

The German Welfare State: An Overview

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Agenda

1 Origins of the German Welfare State

2 The Contemporary German Welfare State

3 Areas of the German Welfare State

3.1 Unemployment Insurance (*“Arbeitslosenversicherung”*)

3.2 Health Insurance (*“Krankenversicherung”*)

3.3 Disability Insurance (*“Berufsunfähigkeitsversicherung”*)


3.4 Old Age: Pensions (*“Rentenversicherung”*)

3.5 Old Age: Long-Term Care (*“Pflegeversicherung”*)

4 Current Challenges of the German Welfare State

5 Summary and Discussion

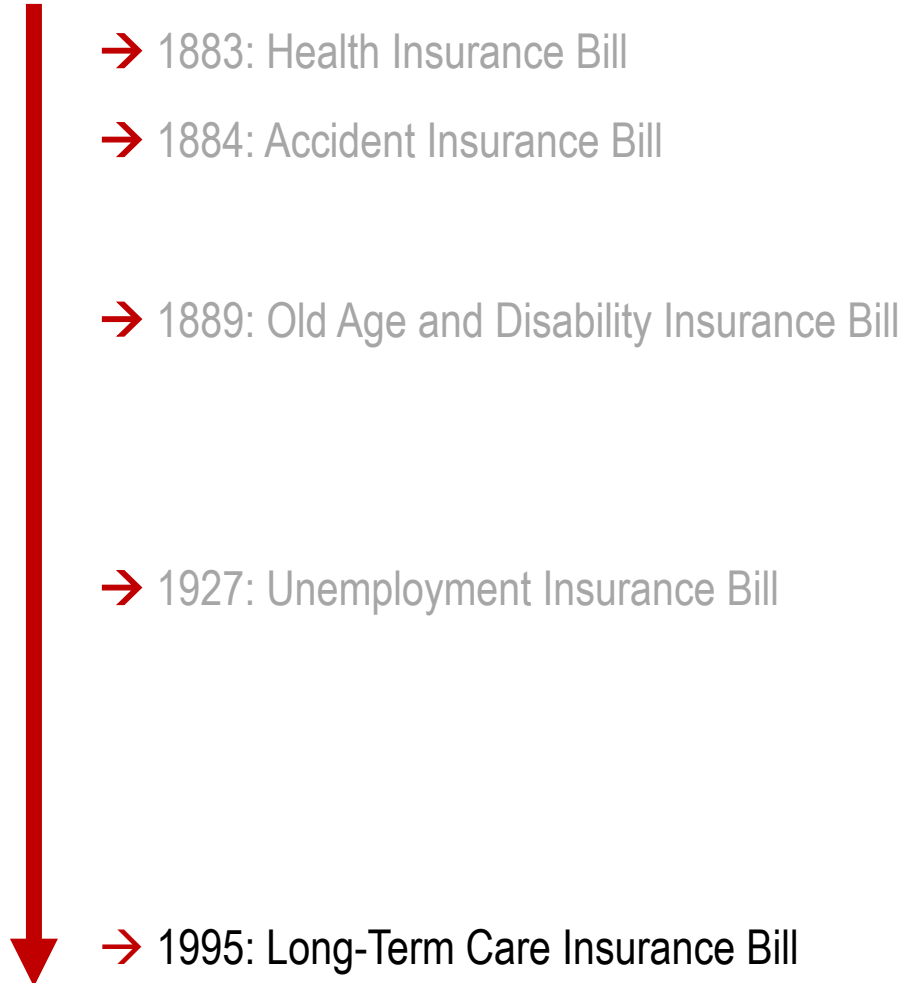
1 Origins of the German Welfare State: The Bismarckian System

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- 1883: Health Insurance Bill
 - 1884: Accident Insurance Bill
 - 1889: Old Age and Disability Insurance Bill
 - 1927: Unemployment Insurance Bill

1 Origins of the German Welfare State: The Bismarckian System

	Bismarckian System	the alternative: Beveridge System
Entitlement	contribution (employment)	citizenship
Financing	income → social insurance	taxes
Insurer	occupational	state
Benefits	based on previous income	lump sum

2 The Contemporary German Welfare State



2 The Contemporary German Welfare State: The Conservative System (... plus some liberal and social democratic elements...)

“earnings-related”

“replication of inequality“

“preservation of status“

“traditional familyhood“

“subsidiarity“

“additional private insurance schemes”

3 Areas of the Welfare State



3.1 Unemployment Insurance



Unemployment benefit I

Condition	Having worked 12 months in the last 2 years
Benefit	About 60% of net income
Financed mainly by	individual & employer

Unemployment benefit II "Hartz IV"

Condition	Not/ no longer entitled to benefit I
Benefit	Fixed rate + housing + additional needs
Financed by	State/ taxes

3.2 Health Insurance



1 Public health insurance

Benefit	Covers most medical costs
Financed mainly by	individual & employer

2 Private health insurance (self-employed, state servant, voluntary choice)

Benefit	Covers most medical costs
Financed mainly by	individual (self-employed) individual & employer (state servants)

3.3 Disability Insurance



1 During the first 6 weeks

Condition	Previous employment
Benefit	Usual wage
Financed by	employer

2 More than 6 weeks, less than 78 weeks

Condition	Previous employment
Benefit	Max. 90% of net income
Financed by	Health insurance

3 Indefinite inability to work

Benefit	Fixed rate + housing + additional needs (“Sozialhilfe”)
Financed by	State/ taxes

3.4 Old Age: Pensions



1 Regular pension

Condition	Employment and age (65 years/ 67 years)
Benefit	Based on length of employment + income + weights
Financed mainly by	individual & employer

2 Not eligible for regular pension

Benefit	Fixed rate + housing + additional needs (“Sozialhilfe”)
Financed by	State/ taxes

3.5 Old Age: Long-Term Care



1 Regular long-term care insurance

Benefit	Necessary costs
Financed mainly by	individual & employer

2 Not eligible for regular long-term care

Benefit	Necessary costs
Financed by	State/ taxes

4 Current Challenges of the German Welfare State



versus



5 Summary and Discussion

Most benefits provided by German welfare state are financed through contributions by **employers** and **employees**.

If a person is **unable** to contribute to the insurance schemes, the state ensures a basic income (“Sozialhilfe”).

Demographic change and **longevity** increase the need for private (additional) insurance schemes.

Additional (active) measures include e.g. **active labour market policies**.

Bibliography

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