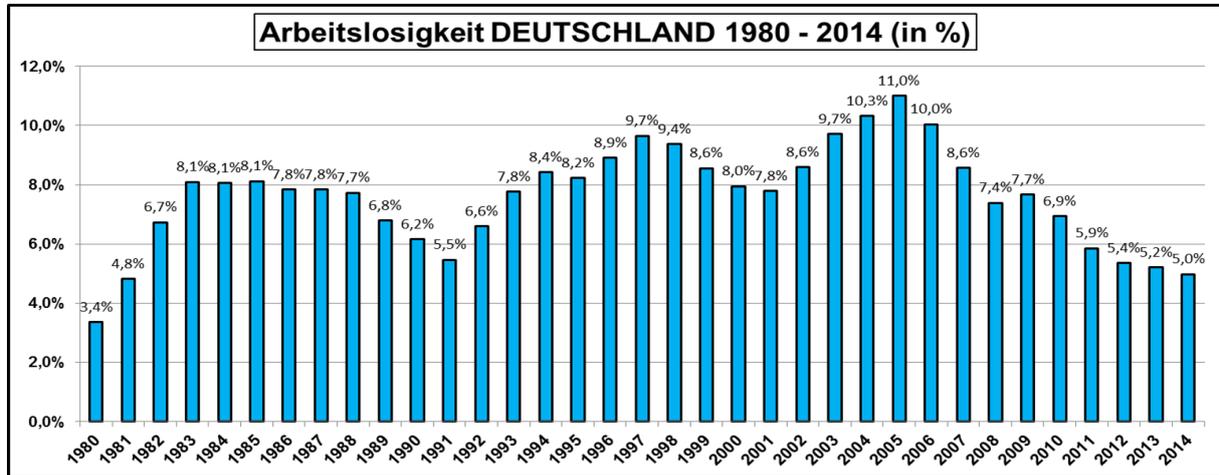
## 10. Annexes

Annex 1. **Table No. 1: Characteristics of welfare regimes**

Type	Liberal	Conservative	Social-democratic
<b>Level of decommodification</b>	little	great	the biggest
<b>Role of the state</b>	little	middle (subsidiarity)	great
<b>Role of the market</b>	great	little	little
<b>Role of the family</b>	little	great	little
<b>Criteria for receiving benefits</b>	need	status	citizenship
<b>Solidarity manner</b>	individual	etic	universal
<b>Range of obligatory services</b>	limited	extensive	full
<b>Population covered by obligatory services</b>	minority	majority	everybody
<b>Role of benefits</b>	little	middle	great
<b>Part of national pension set for state's services</b>	little	middle	great
<b>Need testing</b>	primary	secondary	marginal
<b>Character of clients</b>	poor	citizens	members of the society
<b>Status of clients</b>	low	middle	great

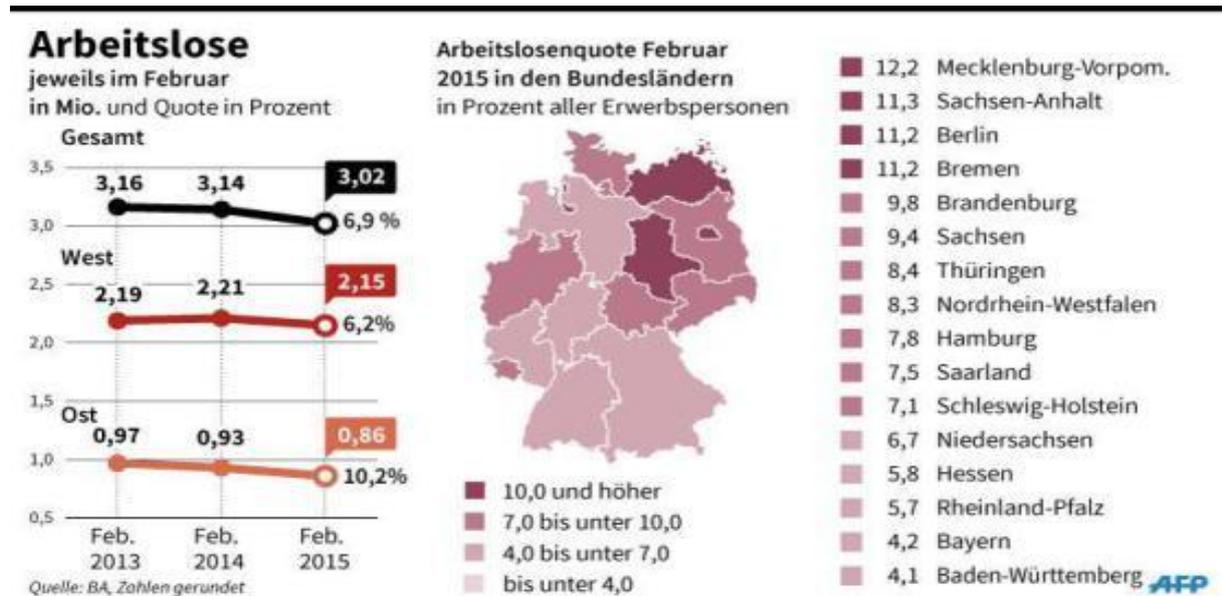
**Source:** drawn on from: Esping-Andersen, 1999: 85, own creation

