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The End of Social Security as We Know It? Welfare Markets and Consumer Competence in Germany

(very first draft!)

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1. Introduction

The underlying assumption of this paper is that there is a need for further research with regard to the effects and consequences of gradually introducing a more consumer-oriented social citizenship in Germany. The notion of the active social-policy consumer, rather than the old role of a passive recipient of state welfare, plays an increasingly significant role in the debates about welfare state reform: In the core areas of social protection and social service, recent reforms have shifted the welfare state towards - what Newman/Vidler (2006) and Newman/Kuhlmann (2007) call – a more "consumerist conception" of social policy. Market mechanisms, competition, consequential choices being made by presumably well-informed individuals, and traditional consumer skills on the market of social products and services are gaining importance with respect to the allocation of resources, the production of financial security and services, and the determination of the user's position in the welfare state and beyond. The burden of (rational) decision-making, however, has gradually been shifted to the individual.

Therefore the basic idea of this paper is as follows: The more the welfare state withdraws from guaranteeing collective entitlements, quasi-automatic benefits and an adequate level of social protection and the more individual well-being becomes dependent upon private choices and behaviour, the more people are obliged to become informed managers of their own social security portefolios – and the higher the necessity is that social policy should be flanked by an elaborated and explicit consumer (protection) policy: Only if supplied with such a consumer protection policy or framework are consumers able to behave in an adequate and self-responsible manner which, so the idea, finally provides more responsiveness, effectiveness and inclusion. Not least in the areas of health-care (health insurance) and old-age income, the German state relies on politically regulated welfare markets or politically limited market mechanisms to produce social-policy benefits which the state is no longer able or willing to provide. Yet, in order to respond adequately to these new challenges (this new *cultural and mentality change* in social policy so-to-speak), the "buyers" of privately produced services have to acquire relevant "market knowledge" (Nullmeier 2002) and consumer competence.

My argument is that apart from guaranteeing the operability of welfare markets, to develop these new "virtues" is a new social-policy task in and for the German welfare state which increasingly relies on one's own initiative and self-responsibility – yet still is pretty hesitant to be an advocate of consumer interests, and especially to enable people and to precisely define what is expected from them. "Choice" and "self-responsibility" have become cognitive points of reference of recent reforms, but "empowerment" still is a critical point of the new and not yet well elaborated consumerist orientation in German social policy. In a nutshell: While the (financial) consequences of individual decisions and non-decisions may be quite significant both, in the short and long run (growing inequality, etc.), the overall political debates, the normative framework in which welfare markets are embedded, as well as the conceptualisation of this new consumerist approach to social policy provision are still underdeveloped.

It is not the intention of this paper to provide a summary of the policies that go into the direction of a more consumerist orientation in German social policy. I restrict myself to discussing at least core features of this development and analyse two striking examples: Apart from the health-care sector (section 3.1), the challenge of acquiring sophisticated and consequential market knowledge and consumer competence is particularly apparent in old-age security, since in this policy area the market is playing a more and more important role as precarious provider of old-age income (section 3.2). In both policy areas, we witness a differential but sustainable shift from the collective (needs) to the individual (demand or choice) and the establishment of a regulated buyers markets – either as a solution to inefficiencies, a lack of competition and the attempt to provide bespoken insurance package to individual needs (like in health policy) or as a supplement to retrenchment policies and the inability (and unwillingness) of the state to maintain a fully-fledged pay-as-you-go scheme (like in pension policy). In addition to that, in both sectors we witness – albeit in a different manner and to a different degree – a shift towards a sort of *state-paternalist consumer policy* in social policy: While the state redefines the rules of the social-policy game, norm-conform individual market activity and behaviour is rewarded – for specific reasons.

In line with Schrader (2007), the papers ends by arguing that "the extent of consumers' responsibility depends on the extent of consumers' rights. Thus proponents of a higher degree of consumers' responsibility are called to work for the necessary provision of consumer rights" (ibid., 79). In this respect, future research is called to discuss the preconditions for consumers being able to meet the new expectations and new challenges in the German welfare state – because up to now only little is known about the preconditions, distributive effects and social-policy consequences of gradually transforming social citizenship into social consumer-citizenship (section 4).

