

MAN-MADE DISTINCTIONS IN THE WELFARE STATE
UNDERSTANDING THE INSTITUTIONAL CHOICES
OF MAJOR SOCIAL REFORMS IN GERMANY

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One important dimension in which social protection arrangements differ across time and place is the extent to which welfare benefits are universally accessible to all citizens or differentiated and contingent on merit or status. Such differences are rooted in institutions; they are *man-made distinctions* and thus evolve as the result of political decisions. Major welfare reforms can render a country's social protection institutions more universalistic or more exclusive and status stratifying. What explains such institutional choices? To answer this question, this study develops an explanation of legislative decisions in the social policy field, which captures the political dynamic of major social reforms and allows for comparison across instances of welfare reform in different policy fields.

Questions of inequality or universal access are not decided in the abstract. Instead, in the center of attention in legislative controversies are most of the time substantive policy challenges (such as cost pressures or severe social protection shortfalls) and the specific reform measures that can meet these challenges. Yet, such specific, often outright technical, policy changes significantly impinge on the design of social protection, and they do affect inequality in the welfare state. Social policy legislation thus has a *dual nature*; it addresses narrow policy challenges and it affects broad welfare state characteristics at the same time. The key analytic challenge is in developing an explanation that can capture this dual nature of welfare reform. Drawing on Theodore Lowi's conceptualization of the connection between reform policies and the political dynamic of reform, the dissertation develops analytic categories that clarify this relationship between issue-specificity of practical choices on the one hand and the programmatic significance of their broad repercussions on the other.

The former plays the decisive part, this study argues, and the political dynamic in reform initiatives is defined by substantive contents of reform proposals and by the constellation of actors in the decision-arena, rejecting or supporting these specific tangible reform options. The "practical substance" of reform policies *selects the actors* most affected by institutional changes of the welfare state and thus most actively involved in the reform debate. It then suggests what these different actors will reasonably want to see accomplished by the legislative changes and that way *defines the demands* that are raised in the reform controversy. Taken together the constellation of actors and demands *produce the "empowering process"* by which some of these actors become pivotal and their demands indispensable centerpieces of a reform initiative while others are marginalized. This empowering dynamic, it turns out, does not simply translate the preferences of the majority, of the dominant socio-economic groups, or of the political system's principal organizational actors into policies and laws. Instead, it privileges the interests of strategically located minorities, who could easily shift their allegiance between the competing political camps. Political competition takes place at the margin, and so it is marginal supporters, groups with exit options, who have most influence shaping the political choices in social reforms.

The dissertation probes the explanatory power of this conceptual framework by applying it to four instances of major reform of the German welfare state. The four cases are selected from the three major social policy fields of pensions, health care financing, and active labor market policy, and they cover various points in the development of social protection in Germany since WW II. Findings from the four in-depth case studies permit inferences about some general characteristics of social policy making in the German institutional context. These findings are supplemented, in conclusion, by hypotheses about the validity of the claims about the pivotal role of "marginal demands" in institutional contexts other than the German one.