## Annex 2. Graph No. 1: Unemployment in Germany 1980–2014



**Source:** Memory. de. (2014). Arbeitslosigkeit und Arbeitslosenquote in 2014- Länder im Vergleich (<http://www.memory-palace.de/2015/06/arbeitslosigkeit-und-arbeitslosenquote-in-2014-laender-im-vergleich/>, 24. 3. 2016).

**Annex 3. Graph No. 2: Unemployment of new and old federal republic until February 2015**



**Source:** Bundesagentur für Arbeit (2015). *Arbeitslose jeweils im Februar 2015*, 26. 2. 2015(<https://www.arbeitsagentur.de/web/content/DE/dienststellen/rdbw/nagoldpforzheim/Agentur/Presse/Presseinformationen/Detail/index.htm?dfContentId=L6019022DSTBAI728520>, 20. 3. 2016).

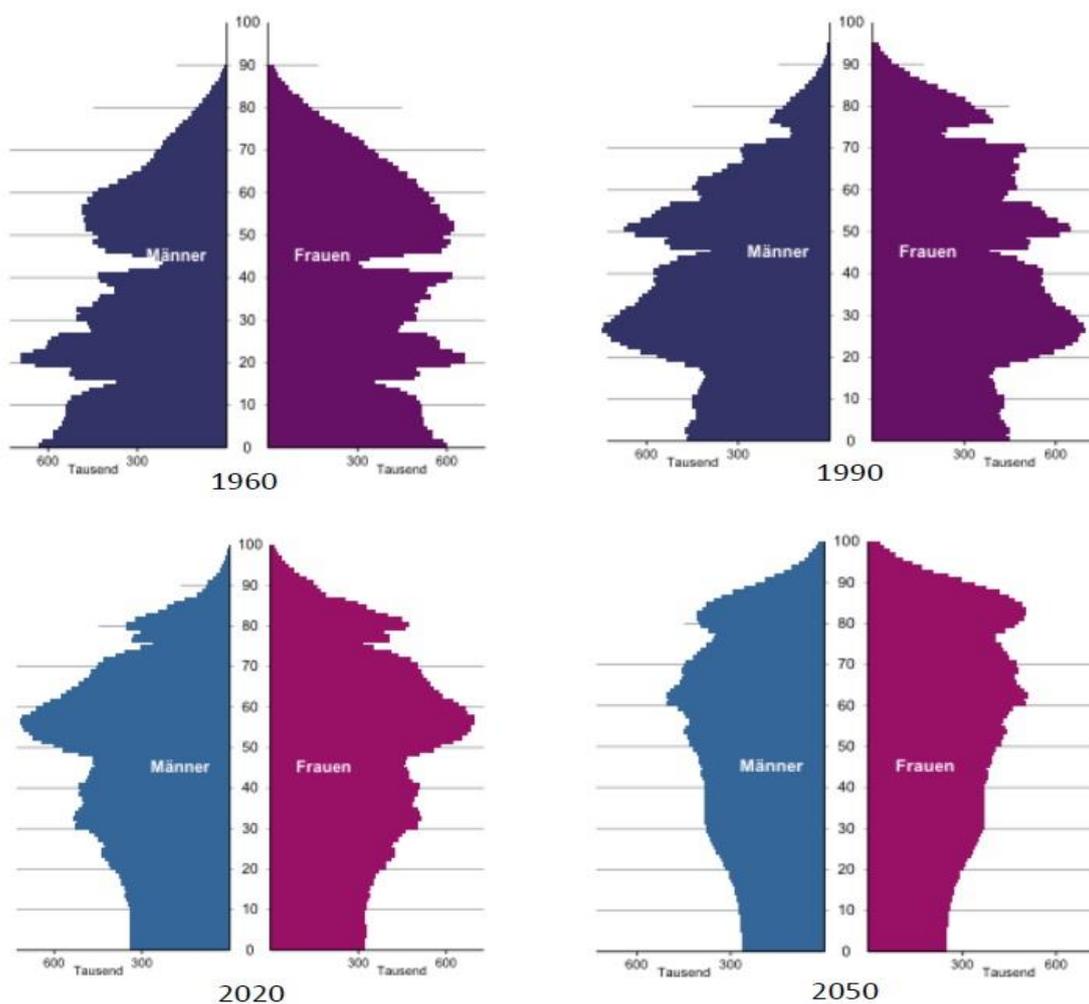
**Annex 4. Table No. 2: The Typology of Germany by Esping-Andersen – changes in the German society**

