

Open Letter

Cologne, September 2017

To whom it may concern in politics, economy and society

Thinking Back to a Policy of Social Order

The Social Market Economy is a Model of Success. Germany is successful in economics. We constantly see new record figures in employment. Vast groups of the population profit from it. Our polity is stable and efficient. Our civil society is less prone to fundamentalism than are other countries as it has again and again proven by its remarkable voluntary engagement in the refugee crisis. Our middle class structure of small and medium sized businesses putting social and tariff partnership to life also succeeds in meeting and mastering most difficult challenges. Coping with the crises of economics and finances might serve as a well-known example. One of the world's most all-encompassing social net securely protects from imponderables leading the individual into situations of distress.

But We Jeopardise this Model of Success by an increasingly consumptive rather than social policy of order. There is something fundamentally wrong with German social policy. It lowers the capabilities of achievement and adaptation of our model of success, stealthily undermines its legitimacy thus letting populism encroach.

- We demand social justice – and continuously shift the burden onto subsequent generations especially in the systems of contributions. Who is the spokesperson and honest broker of our children and grand-children in political decisions?
- We discuss – partly irresponsibly arousing feelings of angst – about the risk of poverty at old age which, fortunately, threatens only a minority in future – and we lack convincing concepts to have a much larger group of under-skilled people sustainably participate in working life and, at the same time, provide for them at old age.
- In Germany, exclusion from education is too often passed on from one generation to the next thereby undermining the promise of prosperity of an open civil society. Academic and vocational education being equally good must not only proclaimed in Sunday addresses but must be put to life through concrete political action. Otherwise, there is the threat that the educational system distances itself from the demands of the labour market.
- We wonder about the populists being much sought after – but delude ourselves to have seemingly quick and simple solutions instead of grappling with doubtlessly more and more complex problems. Politics must not degenerate into entertainment driven by the number of talk show viewers or twitter-likes. Debates belong back to Parliament where factual issues and arguments are to be debated.

In this, sobriety and thoughtfulness, in the literal meaning of naming problems and the transparent struggle for solutions, are required. We no more want to put up with plain to see politics favouring clientele or ideological trench fights for their own sake. We are fed up with the factual challenges of the demographic change as well as the digital revolution in working

life and platforms taking over the economy as either being waited out or negated instead of grasping the chance to actively shape and form them.

Thinking Back to Basic Guidelines

It is social policy that needs thinking back to fundamental guidelines of consensus for a large majority of the population. Catholic Social Teaching, with its basic principles, offers such a normative orientation which is also acknowledged outside the denominational context. Its tradition does not obstruct its topicality. As the Association of Catholic Entrepreneurs, we want to recall it to our memories. We appeal to the future Federal Government to re-install these basic pillars of our Christian image of Man as the guideline of political decision-making and societal discourse.

Here **personality** is the first principle as the model for the actions of every individual, but also the pervasive guideline for setting up structures in society. Thereof results a **duty of solidarity**. Finally, **subsidiarity** is the most important principle of organisation.

The **principle of solidarity** demands that nobody unable to help themselves is left behind. Everybody in our society must be able to live in dignity. Material conditions to that purpose are especially established by the social basic security scheme.

The one who gives must take beforehand. This especially applies to the social state. The preparedness of the individual to lay claim to the solidarity of the community only to an appropriate extent is the other side of the principle of solidarity. Solidarity must depend on mutuality in order to function thus not eroding its legitimacy.

At the same time, this corresponds to the **principle of subsidiarity**. It runs that every individual and the respective smaller societal entity have the right, but also the duty, to do whatever is in their might. The principle of subsidiarity does not only offer orientation for a policy of redistribution by the state or the future alignment of the EU. It also obliges to personal responsibility. Instead of stealthily tempting for paternalism, politics finally must shift citizens' maturity in focus again. In this, education is deemed high if not decisive relevance. Education must make possible participation in society without stigmatisation or discrimination thus being an expression of equality of qualifications.

Here, the **principle of personality** of Catholic Social Teaching manifests itself which expresses the wholeness of Man. As an image of God, s/he is endowed by nature with reason and free will and called upon to shape his/her life in personal responsibility.