2. The end of the heroic state? Privatisation and the political construction of welfare markets

"Less protection – but more selective public support, societal activation and private choice" might the grammar which Western welfare states since the last twenty years have been following. In the wake of these reforms the character of the welfare states has gradually changed. The reform(s) of the German welfare state cannot be adequately understood as a mere retrenchment policy or a simple retreat of the state – or as a "silent surrender of public responsibility" (Gilbert 2002). That is a misleading perspective because, first, welfare states have been subject to *cost containment* (cutting back welfare commitments of the state) and *recalibration* (adjustment of welfare arrangements to new goals and social needs) at the same time. Secondly, the state is by no means relieved from its finance and controlling obligations. Given the paper's narrow perspective, this aspect is of utmost importance: Processes of privatisation (of risks and benefits), marketisation (of services), and activation (individual obligations and responsibilities) have generally been accompanied, as a sort of complementary policy, by sometimes extensive re-regulation, new benefits and a changed role of the state. This development has been described as a shift from the welfare state as a producer of social security and services to a regulatory welfare state (cf. e.g. Leisering et. al. 2002), as „enabling state" (Gilbert/Gilbert 1989) providing „public support for private activity", as an "activating welfare state" (Lamping/Schridde 2004), or even as "left-wing supply-side politics" (Priddat 2001) whose aim is „active risk taking" (Giddens 1998) by the individuals. One essential point these different policy approaches have in common is that the role of the state and the concept of social policy differ substantially from that of the traditional social-democratic "Keynesian state" (see Buci-Glucksmann/Therborn, 1982) in that they are attempting to achieve a new balance between state, market, business and individuals. Welfare markets play a major role in these new politics of shifting and sharing responsibility and providing opportunities.

Though the shape and extent of regulation in and of the emerging welfare markets differs enormously according to the different welfare-state sectors and countries, the underlying rationality is similar: politically constituted and regulated welfare markets play an increasingly important role in the production of social policy; regulation, thus, is a social-policy activity eo ipso, not a simple economic one. The aim is to "cushion" the social and economic, the individual and collective effects (at least to some extent) of market activity. In this respect, regulation has also become a sort of consumer (protection) policy in policy fields which are not necessarily exclusively public nor private, but where social protection shall result from private activity on welfare markets. In this respect, social policy goals flank the process of marketisation (to some extent), while regulated marketisation is a means to achieve (to some extent) social policy goals – thus goes far beyond a simple retrenchment policy. The hope of protagonists is that such a process produces a fourfold positive effect: the protection of people against social risks against which they would otherwise not be protected via the intelligent use of the market as producer of welfare *and* the activation of well-informed and reasonable social-policy consumers as market actors *and* the stimulation (and creation) of (new) markets *and* the relief of the exhausted state from its role of guaranteeing encompassing social security.

Comparable to most of the OECD-welfare states, competition (among service providers) and choice (consumer or patient choice) are at the heart of recent German social policy reforms. Generally spoken, choice-driven reforms tend to be about trying to make services more responsive and service provision more effective. Besides, choice-driven policies can to the same extent aim at simply cutting public expenditure (in the wake of cost containment policies) in favour of a greater individualisation of contributions and burden-sharing. The latter aspects can be observed in German health-care and pension policy: Citizens become consumers because they have to (in pension policy) or because they are allowed to (incentives in health-care).

Thus, despite these state policies of relieving the welfare state, the intensity of regulatory policy has not decreased. In part, this can be understood as the end of the "heroic state" in social policy. In part, this can as well be conceptualised as a (fundamental) departure from former policy paradigms and policy beliefs (not least in pension policy). In part, this can also be characterised as a new policy of sharing responsibility (between the state and the individuals) and of partially integrating the market as a producer of social security and benefits. One can finally argue that the leading leitmotif of the German welfare-state reforms in long-term care (1995), pension policy (2001), labour market policy (2002/2003) and health policy (2004 and 2007) on the one hand is that the state is no longer able and willing to meet (present and future) needs for social protection on its own and, on the other hand, that it increasingly relies on individual self-responsibility (new forms of income packaging, new contracts, new individual obligations, and the like) and regulated welfare markets (especially in long-term care and in pension policy) as producers of social security. People turn from citizens (objects) relying on the state as provider of welfare goods and services to consumers (subjects) engaging in market activities the effects of which directly influence their well-being. Access to goods, services and financial security is no longer guaranteed or provided by the state but depends on citizens' activity and success on new markets. People are confronted with commercial suppliers (not only state agencies or charity organisations) competing for customers and shares on markets which are anything but transparent (pension insurance market; health insurance markets; social service market, etc.). The two points I want to stress are first, that regulatory policy consists of *creating and regulating new markets* (like in pension policy or with regard to implementing competition among sickness funds) and stimulating market activities on the supply and the demand side (regulating consumption, and the like). Secondly, another crucial aspect of this shift towards a regulatory welfare state consists of regulation in the field of *consumer protection policy* – the aim of which is to protect and encourage the social-policy consumer in his/her economic transactions.

