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The Creation of Social Welfare Policies: Comparative Analysis between German and Brazilian Experiences

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Keywords: *Brazilian social welfare, German social state, historical evolution, comparative analysis.*

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The Creation of Social Welfare Policies: Comparative Analysis between German and Brazilian Experiences

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I. Introduction

The principles that guide state interventions aim to improve the welfare of the population through the universalization of rights, institutional unification and the maintenance of workers' salaries in times of social unrest (lack of jobs available). These principles have led to the appearance of distinct social security institutions, which differ from country to country and are determined by the different relationships established between the state and social classes.

Social security models are based on one of two references: the model proposed by Otto von Bismarck in Germany in 1888 and; the model proposed by William Beveridge in England in 1942. The Bismarckian model seeks to maintain workers' salaries in times of social unrest (lack of jobs available) through prior contributions. The Beveridgean model is universal and is valid for all citizens unconditionally, ensuring minimal social standards and the eradication of poverty.

Although there is no model that is purely based on Bismarckian and Beveridgean Principles (each state adapts these models to their own social, economic and political context), the principles of the German model proposed by Bismarck were decisive in the formation of the Brazilian social security system, whereas the Beveridge model guides the public health system and Brazilian social assistance. Since the focus of the present study is Brazilian social welfare, we will compare its formation in light of the German social state in an attempt to understand the historical phenomenon of the expansion of social security, based on a "pioneer" pension scenario and a model for other capitalist countries.

A number of previous studies have addressed the social welfare situation in Latin American, North American and Central European countries, including analysis of the differences associated with the Brazilian system. One such study was conducted by Malloy (1979), who compared social policies with those found in other Latin American countries. Medeiros (2001) distinguished the historical functions that characterized social programs in Brazil and in central European countries, such as Germany, France and Switzerland, among others, and highlighted the need to improve the profile of social protagonists in Brazil in line with historical developments in these countries. Costa (2005) sought to classify Brazilian social security from a worldwide historical-comparative perspective, based on the transformation of the economy in the capitalist world, using the British and North American economies as a background. Another relevant study was conducted by Caetano (2006), who identified the factors that affect the cost and sustainability of a pension plan based on international comparisons. Concerning the German model, authors such as Oliveira and Teixeira (1986), Braga and Goes de Paula (1986) have portrayed the similarities of the German and Brazilian models, particularly in the Vargas era.

Germany and Brazil were selected for the present study because of the need to understand how the social welfare system was created (Brazil) and to compare it with the social welfare system of a country (Germany) which, as well as having a strong consolidated social welfare basis, serves as an example for the creation of social security policy. Thus, the historical development of the German welfare system involves significant dimensions that can be analyzed in the context of Brazilian history.

Analysis of social welfare policy can be based on two viewpoints: a more intense and particularistic vision and; a more external and generalized view

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(Vianna, 1998). The former is based on elements such as the type of financing, access to benefits and services, the size of the population covered, the value of the benefits provided and the programs offered. The latter involves a perspective on how to develop the following aspects: industrialization and urbanization; the mobilization of the working classes; the bureaucratic structure; the type of political regime adopted; the degree of coverage and the scope of the model (Esping-Andersen, 1991; Vianna, 1998; Medeiros, 2001).

The theoretical profile of the present study is based on a more holistic vision of the system, but without the pretension to disregard the other variables as fundamental to an understanding of the formation process of social welfare policy. Therefore, this research investigates which specific combinations of these elements enabled the constitution of the current social security conditions in Brazil.

Given the above, the present study intends to answer the following question: have Brazilian social welfare policies moved closer to or farther away from the parent model throughout their historical evolution? Therefore, the aim of the present study was to use a historical approach to comparatively analyze the conception and development of the Brazilian and German social welfare models, highlighting the similarities and differences between the two. These models are currently in different stages of maturity. The Brazilian model is still in the development phase while Germany has a strong and consolidated social welfare system, which is the result of experience that has been accumulated over more than 125 years. The present study begins with the historical evolution of the German and Brazilian models, seeking to identify points that could improve the debate in relation to the Brazilian experience. Schneider and Schmitt (1998) cited Durkheim when highlighting that it is possible to confront the history of one context with another context and to analyze how the same phenomena evolved in each context as a result of the same conditions, establishing comparisons between their development.

Using this historical-comparative perspective, it was possible to distance ourselves from what Costa (2005) characterized as the reductionism of the "national state", given that analysis of the evolution of the social welfare system is limited to the internal context, ignoring the space time articulation in its development. Thus, it was possible to identify the conditioning factors for the creation of Brazilian social welfare policy, as part of today's global economy, based on a systemic view of reality.

This research used a historical-comparative method that, according to Bloch (1928), cited by Schneider and Schmitt (1998), involves explaining the similarities and differences of two similar systems used in different social environments. This type of analysis enabled us to conciliate the work of theoretical design and the interests focused on the analysis of specific social processes (German and Brazilian social welfare). The social environments considered in the present study involve societies that are separated by space and time, given that the German social welfare system is much more advanced than the current Brazilian system.