<b>Type</b>	(executive) Conservative	Current Germany
Level of decommodification	great	middle
Role of the state	middle (subsidiarity)	lower role
Role of market	little	greater role
Role of family	great	lower role
Criterion for receiving benefits	status	status
Manner of solidarity	etatistic	etatistic
Range of obligatory provided services	extensive	extensive
Population covered by obligatry services	majority	majority
Role of benefits	middle	middle
Part of national pension designed for state services	middle	middle
Need testing	secundar	secundar
Character of clients	citizens	majority of poor
Status of clients	middle	lower

**Source:** drawn on from: Esping-Andersen, 1999: 85, own creation

**Annex 5. Graph No. 3: Demographic development of population in Germany from 1960-2050**

**Bevölkerungsentwicklung Deutschland 1960-2050**

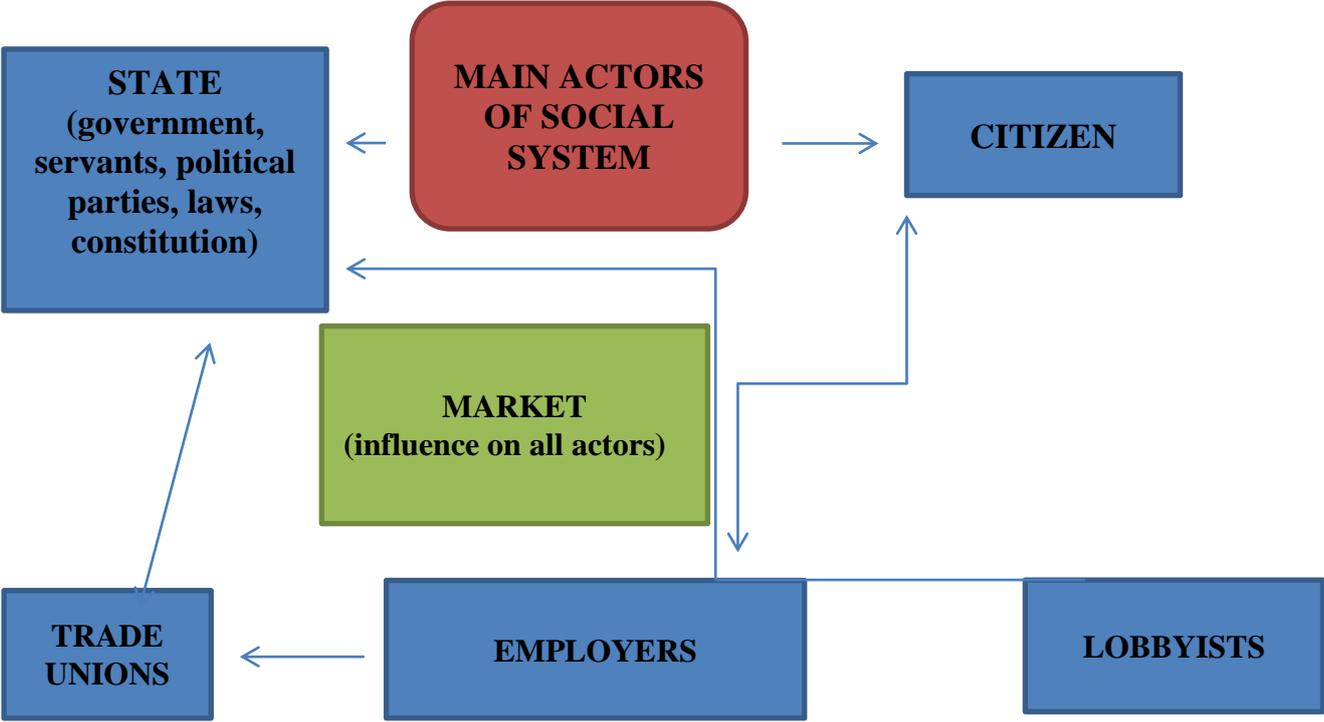


Statistisches Bundesamt: Bevölkerung Deutschlands bis 2060. Wiesbaden 2009.  
 Ergebnisse der 12. koordinierten Bevölkerungsvorausberechnung. Variante 1-W1 - Die Annahmen:

- Geburtenhäufigkeit annähernd konstant bei 1,4 Kindern je Frau
- Lebenserwartung Neugeborener 2060: Jungen 85,0 Jahre, Mädchen 89,2 Jahre
- Jährlicher Wanderungssaldo + 100 000 Personen

**Source:** Statistisches Bundesamt (2009). *Bevölkerung Deutschland bis 2060* (<http://www.kas.de/upload/bilder/LSM/81.jpg>, 11. 3. 2016).