In this paper, I restrict myself to discussing the most recent reforms in health policy and pension policy in more detail which are particularly interesting in terms of market knowledge and consumer protection.[1] In both areas processes of privatisation, by and large, are accompanied by *voluntary* obligation to buy additional benefits and to increase one's own market knowledge about suppliers, prices, optional benefits – and potential risks. Moreover, while in the health-care sector market mechanisms have been strengthened, the pension sector is a striking example how the state has created a new (and regulated) market for additional private provision (as in long-term care in 1995 as well). Finally, these areas are particularly sensitive areas which should "have more to do with our physical and moral well-being than with our pocket-books" (Howlett/Ramesh 1995; 87). In both areas, we observe the establishment of a more consumerist relationship between the welfare state and the individual.

The German case, however, provides some insight into the problem of introducing policies that contradict existing traditions, norms, values[2] – and myths, especially when the introduction of such policies is not accompanied by adequate information and support.

3. Shifting towards a new regulatory welfare state: Social-policy consumers as key players on welfare markets

In this section I argue that "consumer" and "consumer protection" are acceptable as terms applicable to social security and social protection policies. A sort of "consumerism" or "consumerist approach" has meanwhile become rooted ever more firmly in everyday life in the welfare state – not least, as Bonell/Hilton (2002, 28) argue – through an extension of the use of consumerist rhetoric from commercial markets into the public sector. Beyond rhetoric, however, consumer rights, consumer practice and consumer policy have de facto pervaded the sphere of social protection and social services – most notably in long-term care, health and pension policy – triggered by deliberate "new" politics for markets rather than the "old" politics against markets. In this section I argue that the term "consumer" is without doubt applicable to what individuals are, do and are expected to do when they act on welfare markets, such as health-care and pension policy.

3.1 Health care: More choice – less solidarity?

Besides the well-known cost containment policies (such as cuts in the benefit catalogue or increasing out-of-pocket payments), statutory health insured (approximately 90% of the

[1] The implications of the introduction of the German long-term care insurance in 1995 and its re-regulation have been exhaustively discussed in an interesting paper by Blank (2008b).

[2] See as well the study by Vrangbaek and Oestergren (2006) on patient empowerment and the introduction of hospital choice in Denmark and Norway.

population)[3] have free choice between different public health insurances since 1996, the aim of which is to foster competition, lower contribution rates and improve service.[4] Similar to the Dutch example (cf. van den Berg 2008), the 2004 and particularly the 2007 health reforms have rather substantially altered the German health insurance system, placing greater emphasis on risk privatisation, consumer choice and a markedly stiffer competition among public sickness funds and between public and private funds.[5] The aim of these policies certainly are that insured benefit from both, new tariffs which are more responsive to their needs and from competition among funds which is expected to increase service quality and efficiency.[6] The potential for such competition depends largely on consumer information on price differentials of insurances and the quality of providers, on consumer preferences for additional services and benefits – and, certainly, their ability to pay for them. Market knowledge has become increasingly important since the recent German health reforms provided new obligations for public health insurances and new opportunities for the insured. New regulation comprises especially the contractual relationships between insured and funds in favour of a greater freedom of choice and more responsiveness. In this respect, there are *new obligations for sickness funds* regarding the supply of specific tariffs, such as

- GP-oriented tariffs (
- optional tariffs for integrated care programmes
- optional tariffs for managed care programmes (disease management programmes, etc.).

Besides, since 2007 sickness funds have been allowed to *voluntarily offer bespoke tariffs* (which is a kind of imitating private health insurances) to statutory insured,[7] like

- cost reimbursement tariffs
- personal share tariffs (deductibles tariffs for insured persons who pay part of their medical bills themselves)
- contribution rebate tariffs (e.g. in case insured do not need medical treatment within a certain period of time)
- bonus programmes (e.g. rewarding health-conscious behaviour)

Furthermore, insured are allowed

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3 Note that from 2009 onwards both, public and private funds are obliged to offer health protection to all those who are not yet insured. For this purpose, both have to offer specific non-discriminatory, affordable tariffs.

4 In this section I do focus only on the public health insurance, not on the private health insurances.

5 In this paper, I do not address the issue of patient choice/empowerment (where the benefits of – rational or effective - choice are apparently limited due lack of information, information asymmetries, health-care as a specific product, intransparency, and the like). I solely concentrate on insured as buyers of financial security on the insurance market.

6 While at the same time, since the 2004 health reform, attempts have been made to restrict the wide choice of providers in order to cap expenditure.

7 One of the explicit aims of the introduction of new optional tariffs has been that public sickness funds try to compete for healthy, young insured with higher income and to prevent them from switching to a private sickness fund.