In this method, Bloch (1928), cited by Schneider and Schmitt (1998), identified two moments related to the identification of similarities between the phenomena. One of these was similar and the other was contrasting, where there are working differences between the cases. Using this method, it is possible to identify possible similarities between historical and structural elements, leading to important comparisons of the identities and differences that will help to create a comparative chart.

The comparative procedure of the present study was carried out according to the method proposed by Schneider and Schmitt (1998), using the following stages:

a) The selection of two phenomena that are effectively comparable

The Brazilian and German social welfare systems. The comparisons were facilitated by the fact that the Brazilian system, in its initial conception, was molded in the image of the Bismarckian German model, based on compulsory prior contributions and a tripartite contribution system, rather than the Beveridgean model (universalization of benefits).

b) The definition of the elements to be compared

The variables to be compared refers to industrialization and urbanization, the mobilization of the working classes, the bureaucratic political structure, the form of political regime adopted, the degree of coverage and the scope of the model (Vianna, 1998).

c) Generalization

In this stage, the discovery of common and diverging elements in both countries leads to an articulation between the models, contrasting their realities and identifying possible alternatives to improve the formation of social welfare policies.

This article presents a general panorama of the evolution of welfare experiences in Brazil and Germany in order to ascertain similarities and differences between the two countries and to create a comparative chart based on the following nine aspects: the appearance of welfare; the stance of the state in relation to social policies; intervention by the state in welfare; the coverage of benefits; management and control of welfare; structure; the aims of social welfare services; the aims of reforms and the main problems faced by the welfare system. Final considerations will be presented in a comparative manner, seeking to prove the need for improvements in the design of the Brazilian welfare system in line with molds that have occurred historically

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in Germany, without disregarding the complexity and diversity of the contexts.

II. Brazilian Welfare in Light of the German Experience

Despite its social, political, economic and cultural differences with Germany, Brazil modeled its social welfare system on the Bismarckian model. According to Ribeiro and Ribeiro (2001), Brazil made this decision because the two countries shared the same corporatist state experience, which would make it much easier to adapt to Bismarck´s class propositions.

The origin of German influence in Brazil dates back to the times of colonial Brazil, before the appearance of state law. Araújo (2008) explained that this was mainly due to the influence of the Portuguese, who themselves had experienced a major intervention of German law. Thus, German law contributed to Portuguese law, which in turn, affected Brazilian law.

The Brazilian Constitution of 1934 was based on the Weimar Constitution, with additional civil, political and socio-economic rights, which provided the basis for the formation of Brazilian constitutionalism. The current Brazilian Federal Constitution, which was enacted on the 5th of October 1988, was inspired by the Portuguese Constitution of the 1970´s, which was based on the principles of German constitutionalism. According to Araújo (2008), a notable difference between the two constitutions is that the German constitution does not expressly mention socio-economic rights. However, they exist and were not affected by the conception of the social state in Germany. In Brazil, the Constitution of 1988 mentions the principle in article 6 ("Education, health, work, housing, leisure, security, social welfare, the protection of motherhood and childhood and social assistance for the poor are social rights") and reinforces this in titles such as Financial and Economic Order and Social Order. However, unlike in Germany, these principles have not been effectively practiced in the manner predicted by the Brazilian Constitution.

The appearance of the social state in the two countries was mainly driven by labor movements. With the advent of industrialization and urbanization, workers began to claim their right to better working conditions. At the time, they worked in precarious and unsafe conditions, with long working days and low salaries. These claims were made through strikes and union movements in the end of the 19th century and in the 20th century in Germany and Brazil, respectively, threatening the economic and political stability of both countries. However, the process of Brazilian industrialization was much slower than the same process in European countries, such as Germany. In Brazil, this process took place almost 100 years after the first industrial revolution. Significant historical events, such as the First and Second World Wars, as well as the crisis of 1929, favored industrial development, given that the countries involved in the wars and crises decreased their exports. These events therefore forced Brazil to invest in order to supply its internal market.

According to Vögel (1989), the beginning of social policy in the German Republic is strictly linked to the history of labor movement and political struggles to obtain individual rights, social assistance and security. The same author stated that the driving force of these movements was the indignation caused by the miserable lives of the workers and their families, as a result of their political and social exclusion and neglect. These conditions were also observed in Brazil during the time of the Old Republic. Malloy (1979) highlighted the similarities between the appearance of social security in Brazil and Germany: "The first modern social security system was created in Germany in 1889, as an integral part of the policy of promoting national unity, under Bismarck´s aegis of a strong state that intended to control the working class and promote social peace through social policies. Especially after 1930, the policy of social security in Brazil has been part of a general approach to the relationship between the state and society, which has a strong similarity to the Bismarckian model of modern statist policy (Malloy, 1979, p.7).

Before workers claimed for better working conditions in both in Germany and Brazil, the state adopted a completely liberal stance on social policies. In Brazil, according to Rodrigues (1968), cited by Oliveira and Teixeira (1989), the state claimed that it was impossible to reduce the length of the working day or to improve wages as doing so would damage the independence and autonomy of free enterprise. In Germany, according to Vögel (1989), the state should only worry itself with internal and external security, and all other subjects should be left to the free power of the market and society.