It is many female and male entrepreneurs that are motivated by this idea, not the seeming striving for profit. Putting in strong personal endeavour and taking risks, they create places for work and training and, together with their co-workers, gain by good management from day to day the basis of our welfare state and its prosperity. The typical family businesses of the middleclass and traders in Germany, but also the countless executives of the economy at large, think and plan in terms of generations instead of quarterly reports, are engaged in various local communities and stabilise rural regions. Little appreciation is made of the fact that they, following these three principles, are pillars not only of business life but also of society. Besides families, businesses are important nuclei of social life. Policy of social order must more strongly take these small entities into account again because they provide stability and social cohesion in our community.

Concrete Expectations Raised to the Government's Politics

What does thinking back to a policy of social order and an orientation in alignment with these normative guidelines mean in concrete terms for our expectations to the future government's politics? Beforehand: They do not mean that we close our minds to current challenges.

Thinking business N.E.W. is this year's theme of our Association of Catholic Entrepreneurs. Fundamental changes that have taken place in our economy and society and are still unfolding require a fundamental rethinking of the concept of economy so far. We are aware of this. We are working on strategies to cope with this. But it is dealing with things new that reminds us not to lose sight of basic values.

Our core demands:

- **Education** generates chances of occupation, secures skilled workers of tomorrow, and is the best provision for old age and guarantees social participation. We need better education from child day care centre to vocational school. No youth should be without a certificate of graduation. It is vocational training that should be given a higher value. Digitalisation and technological change require more than ever a strong MINT education. Vocational orientation at school is needed. But with all the educational endeavours by the state, it is the parents' duty to provide the necessary educational essentials.
- **Reduction of Long – Term Unemployment** must be the high-priority policy goal of the labour market. The road to success are individual qualifying and support to better overcome psycho-social obstacles to first employment, not publicly funded occupation: integration into the labour market instead of 'acquired helplessness'.
- High non-wage labour costs and an increase of **tax and levies** lower incentives for performance and make entry into the labour market more difficult for the weaker. This necessitates a redirection. As to this, the BKU has presented a model of an "Activating Basic Income" as a concrete building block.
- **Humanitarian Refugee Policy**, required against the backdrop of the principle of solidarity, is to be clearly set apart from controlled immigration. For its success, we must have long staying power for the integration of refugees, above all, acceptance and cohesion in society.
- A shrinking economically active population obligates to design and shape the **social security systems** sustainably and solidly. Social contributions must still be kept under 40 percent in order not to endanger growth and employment. Wishes for a broadening of services should go hand in hand with proposals on how to save costs to the same amount.
- The structural reforms of the **pension scheme**, already decided on, must not be watered down. Mistakes, as occurred with pension at 63, are to be corrected, tasks for society at large are to be financed via taxes and not via contributions. We need more incentives for a longer working life and a coupling of the regular age limit to an increasing life expectancy.
- The present rigid entitlement rules to pensions are a mirror of a long-gone industrial society of the 19th and 20th centuries. Setting free pension and social security solutions while creating compatible incentives also for new forms of employment of the **Work**

World 4.0 would be an honest acknowledgement of changed conditions of the 21st century.