- to claim an extraordinary termination right in case their sickness fund increases its contribution rate[8]

and to

- contract supplementary insurances in order to compensate for benefits removed from the public sickness funds' benefit catalogue (since 2004 sickness funds are allowed to offer special insurances for dental prosthesis, death benefit, glasses, and the like).

Against this background of a bundle of new policies to increase competition, cost transparency and efficiency, the relationship between the insured and his/her public insurance company will become more consumerist – depending (theoretically) on individual calculation and market behaviour. At the same time, the new regulatory framework will provide a clear legal basis for competition among funds (both public and private) and give insured/consumers the opportunity to act with more confidence – provided that they are well informed. Yet, there is a big difference between these programmes: While the *new obligations for sickness funds* regarding the supply of specific tariffs, such as GP-oriented tariffs, optional tariffs for integrated care programmes or the optional tariffs for managed care programmes have a health-care background, i.e. make sense in terms of improving efficiency and quality, the other optional programmes tend to be mere marketing tools which sickness funds make use of when competing for "good risks" and voluntary insured. They conflict with the solidarity principle since these policies, however, represent exit options (Hirschman 1970) for rational users. In this respect they represent a break with former concepts of (relative) solidarity and (relative) uniformity with regard to financing health care. These exit options are, in toto, good for a small number of persons who financially benefit from these programmes, but they might be detrimental for the respective sickness fund and its insured. In other words: Privileging "good risks" (younger, healthy, well-off insured) implies shifting the overall financial burden to "the rest" of the solidarity community (cross-subsidy), i.e. to those who, for whatever reasons, are unable to make use of "financial loopholes". In this respect, optional tariffs certainly are a way of weakening, fragmentising and individualising the solidarity community (see also Etgeton 2004). In this respect, these new opportunities (which vary from fund to fund) might at the same time be the source of new inequalities insofar as they can lead to a substantially unequal treatment in terms of financial contributions: those who are better-off, healthy or simply well-informed now have the opportunity to pay less, to the disadvantage of the solidarity community – and those who are unable to choose.

[8] Moreover, from 2009 onwards contribution rates are uniform for all public health insurances. A public insurance fund that does not economise sufficiently may levy an additional contribution from its members, not exceeding 1% of their regular contribution. Insured persons may then immediately change their insurance for a less expensive one.

“Do some comparison-shopping”, the German Federal Ministry of Health is recommending in its online presentation of the 2007 health reform (www.die-gesundheitsreform.de) - but that’s what insured apparently do not do. Despite sometimes quite “full-bodied” promotions of the new tariffs (one slogan of the Allgemeine Ortkrankenkasse has been: “It’s up to you to decide how much you pay”) it is, however, only a small number of insured choosing the new optional tariffs, the vast majority is rather sceptical and hesitant[9] – not least due to the fact that (a) these new optional tariffs are not always sensible (e.g., personal share tariffs or contribution rebate tariffs for chronically ill people or the elderly), (b) a wrong decision can be quite expensive at the end of the day (long-term contracts), and (c) the market for specific tariffs is fairly intranspartent.

3.2 Pension policy: The emergence of a new welfare market

Pension systems in Europe have been under reconstruction over the last decade (cf. Arza/Kohli 2007; Immergut/Anderson/Schulze 2007) which had major implications for the generosity of pension systems (Boersch-Supan 2006). Pension reforms have been a key issue for governments as they grappled with the challenge of ageing populations and/or unsustainable public pension systems. The 2001 pension reform brought about a paradigm shift even in German pension policy (Lamping/Rüb 2004 and 2007) carefully shifting the public pay-as-you-go (PAYG) pension scheme to a new public-private mix. The new pension reform introduced not only a new private pension pillar which will be subsidized by the state, but a new conception of pension itself: Whereas pension payments hitherto were a politically constructed property to guarantee the living standard of the retired, they have switched to a tightly linked combination of a politically constructed *and* market-produced pension. This market, however, is a politically created and politically regulated market.

Given the overarching goal of the financial stability of the statutory pension scheme, the German government followed a double strategy: It has drastically scaled back the public pension level (as a result of the new alteration of the pension formula, the ‘net standard pension level’ will slowly decrease) and leaves a greater role for *voluntary*, private savings. The state is no longer able or willing to exclusively guarantee the living standard of the elderly through the publicly-financed pension; it now relies additionally on the private capital market. The intended general reduction of the pension level reinforces the effect that a great number of employees, even after long periods of paying high compulsory contributions to the pension insurance, inevitably receives a pension that will be even below the level of social security (cf. Schmähl 2006a and 2006b). To prevent a dramatic decline in the living standard of future pensioners, the governments fosters individual market participation in the case of the voluntary “Riester-Rente” via state subsidies (state subsidies for individual private pension contracts are only paid in case a precisely defined amount of money - in percentage of the individual wage - is invested by the insured).