In both countries, the state began to perceive that intervention in social and labor issues would enable them to crush socialist ideas, calm workers and promote social order, which was being threatened by the union and labor movements. Ritter (1991) characterized the activity of the state in this context as a form of "defensive integration", in which labor laws were created in order to pacify the workers and conserve political, social and economic order. Both Otto von Bismarck in Germany and Arthur Bernardes in Brasil used social policy as a way to weaken social movements and union/socialist trends, thereby binding working relationships to the state and ending the previous liberal stance. In addition, the dissemination of social security laws in both contexts was more the product of a political conception than the result of a long political compromise (Alber, 1989) and was not due to a paternalistic stance on behalf of the state, but rather an attempt to calm workers and maintain social order (VÖGEL, 1989). Since Brazilian workers were covered by

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welfare policies and provided with the exclusive structure of retirement plans and pensions, it could be stated that the intention was to divide the working class and coopt key sectors of the economy (MALLOW, 1979).

In 1923, insurance in Germany and Brazil were unified in coffers. However, the new welfare institutions that appeared in these countries were only available to a certain type of professional, such as sailors, bankers and merchants, with most workers unable to avail of social security (ALBER, 1989; OLIVEIRA and TEIXEIRA, 1989). Consequently, the privileged rights of certain workers led other social groups to feel a need for change and legal projects were created to include the remaining workers in the roster of benefits, thereby increasing the coverage of the welfare system each year.

Despite the end of the state´s liberal stance on social issues, it was not actively involved in the administration and management of the recently-created welfare systems. The presence of public authorities was only foreseen in the form of contracts that controlled the activity of CAPs in Brazil through the National Employment Council (CNT) and external agencies (OLIVEIRA and TEIXEIRA, 1989). In Germany, these contracts were organized by the workers unions, which sought to promote security in the working environment, provide a supplement for old age and pensioners, and solve other workers issues. According to Ritter (1991), this represented a significant aspect of the modern German social state.

Over time, the main characteristic that appeared in the German context, which was adopted in Brazil and continues to the present day, was the fact that those who were insured contributed part of the resources based on their salaries, while their employer also made a contribution, based on the company's revenues. According to Ritter (1991), this system cannot be characterized as redistribution between capital and labor, but rather a redistribution that occurs within the working class itself, given that they pay for those who don't work. Börsch-Supan and Wilke (2003) demonstrated that the German welfare system involves a strong actuarial connection between income over a lifetime and the benefits of retirement and pension, thereby playing a less significant redistributive role than in other countries. On the other hand, as reported by Vianna (1998), despite the fact that the German system is segmental, it can still be considered as one of the most protective and extensive in terms of the population covered. According to Medeiros (2001), the redistributive character of the Brazilian welfare state was less extensive. As well as the limits on the groups covered, it is more closely based on a system of horizontal redistribution, between individuals of the same group, than vertical distribution, between different groups. This horizontal redistribution is associated with eligibility criteria and the provision of benefits based on previous contributions to the system, thereby hindering access to social coverage for many citizens.

However, it appears that in both Brazil (Boschetti, 2003; Batich, 2004) and Germany (Ritter, 1991), there has been a trend towards universalization, which has been consolidated year on year as a result of the following events: the decrease in unemployment rates and informality; the redistribution of resources through the inclusion of previously marginalized social groups with formal contributing workers, such as providing welfare for rural workers; the creation of benefits such as the maternity and family salaries in Brazil; the provision of welfare for artisans, entrepreneurs, the disabled, war victims and orphans in Germany; as well as the generous transfer of benefits from West Germany to East Germany after unification. However, welfare coverage has always been greater in Germany, which has reached more and more workers through its social protection programs down through the years. For example, the coverage of the German welfare system in 1960 was 77% of the population, reaching 90% in 1980 (Alber, 1989). In Brazil, social welfare covered only 7.4% of the population in 1960 and 9% in 1970 (Malloy, 1979).

This context created the basis for a redistribution of income, since all workers should pay for these new expenses, which were frequently welfare-based, thereby moving away from a contributory system. This redistribution came from the fact that welfare offers satisfactory returns to those who earn little and less advantageous returns for those who earn more. According to Esping Andersen (1991), this redistribution could endanger the efficiency of the system.

Social security in Germany has a much wider spectrum than in Brazil. As well as retirement and pension benefits, the German model includes benefits for workers, employees and entrepreneurs, while also assisting children, encouraging education, offering accident and catastrophe indemnity, indemnity for victims of crime, social security for the disabled, health plans and improvements in income, housing and education (Alber, 1989; Ritter, 1991).

The housing program, which was also a characteristic of social security in Brazil in the 1930´s, is a valid indicator of the different objectives of the services and programs created in both countries. In Germany, the housing program was created in order to increase rent equality, by promoting equality and associating social rights with the minimal conditions for survival. In Brazil, until 1950, the housing program was used by institutions as a manner of financial investment with a view to obtaining the highest possible profits, in a contentionist view of social welfare (Oliveira and Teixeira, 1989).