Annex 6. **Diagram No. 1: Actors in the social state**



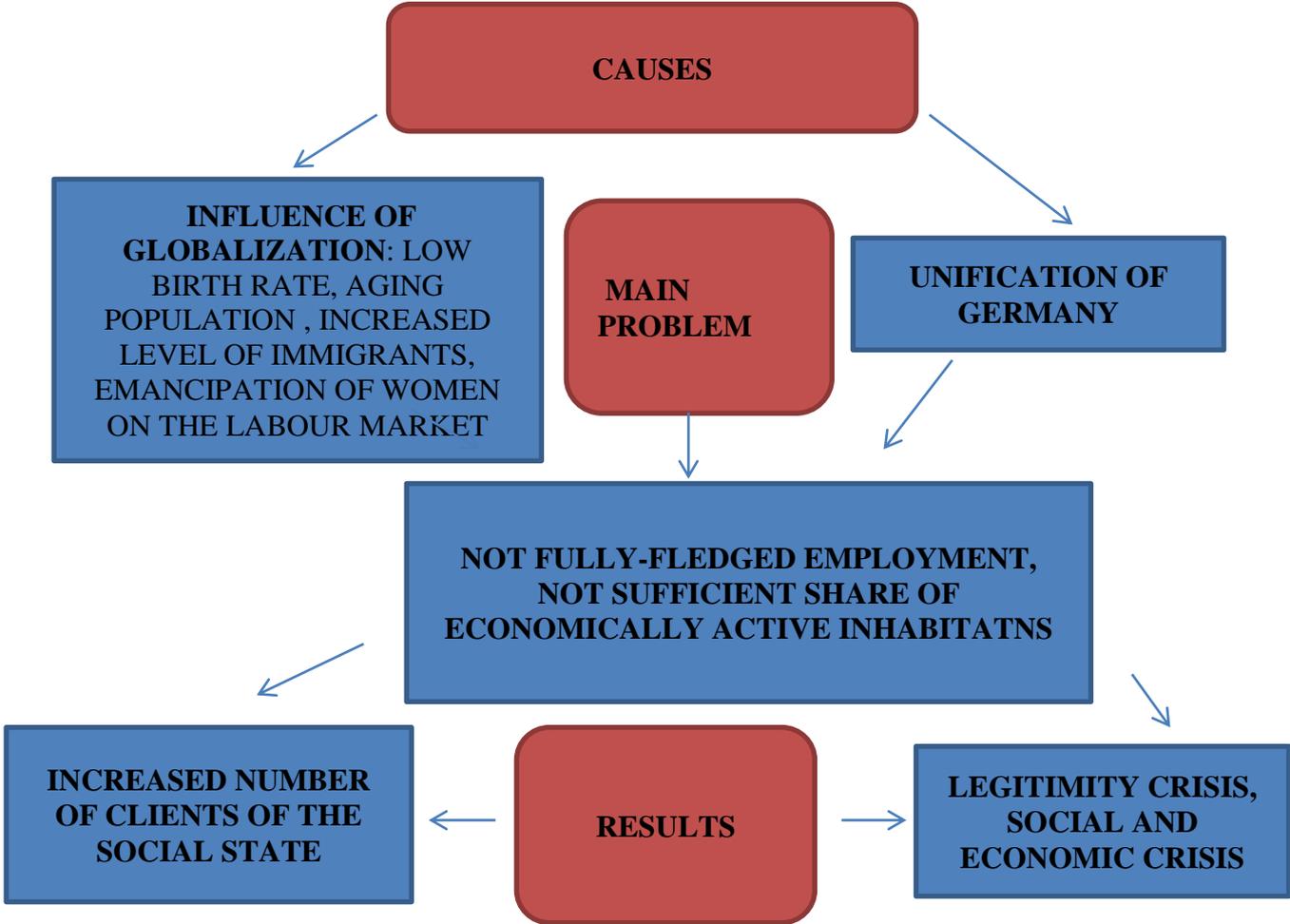
Source: own creation

Annex 7. **Table No. 3: Quick analysis of actors**

<b>Actors/ Interested party</b>	<b>Attitude</b>	<b>Interest</b>	<b>Influence</b>
<b>STATE AND STATE APPARATUS</b>	seeks to maintain its power, thus tries to ensure the welfare of citizens, the state needs to have a sufficient proportion of working people; it can use the collection of taxes retroactively to distribute social finance	<b>PUBLIC</b>	main actor of social state, the state determines the further development of social state
<b>CITIZEN</b>	seeks to obtain and maintain adequate social status and standard of living	<b>PRIVATE</b>	individual itself does not have a great opportunity to influence social policy, on the contrary, they have an impact: e. g. speeches of dissatisfaction
<b>PRESSURE GROUPS, TRADE UNIONS</b>		<b>PRIVATE (for certain groups)</b>	
<b>MARKET</b>	striving to maximize profits and minimize losses	<b>PRIVATE</b>	not negligible actor on the market which determines the law of supply and demand, market economy influences the state and then the state, depending on whether the economy is, negative or positive, influences the further development of the welfare state
<b>COMPANIES</b>		<b>PRIVATE</b>	