[9] See the survey by the Psychonomics AG (2007).

The reform of the PAYG scheme was only made possible on the basis of an *external* supplementary financing of old-age security: the stimulation of subsidized private pension arrangements outside the public sector. In fact, while the public pension scheme will gradually lose its importance for adequate old-age income, private capital-funded, defined-contribution schemes will increasingly have to fill the provision gap. The new additional private pension provision is not compulsory as originally planned by the Ministry of Labour. The government actively motivates employees through subsidies or tax incentives to act in accordance with the overall political aim of increasing private pension provisions. In this respect, the state offers public support and regulates the private market, but it is up to the individual to invest in a certified private insurance – or to leave it. If the individual is neither willing nor able to act in accordance with the political targets, the new pension policy will certainly lead to a significant privatisation of risk. However, this strategy relieves both business (non-wage labour costs) and the state (constraining public provision; blame avoidance).

The emerging new market for private insurance contracts is a regulated one in a twofold manner, both protecting and enabling consumers: *First*, private pension contracts/products have to meet five criteria defined by the state in order to be fostered by state subsidies. These products have to be certified by a new state agency.[10] *Secondly*, besides this supply-side (and traditional) consumer protection policy (minimum regulation of market access, information, etc.), the state has created a new market for private pension insurances (and fostered the capital market) and introduced a new product category: the so-called "Riester-Rente". To be more precisely: The state has provided new resources in order to fuel this new market, i.e. it (artificially) fosters demand and consumption especially among groups of individuals which otherwise would be hesitant or unable to buy additional private insurances (such as families, single parents, and low- and average wage earners who would profit the most from the tax-financed subsidies).

Despite these attempts to regulate and foster the welfare market for private pension provision, the consequences of the new German pension policies are evident: According to a wide variety of scientific studies (not to be mentioned here), poverty, inequality (between and within generations) and the risk of social exclusion will increase in old-age in the years to come. It is expectable that additional private provision will even reinforce these processes. As still a huge number of people cannot afford to take out private pension contracts, the danger of

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[10] The newly founded German Financial Supervisory Authority, a federal institution governed by public law, is authorised to check whether old-age provision products meet the politically defined prerequisites necessary for certification, i.e. for tax allowances and tax breaks. Among other things, certified private supplier have to guarantee a minimum payment of interest of 0 %, i.e. private funds or saving plans have to guarantee that at least the total amount of individual payments have to be paid out in a monthly pension, or the obligation that pensions have to be paid form the end of a working life until death or duties on information of the supplier. This kind of certification can be understood as a social policy regulation of the financial market in the sense that the government defines minimum criteria for being acknowledged as a substitute for the public pension - and for protecting consumers. The German Financial Supervisory Authority has certified about 3,500 insurance products.

old-age poverty is particularly high in Germany, as the OECD recently warned.[11] More specifically, low-income groups will not reach a future pension above the poverty level and, for many reasons (cf. section 4), are not able to buy additional private provision. The effectiveness of this new policy depends at least on one crucial aspects: It can only work to the extent that those concerned are both *capable* and *willing* to invest in private savings plans.

4. Creating new consumers! Creating new welfare gaps and new cleavages?

Against the background of the two examples provided in this paper, the argument is that new welfare policies sometimes produce new welfare gaps (inadequate coverage, undersupply) and new cleavages (winners vs. losers). Creating consumers in social policy, however, may contribute to the creation of new insecurities in the welfare state. Blank (2008b, 15) convincingly argues that “even if security is established for consumers *in* markets, it does not necessarily mean that the population is protected against social risks *through* markets in a satisfying way” (original emphasis). We know that markets systematically produce insecurity while social policy was institutionalised against markets in order to reduce insecurity. We witness, instead, the emergence of new zones of uncertainty and social insecurity within the German welfare state. Why?