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The trend of using welfare to develop society was similar in both Germany and Brazil, as reported by Costa (2005). For the author, the instable environment of the Brazilian inter-state system enabled Getúlio Vargas to implement a strategy of industrial planning in Brazil that was modeled on the plan Bismarck implemented in Germany: on the one hand, there was space for the state to construct a "national industry", to the delight of the most influential agents, but on the other hand, it was possible to integrate and control workers in the industrialization project, thereby institutionalizing corporatism in bureaucratic requests.

Despite including numerous social benefits, according to Boschetti (2003), Germany was unable to institute a completely universal system of social security, with uniform payments for all citizens, excluding benefits for between 1% and 5% of the population. In Brazil, welfare policy was created in a very exact manner and consequently, it did not benefit the entire population. Oliveira and Teixeira (1989) stated that in 1923, only 22,991 workers were insured in Brazil, leaving a large part of the population uncovered by these social benefits, either because of a lack of employment, insufficient income, the impossibility of making prior contributions or distrust on behalf of workers in relation to the system.

Thereafter, social welfare began to be seen as a compensatory social policy in both Brazil and Germany. According to Medeiros (2001), after the consolidation phase, inaugurated by the military government in 1964, the welfare state model lost its populist character and followed two well-defined lines, one of which was compensatory, in which policies sought to minimize the impact of social inequalities, while the other was productionist, which involved social policies that sought to contribute to the process of economic growth. In Germany, this mainly occurred after the control of the national socialists in the 1940´s, when social policies were focused on redistribution to ensure a minimal existence, particularly for victims of war and persecution, as a form of compensation.

This compensatory social policy led to attempts to universalize rights and social benefits. This occurred earlier in Germany, in 1961, and was considered to be an improved democratic system (Ritter, 1991), given that it provided assistance to all citizens that were in a situation of risk (illness, pregnancy, disability, among others). In Brazil, this policy was made official in the Federal Constitution of 1988, which contained benevolent policies and extended welfare coverage. Ritter (1991) stated that this period corresponded to a tradition of the social state and demonstrated the importance of the relationship between capital and employment in the creation and development of society. In addition, it is important to note that during the dictatorship in Brazil, and the wars in Germany, particularly during the Nazi era and Hitler's imperialism, social policy was seen as a tool of power and control by governments, as well as a mechanism of loyalty to the party. Authoritarian regimes of the right have often used progressive social programs to undermine radical groups and to increase state control over society through paternalism, which was an essential tool in authoritarian politics (Malloy, 1979).

The first modern law related to social security was created by Bismarck in Germany, with an elitist and statist focus, similar to the evolution of Brazilian social security. During the Vargas period especially, progressive social programs were used to coopt and to increase the dependence of citizens in relation to the state, as well as to expand the regulations of the state. However, despite these similarities, according to Vianna (1998), the Brazilian welfare system began to distance itself from the German model with the modernization that led to the creation of the National Social Welfare Institute in 1966. Despite expanding the coverage of the population, like the German system had done, this Brazilian institution degraded associative schemes, imposing a logic based on greater privatization. Prior to 1964, although the beneficiaries were less in number and more stratified, there was evidence of citizenship, in terms of these people participating politically through leadership.

In Germany, social welfare policies were not meant to provide welfare for those who most needed it, but rather to help people who sought to get involved and who had national socialists beliefs (Alber, 1989). In Brazil, Costa (2005) considers that the military dictatorship centralized decisions within the institution, and the Cold War, with the threat of communism, made social policy become a platform for national development, associated with the doctrine of national security.

In Brazil, according to Malloy (1979), social welfare was seen as a method of ensuring that accumulated funds were converted into political power, either by channeling funds to individuals and favored groups or through favors related to the financing of politically-motivated housing projects. Furthermore, in order to gain certain rights in relation to these benefits, it was essential to have an intimate or direct connection with the state. Complaints were quashed by public authorities and, since welfare was one of the greatest sources of employment and it nourished the state bureaucratic machine, governments used it as a form of benefiting interest groups with significant positions.

Among the different aspects in which the formation of the German and Brazilian welfare systems were similar, one of the main factors to consider, and which characterizes the current systems, was the transformation from a capitalization system to a distribution system. In both Germany and Brazil, the welfare system was originally governed by the capitalization system. Due to the misappropriation of

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social security funds for other uses, such as the financing of wars and the great depression in Germany, and the industrialization and development of Brazil, this system faced a crisis, leading to the creation of the distribution model, in which active workers finance inactive workers. According to Krause (1989), another problem that led to the end of the capitalization system in Germany was inflation, which consumed the social capital created by retirement insurance. This meant that the only possible way to maintain the services was through contributions, thereby making another step in the conversion to a distribution system. Börsch-Supan and Wilke (2003) emphasized that the distribution system was established when most of the fund was invested in government bonds between the two World Wars. Thus, in 1957, the government decided to convert the system gradually to a distribution scheme. The remaining social capital was spent almost ten years later. Thereafter, the German system was purely based on distribution, with a small reserve fund.