- Basically, a coupling of pension claims to raising children is the right path to realise the underlying three-generation-contract between pensioners, the employed and children as employed people to be and creating a demographically stable and just security system for old age. It recognises the generative contribution of parents for the survival of the contract between generations and makes possible an automatic adaptation to the demographic shifts as the claims to pension would fall respectively through payment of contributions. As to the present, recognition of the **periods of raising children** falls short and gives rise to problems of justice.
- The best **provisions against poverty at old age** are vocational qualifications and a continuous biography of employment. This purpose is best served by an intelligently interlocked labour market and policy of education. This state pension scheme based on the principle of equivalence is not suitable for benefits of solidarity to low-paid employees. These services financed by taxes must be geared to neediness – not alone to the amount of the pension.
- For **self-employed people** provisions for old age are mandatory which, however, must be combined with a free choice of realisation (state or private) and arrangements for people setting up new businesses. On this BKU has presented a concrete proposal in the last legislative period.
- A frank and transparent policy of social order must care **for clear price tags in the welfare state** and thus strengthen self-interest for an economical use of benefits of solidarity. This is of special importance in view of the implicit running up of debts at the expense of future generations in social schemes financed by levy contribution. This dampens the dynamics of spending, promotes precise targeting and makes the citizen recognise value but also costs.
- Obstacles to the **succession of entrepreneurs** are to be removed. Facilitating co-worker participation and models of cooperatives can lead the way at an early stage. The dual system of state and private **health insurance** has proven a success. It would be irresponsible to weaken private health insurance as the only sustainably financed pillar of our health system or even to abolish it to the benefit of a citizens' health insurance financed by levy contributions. As a consequence rising burdens for future generations and grave losses on the side of services would have to be expected.
- Similar things apply to **the insurance for nursing services**. In the state insurance for nursing services financed by levy contributions, long-term financing is threatened by the demographic development. Here frank public avowal is required of the “partial coverage insurance” character and the need to limit services to a minimum. Due to demography, the system financed by levy contributions is unable to foot; here complementary private provisions become necessary. As to the need for action in regard to nursing care, BKU has presented a comprehensive, impelling paper.
- This compilation leads to the theme of the necessity of consequently reducing bureaucracy in the sector of nursing services under safeguarding quality. It is dramatic to see service personnel having to use a quarter of their time for bureaucracy and documentation – time lacking for tending people.

- On the **European level**, we also must be led by the principle of a policy of social order. The trend to a European community of redistribution as fomented by some contradicts subsidiarity and the will of a major part of its citizens. Wrong incentives in the countries affected would be the consequence and would delay necessary reforms. In social politics, uniform European solutions would not be suitable to address specifically national problems. The discussed European insurance for unemployment for example would not fight the national causes of unemployment. The persistent crisis of employment for youths in Southern Europe threatens the European idea; joint solutions must support the establishment of sustainable educational systems and the improvement of conditions for investment.
- The politically condoned **Zero respectively negative policy of interest by the ECB** sustainably harms private wealth creation and the provisions for old age covered by capital. This also wants thinking back to more subsidiarity.
- Adhering to **tariff autonomy**, tariff order is to be strengthened especially in the branches of the middle class businesses. A state minimum wage remains as interfering in tariff autonomy. It is a lower red line and must not be interpreted as a Living-Wage-Concept. Branch solutions are to be favoured. Minimum wage bureaucracy must be reduced.
- German **Labour Law** is regarded as one of the most rigid and complicated in Europe. Middle class businesses need a modern, employment-friendly, practical and agile legal framework which makes possible a successful partnership of company and employees. Flexibility created security. Above all, the labour law of working time must be adjusted to digitalisation.
- The rapid **digital change** of the economy must be shaped by political order and actively accompanied by education policy. Successful transformation is the best provision against disruptive faults. Middle class businesses need an exhaustive broadband infrastructure in the Gigabyte-range. Neglecting rural space would be irresponsible in terms of the economy but also in the policy of distribution.
- Also in the **platform economy**, fair competition for small and medium-sized businesses in regard to access to platforms, consumer protection and context of rulings (e.g. flexible working hours) must be secured. Here is required a legal framework of order as well as a legal framework for data in regard to access and use of data relevant to business models. We need solutions for dealing with digital monopolies and strong players on the market.

BKU

Founded in 1949, BKU has about 1,200 members, proprietors-entrepreneurs, self-employed and employees in leading positions. BKU is structured in 36 diocese groups. In its workshops are created innovative concepts for economic and social policies and how to lead a business with values. The association sees itself at the interface of economy, church and politics. This letter was produced in the working group Social Order of the BKU. The publications mentioned in the text can be downloaded at www.bku.de or be sent on request from the BKU – Office. Inquiries: BKU-consultant Dr. Vera Bünnagel, phone +49 221-27237-66 Editor: Marie-Luise Dött, MP, Chairwoman of BKU phone: +49 221-27237-0

Translated from the German by York R. Buttler