First of all, a higher freedom of “choice”, especially when combined with increasing *financial* self-responsibility on the market for social protection, may reproduce or even reinforce inequality, in a twofold manner: (a) regarding access and (b) regarding provision.

a) In *pension policy* future pensioners still seem to be in a sort of “state of shock”. Though there has been a run on certified private pension insurances since 2006/07, available evidence shows that still much less than half of the population contributes to private pensions. Moreover, preliminary data shows that coverage is uneven across population groups, with younger individuals, as well as low to mid-income and part-time or self-employed workers, long-term unemployed and workers with discontinuing job careers, migrants, and women with insufficient earnings-related pensions having particularly low coverage rates (as well as low public pensions). Among financial reasons, the following factors at least partly explain low coverage rates:[12]

- people’s natural inertia
- lack of financial resources
- low trust in one’s future (labour market, etc.)
- old-age security is an abstract scenario, old-age poverty an abstract risk

[11] Germany is among those countries whose mandatory replacement rate is substantially below the OECD average. According to the OECD the wage replacement rate of pensions is around 38% in Germany (see OECD 2007).

[12] These problems, however, made many European governments in the 19th century introduce mandatory social security schemes.

- a too optimistic estimation of one's old-age income (myths are the last to die)
- information problems (about the individual pension gap; too many products and complex procedures, different returns; etc.)
- intransparency (on the pension insurance market; little standardisation)

In *health care*, the more the contribution rates are differentiated in order to make them more responsive (i.e. less solidaristic) the more people suffer from a lack of information and transparency – let alone the financial resources. That is why the Federation of German Consumer Organisations *(Verbraucherzentrale Bundesvorstand)* criticised the so-called "tariff muddle": Consumer sovereignty and rational decision-making, the organisation argued, is only possible on the basis of market transparency, quality assurance and a greater product standardisation (see Verbraucherzentrale 2006).

b) A general problem certainly is that the relocation of benefits (from the state to the welfare market) can lead to growing dichotomies in benefits/consumption: The pension example shows that on the one hand public pensions are scaled back to a sort of basic provision in old-age. On the other hand an adequate standard of living in old-age heavily depends upon the individual capacity for private pension accumulation. Meanwhile we know[13] that the capacities to buy additional private pension provision are unequally distributed, very much reflecting one's "intellectual" and socio-economic status.

In German health-care, insured are confronted by a threefold challenge: increasing co-payments, cuts in the benefit catalogue and the introduction of choice (tariffs and benefits). As discussed above (section 3.1) there is a tendency that some have to rely on (decreasing) public provision while higher-incomes can afford to buy additional care on the market while simultaneously reducing their contribution rate to the public sickness funds. More choice tends to produce adverse selection because not only do different groups benefit differently. Rather there is a tendency that those who not necessarily belong to the most vulnerable profit the most: While higher incomes certainly have the opportunity to profit from new insurance tariffs or supplementary health insurances, "bad risks" do not. By contrast, public sickness funds will more and more provide a kind of basic provision for them. While some are confronted with the *embarrass de richesses*, others are not spoilt for choice.

With regard to *stratification* both policies do not merely maintain but rather increase a selective bias. In both policy-fields one can see a tendency towards a reduction of re-distributive measures and an increasing inequality with respect to benefits. In pension policy it is expectable that additional private provision will further the processes of social selection and lead to problematic distributive effects *because it is voluntary*.

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[13] There is a whole bunch of studies which will not be mentioned in this paper.

Therefore, whether or not citizens transform into active managers of their social security portefolios is primarily not a matter of will and skill – but a matter of being able to choose and buy. Given the new social risk of an increasing "unpredictability" (not least income unpredictability) of the future for many individuals and for vulnerable groups in particular (cf. de Vroom/Bannink 2008), people tend to be reluctant when it comes to closing private insurance contracts. Besides, there seems to be a sort of misfit: the new opportunities will in all likelihood not meet the needs of those concerned with so-called new social risks (atypical employment relationships, self-employed, demographic shifts, changes in the household structure, etc). In sum, there is a huge number of people who is unable or cannot afford to behave like a consumer on a welfare market.

Secondly, Vrangbaek/Oestergren (2006) demonstrate that the rational use of choice may hampered by limitations in the ability to gather and use information. Regarding online information, "for many consumers the internet is still a confusing communication jungle. It will only extend consumer rights if complemented by sufficient media competence on the consumers' side" (Schrader 2007, 90).

According to a survey by a private insurance company (Gothaer Krankenversicherung 2007) about three-quarter of the polled insured complain they are not informed about which benefits are still provided by their public sickness funds and why not. One of the striking results of this survey has been that low-income households do trust in their sickness fund's benefit catalogue while higher income households are generally well-informed about which benefits are no longer provided by their funds. Almost a quarter of the latter group has a private police in order to compensate for gaps in the benefit catalogue.