According to Thompson (2000), the debate about the effectiveness of financial schemes deals on the one hand with distribution welfare systems, which reduce aggregate national savings, and, on the other hand, with the capitalization system, which provides greater employment and may be capable of increasing national savings. According to Costa (2005), the World Bank believes that organized distribution public welfare systems may lead to imperfections in the economic system and disturb the growth of the country, given that there is no incentive to accumulate private funds, thereby avoiding the possibility of a country benefiting from possible gains in the capital market. However, Thompson (2000) stated that the distribution system involves less risk of alterations to benefits than capitalization schemes, given that the benefits of a distribution scheme are not sensitive to unpredictable economic developments, such as price changes and the rate of return on investments.

However, the distribution system is more sensitive to changes in the growth rate of the working population than capitalization schemes. On the other hand, Giambiagi (2000) highlighted that the distribution system makes the system more susceptible to oscillations in the economy, due to the absence of a financial reserve for temporal contingencies. Therefore, the two financial schemes involve controversial aspects, as well as positive and negative points, related to the specificity of the economic, demographic, political and social contexts that define the effectiveness of each scheme.

The two systems have specific differences, particular in terms of management. Börsch-Supan and Schnabel (1999) have shown that, unlike in Brazil, German retirement insurance is not part of the government's budget. If there is a surplus, social security contributions cannot be legally used to decrease the government deficit. In 1994 in Brazil, the Voluntary Severance of Union Revenues (DRU) was created, moving 20% of revenues to other destinations that were not listed in the constitution. Social security was severely affected by these measures, since the budget was constantly decreased. According to Börsch-Supan and Wilke (2003), transfers can be made from the government to retirement insurance in Germany, but never the other way around.

From a comparative and historical perspective, the German welfare system has low administrative costs, excellent administrative councils and services for the insured, as well as a fast and efficient model (Issen, 1989). Germany also has a more centralized organizational structure (Vianna, 1998), which allows the Ministry of Employment and Social Assistance to supervise all retirement, health and pension plans, as well as insurance related to accidents in the workplace, unemployment benefits and family assistance.

Another factor that differentiates the two countries is the greater dedication that can be found in Germany to internal order, given that the old positioning which focused on external politics was undone by the Second World War. After 1945, the German people concentrated practically all of their efforts on rebuilding the country and improving their own welfare (Oertzen, 1982). The same author stated that the German case is different and atypical since there is a tradition of social welfare, dating back to Bismarck and surviving Nazism, which was in some way encouraged by conservative Christian democrats. This tradition has survived to the present day. According to Vianna (1998), the democratic social party was influential in the political scene, playing important roles and legitimizing decisions that were negotiated. In the case of Brazil, the priorities of the government were more focused on economic development and the industrialization of the country than social policies, as evidenced by the constant diversion of welfare resources to promote the economic development of the country.

Furthermore, according to Malloy (1979), there is one political factor that distinguished Brazil from European countries that made the direct transition from feudalism to modern capitalism. After the Brazilian declaration of independence in 1822, the country was governed by an empire dominated by a strong patrimonial, centralized state that was incapable of controlling the regional pressures that arose. New forms of capitalism were accepted as a form of generating wealth and maintaining regular and economic mechanisms for their own interests. Nevertheless, even today, Brazil still retains the remnants of a patrimonial, clientelistic and particularist model, preventing the stabilization and development of social policies that ensure a better quality of life for the population.

The social welfare systems of Germany and Brazil are based on the directives of social democracy

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and state law, although they also exhibit the characteristics of a conservative and corporate state. However, there is a great difference between the corporatism found in both countries. Corporatist aspects in Brazil are reflected in a patrimonial state that joins the bureaucratic elite in controlling society through powerful groups, excluding the population from political decisions and reinforcing social stratification. In Germany, a phenomenon known as modern corporatism or "neo-corporatism" has been evidenced (VIANNA, 1998). This involves the articulation of several interests, with strong, active unions and formal organizations that are capable of representing the interest of different classes. Therefore, Germany is an example of a strong, corporatist structure with advanced welfare systems and full employment policies, which are strongly supported by the population. It is important to consider social participation when creating policies, given that it is essential for the consolidation of social policies that can attend to the needs of the population. As demonstrated by Vianna (1998), an aggregating society of various interests can be a successful recipe for maintaining the social welfare state.

Thus, the nature of the welfare state and the characteristics that have developed throughout its historical evolution enable particularism to prevail over general principles in Brazil. These characteristics have prevented the strengthening of labor movements that seek better living conditions, creating a paternalist structure, in which the state dictates the rules and concedes limited benefits, while the population accepts what they are told and conforms. Vianna (1998) added that the context in which Brazil is structured, with a presidential regime, conflicts between executive and legislative authorities, weak party structures, fragmented social representation entities, a low capacity of participation and a culture of privatism, hinders the adoption of neo-corporatist practices.

The most important question is whether the existence of these neo-corporatist structures or organizing workers enables the participation of the working and business classes, thereby contributing to the formation of a framework that is convenient and conducive to the development of a state that is focused on social protection. According to Vianna (1998), neo-corporatism favors the feasibility of democratic social parties and thus, reinforces the support of the welfare state. In this context, it is possible to state that Brazil is closer to a model in which interested parties make decisions on social policies and their interests come first, rather than a model of negotiated integration, which is predominant in Germany, with the formation of neo-corporatist groups (Vianna, 1998).