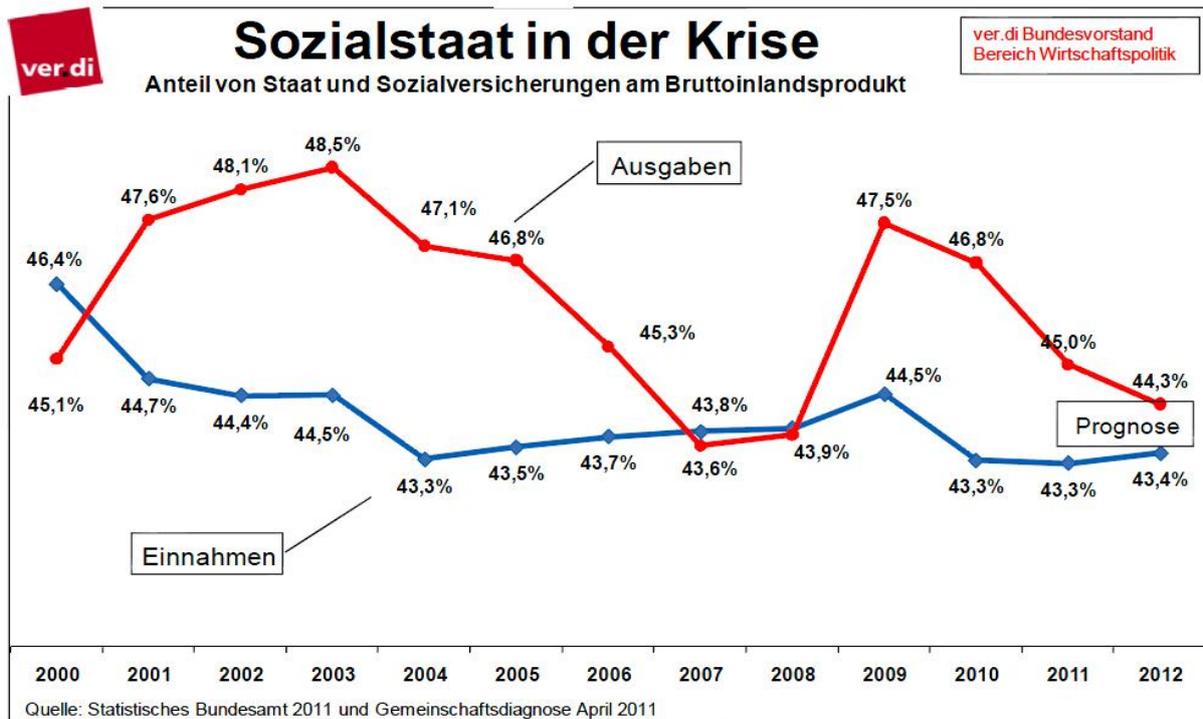
**Source:** own creation

Annex 8. Diagram No. 2: Tree of problems, causes and results



Source: own creation

Annex 9. Table No. 4: Revenues and expenses on social state from 2000-2012



**Note:** (Ausgaben) = expenses, (Einnahmen) = revenues

**Source:** Statistisches Bundesamt (2011). *Sozialstaat in der Krise* ([http://www.nachdenkseiten.de/upload/bilder/110414\\_sozialstaat\\_in\\_der\\_krise.jpg](http://www.nachdenkseiten.de/upload/bilder/110414_sozialstaat_in_der_krise.jpg), 11. 3. 2016).