To give but one other example: the free choice among sickness funds, i.e. the "exit" option of insured who are discontent with their sickness funds' costumer service or who simply want to pay less. Given the fact that there is competition between public sickness funds and that insured can actually make choices, a study by Greß et. al. (2008) shows that there still is a lot of ignorance among statutory insured about the pre-conditions and consequences of the free choice among sickness funds. The level of education, according to the study, plays a major role as well the income level which highly correlates with the level of education. In sum, the less the insured know about this option the less they are willing to switch to another supplier; in other words: for many people switching barriers are too high (information costs, intellectual capacities etc. According to the survey conducted by Greß et. al. (2007) the same holds true for the adequate knowledge on the new option for differentiating sickness funds' tariffs: It is the well-educated, higher income households (and especially younger people) which are well aware of these new opportunities to reduce their contribution rate (and to get better treatment). But even this group is very cautious: they play for safety and are very hesitant to switch to other tariffs because this might be a gamble for them (cf. also Winkel 2007).

Finally, making consumers is a complex issue in social policy, protecting consumers yet another one. Much depends on the institutional, strategic and ideational context into which such cultures of consumerism and self-responsibility are implemented. Transparency, information, and the development of specific consumer competencies are of utmost importance when it comes to consciously making the right choices. This aspect will be addressed in the concluding section.

5. Conclusion: When ideas meet reality

The growth of social inequalities is one effect of the changes taking place in the social protection systems of European countries: Despite – or better: due to – measures to "modernise" national welfare states, the range of collective social protection is shrinking, and the remaining pillars of these systems are weakening (Ogg 2005). There is much uncertainty about the future of European welfare states – and there is much uncertainty among citizens how to cope with these new challenges and new opportunities. Due to recent welfare reforms the requirements towards individuals have been increased drastically (with regard to labour market policy cf. Eichhorst/Grienberger-Zingerle/Konle-Seidl 2008). Higher individual efforts and a reinforced individual responsibility plus a reduced benefit generosity have been both, the aim and the effect of these policies.

The policies discussed in this paper imply a double role of the state: a combination of both a re-distributive welfare state and a regulatory welfare state that constitutes and regulates welfare markets. The private sector is not the simple opposite of the public and, in addition, its increased role is not a simple politics of "retrenchment". On the contrary, the welfare state purposely gives room for the expansion of private markets resp. economic activities. The market does not replace the welfare state at all but becomes an essential part of it. Creating, promoting, and regulating those markets is part of the social policy of the democratic state and thereby represents a change from the mainly re-distributive function of the former welfare state to a mixed, post-heroic welfare state.

In this respect it is not the consumer as such whose (economic) transactions are regulated; it is social citizenship which is (re-)defined according to social-policy aims and with specific policies and means qualitatively different from the traditional tool box – either by extending choice on a highly-regulated welfare market (such as in health-care) or by creating new demand and new markets (like in pension policy). These policies, however, are by no means an end in itself, though in an ideal situation both win: the state (less expenditure, more responsive and efficient services, stimulation of the economy etc.) and the individual (more choice, more quality, a compensation for cost containment policies, etc.). But new welfare gaps as well as the unequal distribution of cognitive and material resources can lead to new lines of exclusion or marginalisation.

It is undisputable that users/consumers on these markets need high consumer competence and market knowledge to both, profit from new opportunities and to avoid pitfalls. But the debate on the pre- or basic conditions for the execution of effective social consumer-citizenship is still underdeveloped in Germany. Theoretically there are two main archetypes of consumers' behaviour (cf. the synopsis by Greener 2007): The first is that of the rational chooser and decision-maker who is able to process large amounts of information and make the best possible decision based upon it: "Welfare policy that depends upon users to drive reforms depends upon consumers as they must drive out bad provision by not choosing it, and reward good providers by both choosing them the first time and going back to them. Rational decision-making welfare users are well informed and committed to finding the best providers and avoiding the poor ones" (ibid., 260). In this respect the best way of improving efficiency, standards/quality and consumer-responsiveness of services and service providers comes through introducing market mechanisms and competition among providers (supply-side improvements through demand-side pressures): Users can make use of the threat of exit.

The second consumer archetype is that of the "dupe" (Greener 2007, 261): "This is the individual who is unable to make the best decision him- or herself because they are easily mislead, or because they are constrained from making a choice in the first place because of societal influences that might lead them to think that choice doesn't matter" (ibid.). This, however, is a more realistic perspective on "choice" in particular with regard to the sensitive sectors of welfare provision. The focus here in not on the typical middle-class – rather the focus is on those who neither dispose of the intellectual nor the financial resources to understand the opportunities and perils and to compensate for the retreat of the welfare state. According to recent studies, the typical target groups mentioned earlier in the paper do not feel challenged by government programmes and should be addressed and sensitised for the problematic of, e.g., additional private provision. These groups, especially those with a low socio-economic status (cf. Mielck 2005; Hradil 2001; Marmot/Wilkinson 1999) suffer from an accumulation of disadvantages such as low income, insufficient education, higher risks, low acceptance of self-responsibility and a lack of motivation/awareness of potential risks. A core concern of a *preventive* welfare state should therefore be to address those groups which are likely to suffer the most from old-age poverty and which is definitely in need of further information and consumer education.