Another important aspect that has affected both the Brazilian and German contexts is concerns about the sustainability of the welfare system. The German government has made constant reforms in order to ensure that their social security system can meet new demands that emerge and serve the new demographic structure of society. This trend reflects the thinking of Sund (1982), who has stated that the more humanely a social state adapts to the necessary structural modifications, the more it will be characterized as such. In Brazil, these reforms were necessary, mainly due to the dissemination of the Federal Constitution in 1988, which was characterized by benevolent policies and attempts to universalize coverage. For Boscheti (2003), Brazil mirrored its constitution more on English models than on the German social security system, which was created in the 1930´s. This occurred due to its "shattered sympathetic character" (Cosa, 2005, p.7), with attempts to universalize benefits and extend coverage worsening the already poor financial welfare system.

Brazilian welfare system reforms occurred in 1998, 2003 and 2005, with a number of modifications in 2012, based on the following four pillars: decrease in expenses related to benefits; increase of retirement age; decrease of privileges for public servants and more recently; the partial migration to a capitalization system, with the creation of the Supplementary Pension Foundation for Federal Public Servants (Funpresp). In Germany, reforms occurred in 1992, 1999, 2001 and 2004, with a particular focus on the following: the introduction of actuarial adjustments for retirement benefits; an increase in the retirement age; an increase in equality between men and women in the job market and the concession of benefits; the expansion and encouragement of private welfare. According to Börsch-Supan and Wilke (2003), reforms in Germany have pushed for the partial substitution of distribution pension schemes with capitalization schemes, although this move is not obligatory.

This comparative historical perspective enabled us to design a chart that shows the similarities and differences between the two welfare systems. This historical diagnosis confirmed the main aspects that prevent the formation of a welfare system in Brazil that is more focused on the welfare needs of the population, based on a global reference model (the German welfare system). The elements that compose this chart refer to the following variables: the appearance of social welfare; the stance of the state; the objectives of social policies; the coverage of benefits; control and management; the structure of the welfare system; the intervention of the state and the corporate structure that, together, delineate the objectives of reforms and the main problems faced by these systems (Table 1)

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Table 1: Variables for the comparative analysis of the welfare systems of Brazil and Germany

Components of the analysis	Germany	Brazil
Appearance of social welfare	• Consequences of industrialization and urbanization (1881) • Workers claims and political struggles; • Exclusion and neglect of workers.	• Consequences of industrialization and urbanization; • Demonstrations and strikes (1917 and 1919); • Claims for labor legislation.
Stance of the state in relation to social policies	• Liberal • The state claimed that it would be impossible to satisfying workers claims as it would damage the independence and autonomy of free companies.	• Liberal • The state should only worry about internal and external security. Other issues should be borne by the free power of the market and society.
Intervention of the state in labor issues	• A manner of distancing the state from socialist ideas, calming the workers and promoting social order; • Intervention: Defensive integration (RITTER, 1991); • Bismarckian non-paternalistic stance	• A manner of controlling social movements as well as socialist and union trends, binding working relationships to the state. • Arthur Bernardes non-paternalistic stance
Corporatist structure	• Articulation of several interests, with the presence of strong and active unions, and formal organizations that represent the interests of different classes; • Strong corporate structure with advanced welfare systems, full employment and the strong support of the population.	• There are no visible perspectives of a neo-corporatist model of the articulation of interests on which agreements of social participation are based; • Paternalistic structure – the state makes the rules and concedes limited benefits, whereas the population merely has to accept and conform. Conflicts between executive and legislative authorities, weak party structure, fragmented social representation entities, low capacity for participation and a culture of privatism hinder neo-corporatist activities.
Coverage of the benefits	• Divided into professional classes; • Pioneers were sailors and merchants; • Exclusion of many professionals; • Slow trend to the universalization of benefits over time; • Social security more extensive in terms of beneficiaries.	• Divided into professional categories with their own CAPs; • Pioneers were sailors, railroad employees and merchants; • Exclusion of many professional categories; • Quick trend to universalization of benefits over time; • Social security less extensive in terms of beneficiaries;
Management and control of welfare	• In the beginning, this was done through contracts which were governed and administered by unions; • German retirement insurance does not constitute part of the government budget. • If there is a surplus, the social security contributions cannot be used to decrease the government deficit; • Transfers can be made from the government to the welfare fund but never in the opposite direction; • Centralized management.	• In the beginning, this was done through contracts which were governed by external agencies and the National Employment Council (CNT); • Creation of the DRU, which routed 20% of the Unions revenues (including social security) to other non-fixed destinations in the constitution; • Transfers can be made from the government to the welfare fund and vice-versa; • Decentralized management.
Structure of the welfare system	• Financed by employees and the Union – tripartite contribution system;	• Financed by employees, employees and the Union – tripartite contribution system; • Began with a capitalization regime and transformed into