**Annex 10. Table No. 5 Comparison of unemployed German people and foreigners from 2004-2006**

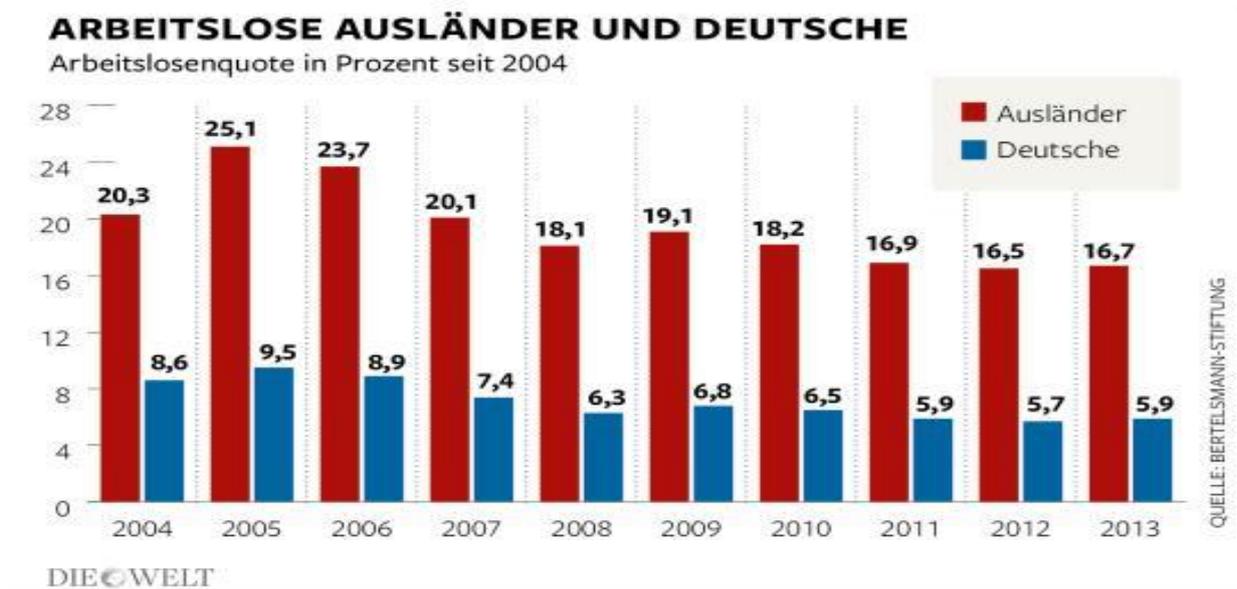
Tabelle 1

<b>Arbeitslosenquoten von Ausländern und Deutschen</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>▶ Deutsche</b>	<b>11,0 %</b>	<b>11,9 %</b>	<b>11,0 %</b>
<b>▶ Ausländer</b>	<b>20,4 %</b>	<b>25,2 %</b>	<b>23,6 %</b>