This large group is either unwilling or unable to make the right choices (even to make any choice at all) and to respond adequately to new and complex policies which require a responsible, reasonable and consequential behaviour. Such requirements (not least in old-age security) can be intimidating if users feel unable or unqualified to deal with abstract or complex challenges. That can lead to uncertainty, frustration and the feeling of being treated in an unfair manner. The challenge here is not necessarily to limit choice and options, but to take into consideration the pre-conditions for choice and self-responsibility. Furthermore, for scholars and governments alike it becomes extremely important to carefully study the implementation of recent German health-care and pension policies with regard to their long-term effects on equality, fairness and justice. The challenge is to explore and work out the pitfalls and social risks inherent in such policies which requires adopting both, a consumer and a social-policy perspective.

The key element to the adoption and implementation of new consumer roles is certainly information (cf. Scheiber et. al. 2005) – i.e. the provision of adequate and reliable information by the government, by non-governmental actors, or companies, and the active gathering and processing of information by consumers. “Consumer information” has been explicitly related to improve quality of health-care in England and Germany (cf. Allen/Riemer Hommel 2005). Undoubtedly, the availability of information relevant for health-care or pension policy matters has increased in Germany (online and offline publications etc.). If governments (such as the German) try to, e.g., avoid having to resort to compulsion in order to encourage private saving, providing financial education for workers or launching national awareness campaigns can be tools which can be used in order to increase coverage of private pensions (that’s what the German government has intensively done since 2005/2006). But, making sense of information is a crucial aspect because the mere existence of adequate information does not guarantee “that all well-intentioned consumers really are informed. The handling of this information often requires skills and, thus, consumer education” and qualified advice (Schrader 2007, 88). Moreover, when social policy “goes market”, there is always the danger of fraudulent and misleading information or advertising – the financial consequences of choices (decisions and non-decisions) between different alternatives on welfare markets could, therefore, in the long run as well as in the short run be dramatic.

Taylor-Gooby (1999, 111) is likely to be right when he states that the often hoped for individual capability for rational choices “is constrained by psychological and practical factors which are likely to result in lower levels of provisions than are necessary to meet the needs people recognise”. Against this background Blank (2008b, 11) adds that the politically relevant interest of these new consumers “can be described as the creation of an environment where they can feel safe about the quality of services delivered, receive appropriate help and advice – especially if a choice needs to be made under severe stress -, and can be sure that offers meet their needs”

In the introduction I have argued we witness a shift towards a sort of *state-paternalist consumer policy* in social policy: While the state redefines the rules of the social-policy game and additionally regulates the welfare market (such as the regulation of supply, contracts and market access as well as the distribution of information, the guarantee of a certain degree of transparency, the definition of sophisticated consumer rights, etc.), norm-conform individual market activity and behaviour is rewarded. This state-paternalist approach particularly intends to foster social-policy goals by means of creating or fostering demand, defining and/or extending new markets, and encouraging market activity for political reasons. It represents a sort of implicit contract between the state and the individual: While in the “old politics of the welfare state" social rights have mainly been granted without any particular duty (except financial duties), the state-paternalist or enabling consumer policy, granted and imposed from above, institutionalises a new reciprocity explicitly linking specific rights to specific voluntary (and norm-conform) behaviour. In a nutshell: It the "educating welfare state" which tries to implement more self-responsibility of welfare recipients while defining new impositions and new citizens' roles while gradually shifting towards a new social-policy consumer policy. Though, in order to be more precise, it is a kind of *asymmetrical* state-paternalist consumer policy. Undoubtedly, the German government has enacted social policy regulation which in fact is a genuine consumer protection policy. Yet, new consumer rights should go hand in hand with new state duties: Transparency, information, and the development of specific consumer competencies are, therefore, of utmost importance. They represent a new social-policy task in the German welfare state which increasingly relies on one's own initiative and self-responsibility – yet still is pretty hesitant to enable people.

To sum up: The more the state withdraws as a producer of welfare and the more it switches to regulating welfare markets, the more it should become a "consumer protection state" in social policy. If not, the politics of relieving the state could turn into the opposite – either as re-regulation or as a request for new poverty policies.

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