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	• Began with a capitalization regime and transformed into distribution; • Obligation of prior contribution is stronger; • Reduced redistributive character.	distribution; • Obligation of prior contribution is weaker – rural workers; • More redistributive character.
Objective of social service	• Housing services: objective of social assistance and promotion of social equality; • Welfare: instrument of compensatory policy due to two wars and Nazi control. It was an instrument of power and control on behalf of governments and a mechanisms of loyalty to the party. .	• Housing services: objective of investment and financial reserve; • Welfare: instrument of compensatory policy due to the military dictatorship and a platform for the national development project, associated with the doctrine of national security.
Objectives of the reforms	• Introduction of actuarial adjustments for the benefits of retirement; • Increase of retirement age; • Increase in equality between men and women in the job market and in the concession of benefits; • Expansion and incentives for private welfare.	• Decrease expenses related to benefits; • Increase in the retirement age; • Decrease in privileges for public servants; • Partial migration to a system of capitalization and private insurance.
Problems faced by welfare	• Rapid aging of the population; • Lack of financial reserves to cover future retirees; • Increase of expenses without a proportional increase in revenues, etc.	• Slow aging of the population; • Lack of financial reserves to cover future retirees; • Increase of expenses without a proportional increase in revenues, etc. • Corruption, misappropriation and fraud.

These variables are associated with elements that are crucial to the analysis of the social policies proposed by Esping-Andersen (1991), Vianna (1998) and Medeiros (2001), such as industrialization and urbanization, the role of the state, the coverage and scope of benefits, the bureaucratic structure, the political regime adopted and the mobilization of the working classes.

It appears therefore, that the historical evolution of the welfare policies of Germany and Brazil have a number of similarities, such as the fact that welfare appeared concomitantly with the process of industrialization, although this occurred later in Brazil, and a non-paternalistic stance on the conception of social security and labor policies, based on the ideas of Bismarck in Germany and Arthur Bernardes in Brazil. However, there are aspects that are different in both countries, such as the corporate structure. In Germany, the strong corporate structure favors the articulation of several interests among the social classes, culminating in a more complete and advanced welfare state that that of Brazil. Furthermore, social services in Germany, unlike in Brazil, were more focused on the promotion of equality and social welfare than on raising funds for economic development, as was the case in Brazil.

Given this patrimonial culture and the weak democratic structures in Brazil, neo-corporatist practices have been compromised, ensuring that the evolution of Brazilian welfare distanced itself from the German model and has not achieved extensive social protection or dealt with changes in society. Social exclusion is less important than fiscal balance.

After the historical evolution of both Brazil and Germany in the last 100 years, it appears that their welfare structures are similar in terms of protection, as displayed in Figures 1 and 2.

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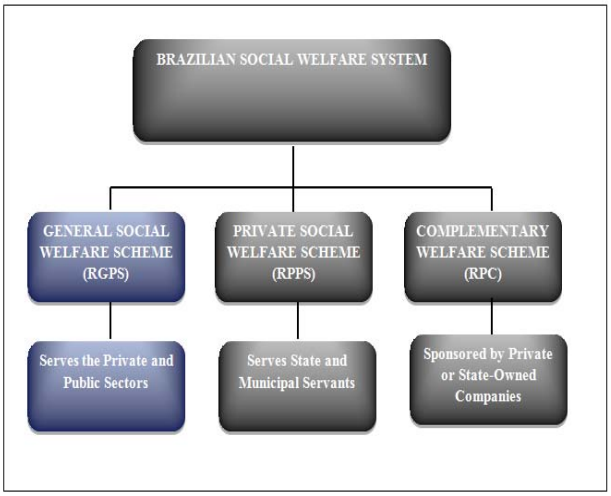


Figure 1: Structure of the Brazilian social welfare system.

As displayed in Figure1, the Brazilian social welfare system involves the following schemes: the General Social Welfare Scheme (RGPS), which in associated with workers from the private sector, housekeepers, entrepreneurs, wage earners, public servants who did not move to the Congenial Scheme and state public servants. The second scheme is the Congenial Scheme, which is associated with the federal military and involves a special retirement plan. Finally, there is the Complementary Social Security Scheme, which is made up of pension funds sponsored by private or state companies (closed pension fund) and by entities that are open to the scheme.

Adapted from SPARP LAN. (2014) *Struktur der altervorsorge.* Recovered on March 25, 2014 from http:// www. sparplan.de/altersvorsorge/3-schichten-modell/

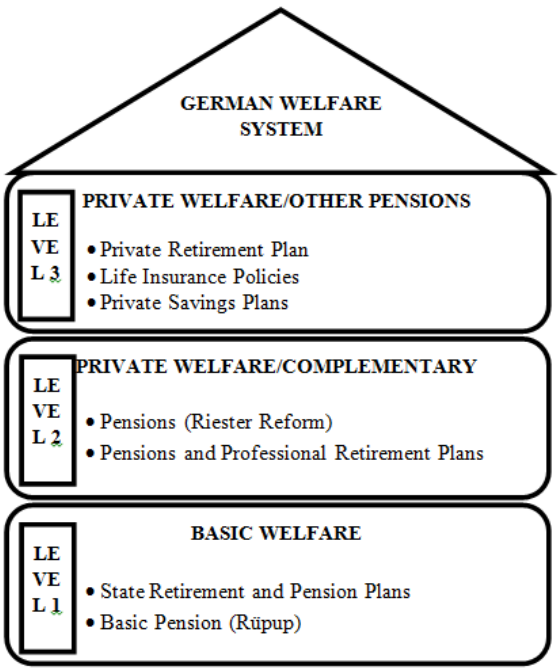


Figure 2: Structure of the German social welfare system.