Quelle: Bundesagentur für Arbeit: Analytikreport der Statistik, Dezember 2006, S. 33

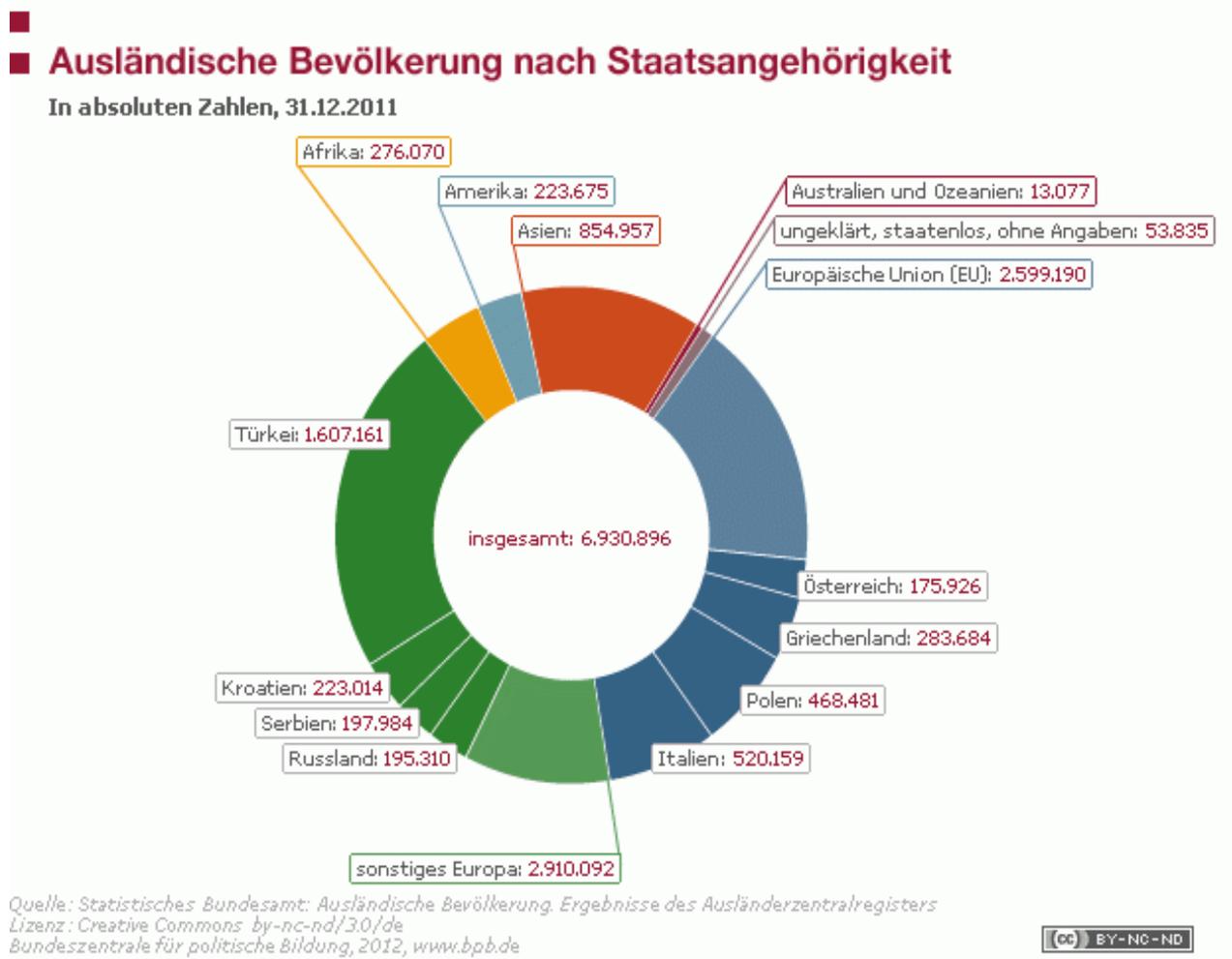
**Source:** Table to article: Bethscheider, M. (2008). Report: Qualification – Weiterbildung – Arbeitsmarkt Integration? *Bundesinstitut für Berufsbildung* 4. 3. 2008 (<https://www.bibb.de/de/14059.php>, 17. 3. 2016), 1–8.