Since the 2005 reform in Germany, the German welfare system has been structured around three pillars or levels, as displayed in Figure 2. The three levels are Basic Social Security, Complementary Social Security and Private Social Security. Basic welfare, which constitutes the basis of the system, is formed by a legal regime of pensions, professional pension plans from the private, rural and public sectors, as well as pensions financed by contributions (paid by employers and employers, equally) based on individual gross earnings, up to a contribution limit, due to the expenses of the federal budget, which are known as Rüpup pensions (Schmähl, 2002).

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The second level involves pensions and retirement plans governed by the capitalization system, which were created after the Riester reform, part of which is subsidized by the state and which serves as a compliment to the basic system. The third level deals with private insurance products, such as retirement plans, life insurance and savings plans. There is no state support at this level. The contributions are paid by the beneficiaries themselves and governed by the capitalization system.

Thus, it appears that the welfare systems that formed in Germany and in Brazil are similar in terms of the division between the form of financing and the support of the state in the provision of benefits. After constant reforms, both systems have attained a mixed financing regime which seeks to minimize the impact caused by changes in society.

III. Final Considerations

Although the social, economic and political contexts of Brazil and Germany are different, and considering that Germany has reached a more mature stage in relation to the development of society, both countries exhibit similar contexts in terms of the development of social welfare and its evolution over time. Nowadays, there are many similarities between the two welfare systems, including the distribution system, tripartite financing and the need for prior contributions for the concession of benefits, among others. In addition, structural and economic transformations have marked the context of the two countries, such as the aging of the population (faster in Germany, in that the proportion of elderly to active adults is greater than in Brazil), the lack of financial reserves to cover future retirees and the increase of expenses, without a proportional increase in revenues, among other aspects. However, there are several problems that compromise the financial welfare system to a greater degree in Brazil than in Germany, such as cases of corruption, fraud and misappropriation, which lead to an imbalance in the financial system. In general, it appears that the German social state is much stronger than the Brazilian state and has been developed based on the ideals of assisting the poor and the transformation into a state of social aid. For these reasons, it is seen as a model by developing countries, such as Brazil.

One of the main points to be observed in relation to the historical evolution of the welfare policies in the two countries is that unlike in Germany, the Brazilian institutional political format did not provide for the participation and inclusion of social protagonists in the decision-making process and in the formation of policies. This is clear in the early stages of the creation of these welfare systems, which gained strength through different types of labor movements in both countries, and in the neo-corporatist structure that molded the interests of employers, employees and the state, as well as their articulation with public authorities.

In Brazil, elements of neo-corporatism did not come into effect in terms of social policies, considering the creation of organizations that represent the population that are incorporated in the adoption and execution processes of government political decisions. There was a predominance of aspects linked to the dominant classes and a low level of participation by organizations that represented the interests of the social classes, such as workers and employers. Thus, it was impossible to extend the scope of negotiations to include the general population.

The Brazilian welfare system was created in the 1920´s, following the Bismarckian model, and was reformed in 1988 based on Beveridgean universalist and egalitarian principles. The manner in which welfare policies were molded over the years was in line with the capacity of the country to organize itself politically and economically, as well as the nature of the state and how it intervened in society to serve social demands. Brazilian culture was more focused on individualism and exhibited a more liberal and particularistic stance in the creation of welfare policies, resulting in an unequal, selective and consequently, exclusive system. Meanwhile in Germany, due to the wars in Europe, there was a more intense feeling of solidarity, culminating in values such as equity, justice and distributivity when dealing with social issues. This meant that welfare, despite being less redistributive, was able to serve the demands of the population and promote welfare in a broader manner than in Brazil.

More recently, it has become clear that the changes in the two welfare systems, caused by demographic factors such as the aging of the population, decreases in birth rates and increased life expectancy, as well as economic factors such as the replacement of workers by machines, reflect strategies to preserve the welfare of the state in the face of fiscal deficits, as well as industrial and organizational reorganization. This process is being carried out through reforms that seek to promote actuarial adjustments, increase the retirement age, reduce expenses related to benefits, and encourage private social insurance models in order to minimize the problems caused by these changes.

In conclusion, although the Brazilian welfare system was inspired by many aspects of the Bismarckian model, it has moved away from those ideals, particularly in terms of not incorporating social protagonists in the creation of policies (as is the case in Germany) and not serving the needs of all social classes. In Brazil, the strongest groups in the state structure predominate in the organization of political parties.

In addition, Brazil has distanced itself from its parent model by creating an unequal structure of

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protection, as well as hierarchical beneficiaries, throughout its historical evolution. These beneficiaries are hostages to corporate interests that are imposed through political pressure. This is combined with a passive population and a lack of vindicatory action to improve the existing system. Therefore, unlike Germany, Brazil has established a complementary relationship between the public and private sectors, which does not seek to overcome the weaknesses of the public system and increase coverage, but rather reinforces once more the logic of "exclusive universalization". This means that citizens with equal rights according to the law are excluded from the process of the concession of rights and the formation of these social policies.

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