Annex 11. Comparison of unemployed German people and foreigners from 2004-2013



**Source:** Graph is to article: Siems, D. (2004). Nur gut gebildete Migranten stützen Sozialkassen. *Die Welt* 27. 11. 2004 (<http://www.welt.de/politik/deutschland/article134773900/Nur-gut-gebildete-Migranten-stuetzen-Sozialkassen.html>. 13. 4. 2016).

Annex 12. Graph No. 4: Number of foreign immigrants according to their nationality, until 2011



**Source:** Bundeszentrale für politische Bildung (2012). *Ausländische Bevölkerung nach Staatsangehörigkeit* 28. 11. 2012 (<http://www.bpb.de/nachschlagen/zahlen-und-fakten/soziale-situation-in-deutschland/61631/staatsangehoerigkeit>, 18. 3. 2016).

Annex 13. **Table No. 6: Level of education (comparison women/men)**

Tabelle 2: Verteilung der weiblichen und männlichen Bewerber/-innen nach Schulabschlüssen sowie Einmündungsquoten in betriebliche Ausbildung				
Schulabschluss	Verteilung der Bewerber/-innen in Prozent		Einmündungsquote in betriebliche Ausbildung in Prozent	
	Frauen	Männer	Frauen	Männer
maximal Hauptschulabschluss	26,9	34,1	28,2	39,0
mittlerer Schulabschluss	54,4	51,3	43,8	48,2
(Fach-)Hochschulreife	18,7	14,6	47,5	52,2
<b>Alle Bewerber/-innen</b>	<b>100,0</b>	<b>100,0</b>	<b>40,3</b>	<b>45,6</b>

*Basis:* Bewerber/-innen des Vermittlungsjahres 2012, für die Informationen zu den im Such- und Bewerbungsprozess in Betracht gezogenen Berufen vorlagen (gewichtete Ergebnisse, ungewichtete Fallzahl: 3.102).

Quelle: BA/BIBB-Bewerberbefragung 2012, eigene Berechnungen

**Source:** Bundesinstitut für Berufsbildung (2012). *Bewerberbefragung: Verteilung der weiblichen und männlichen Bewerber/-innen nach Schulabschlüssen sowie Einmündungsquoten in betriebliche Ausbildung* (<https://www.bibb.de/bibbreport-4-2014>, 17. 3. 2016).

**Annex 14. Table No. 8: Table of criterion**

<b>NUMBER CRITERION</b>	<b>NAME OF</b>	<b>NAME OF CRITERION</b>
1		ECONOMICAL CRITERION
2		POLITICAL CRITERION
3		STRATEGIC CRITERION: EXPECTED RESULT
4		TECHNICAL CRITERION: ADMINISTRATIVE ENFORCEMENT

**Source:** own creation

**Annex 15. Table No. 8: Criterion of evaluation**

<b>Number of criterion</b>	<b>The weight of criterion</b>	<b>Usefulness not weighted (Proposal No. 1) (UN)</b>	<b>Usefulness not weighted (Proposal No. 2) (UN)</b>
1	5	5	3
2	4	5	5
3	3	2	5
4	1	2	4
usefulness not weighted $\Sigma$	13	14	17
usefulness not weighted $\Sigma$	_____	182	221

**Source:** own creation