DOI: 10.20378/irb-59464

10

Germany: The Structure and Dynamics of the Reward System for Bureaucratic and Political Élites

Hans-Ulrich Derlien

RHPO became a German political issue once more in 1990, with the establishment of assemblies in the five new Länder in the eastern part of the country. German public debate on RHPO has traditionally focused on MPs' rewards. Rewards accruing to executive politicians and the civil service were seldom a politicized issue. However, in 1992 a number of political scandals involving rewards for executive politicians fuelled public discontent with political performance in general and parties and party politicians in particular.

This chapter starts with an analysis of the German RHPO structure in 1991. It shows how deeply the system is impregnated by the historical dominance of the civil service reward system. Second, the long-term development of RHPOs is analysed. Particular emphasis is put on the RHPO decision process, including the politicization of rewards following the procedural uncoupling of MPs' pay from that of civil servants in 1977. Contrary to the predominantly normative tone of the German public and academic debate over RHPOs, I adopt a *systemic perspective*, focusing on the influence of the reward system on recruitment and turnover in the political-administrative élites. Self-recruitment from, and over-representation of, the civil service among MPs as well as reference to civil service and related executive politicians' pay in determining MPs' pay are assumed to be responsible for the continuing similarity of MPs' and bureaucrats' pay in practice, even after their formal separation. At the same time RHPOs appear too small to induce the recruitment of other élites in society. Also, there is a second circularity in the dynamics of politicians' pay determination which is typical of a federal state. The relationship between MPs' pay in the federal and Land Parliaments results in only small pay differentials and thus little incentive for the federal political élite (certainly in the civil service) to return to the provinces.

The Structure of the Reward System

It might appear strange to readers outside Germany that the reward system of the country's federal élite is oriented not by the political

masters' but primarily by their civil servants' reward structure. All through recent German political history, starting with the 'Professors' Parliament' of 1848, civil servants have been strongly represented in Parliament. Today, roughly 43 per cent of federal MPs and up to 50 per cent of Länder MPs come from the public service, owing to the privileged base the public service gives them from which to run a campaign. Until 1976, civil service MPs were even regularly promoted while in Parliament and pensions were paid on top of MP remuneration. The dominant influence of civil service elements on the rewards for politicians points to the historical fact that in Germany the bureaucracy as an institution is older than democracy and has survived all regime changes. Politicians taking their place in the system after 1945 took rewards of the civil service élite as a reference point, and not vice versa, as in the US.

Executive Politicians' Rewards

Even in a system of party government, the separation of powers doctrine applies to the calculation and justification of rewards. The Chancellor and the Federal Ministers, who need not hold a mandate in the Federal Parliament, as well as the Parliamentary State Secretaries (PStS), who have to be MPs, receive a salary like civil servants for 'service', not 'work'. Ordinary MPs, however, are entitled to a remuneration which is considered a compensation for expenses related to their status, not performance.[1] Moreover, the salaries of executive politicians are explicitly defined in terms of the salaries of the highest civil service position, that of State Secretary. Members of the Federal Cabinet are entitled to receive 133 per cent (and the Chancellor 166 per cent) of the monthly base salary of a State Secretary, while PStS, the junior ministers introduced in 1967, receive the equivalent of a State Secretary's salary.[2] Like civil servants, executive politicians receive an *additional* social bonus reckoned on the basis of marital status and number of children; this is 33 per cent higher than that paid a State Secretary. Furthermore, executive politicians get a fixed annual *expense allowance*: the Chancellor 24,000 DM (unchanged since 1971), the Ministers 7,200 DM and the PStS 5,400 DM per annum.[3] Further, they are entitled to all the other allowances paid to civil servants such as child allowances, a Christmas bonus, health costs, travel costs and, last but not least, accident insurance and pension rights calculated on the basis of their duration in office. The logic of this explicit linkage between executive politicians' rewards and civil service salaries and related income elements is that both hold a public (state) office and that – in principle – they need not be parliamentary politicians (except the PStS).

The monthly salary of a married State Secretary (grade B11) with one child (16,325 DM in 1991) increases by an extra 12.5 per cent of the base salary Bonn bureaucrats get (*Ministerialzulage*; 1,081 DM) and the share of the 'Christmas gratification', the 13th monthly salary granted all civil servants (1,451 DM). This 18,857 DM for a State Secretary is little less than a Federal Minister of the same family status earned (21,767 DM), not counting other benefits. It should be noted that these salaries are taxable, a condition that holds only for part of the MP remuneration.

MP Remuneration and Executive Politicians' Reward Cumulation

After a landmark ruling of the Federal Constitutional Court in 1975,[4] which disconnected MPs' pay from that of the civil service and declared MPs professional politicians, members of the Bundestag since 1977 are paid a taxable salary, and a *tax-free lump sum* for their fixed expenses. In 1991 the remuneration was 10,128 DM and the lump sum 5,765 DM amounting to 15,893 DM per month, paid only 12 times per year. Thus, the monthly cash difference between what an MP and a top civil servant earns is 3,674 DM.

Most executive politicians are MPs, so they have access to both a ministerial salary and MP's pay. However, the latter is reduced in this case by 50 per cent of the 10,128 DM taxable remuneration. Although in their capacity as executive politicians a second lump sum is paid, the MP lump sum (5,765 DM) to cover the variable expenses is reduced by 25 per cent, if that individual has a permanent official car and chauffeur at his or her disposal, which is normally the case.

Pay Relativities among HPOs

There are, of course, more reward differentiations in the three branches of government. Table 10.1 lists the most important offices and the annual rewards attached to them. Not only are Cabinet position rewards formally related to the State Secretary salary, but also those of *Constitutional Court* members (the Vice-President is on salary grade B11 and the President earns one-third more) and – indirectly – the salary of the *head of state* (which is one-ninth more than the Chancellor's salary) are as well. The *President of the Bundestag* receives – *ceteris paribus* – twice the remuneration (taxed) and the four Vice-Presidents one and a half times the remuneration of an ordinary MP. Other functionally important parliamentary actors like committee chairmen are not rewarded differentially nor are faction heads and their deputies or chairmen of working groups of factions.[5]

There is therefore a clear hierarchy of rewards of the highest state

Table 10.1 *German RHPOs in 1991*

Position	DM p.a.
State Secretary (B11)	226,284
Minister without seat	290,171
with seat	420,119
President Fed. Constitutional Court	300,733
Chancellor without seat and lump sum	326,196
with seat and lump sum	480,144
Federal President	343,000
Parliamentary State Secretary	348,023
Member of Bundestag	190,716
President Bundestag	312,252
Executive Board Railways, average	345,393
President	500,000
Executive Board Bundesbank, average	550,303
President	650,000

offices with the Federal President on top, followed by the Chancellor, President of the Bundestag, President of the Constitutional Court, Ministers, and State Secretaries. However, this hierarchy of 'state office' rewards changes if one takes into account the cumulative rewards (in the form of MPs' salaries, etc.) normally enjoyed by Cabinet members. Then the Chancellor and his Cabinet move ahead of the head of state. Only the PStS income does not fit the system, as it necessarily cumulates executive and parliamentary rewards – occasionally quite a nuisance for a Minister who has not yet secured a seat. However, the data reveal that there are two public positions equally or even more rewarding: the executive boards, and in particular the Presidents, of the federal railway and the Bundesbank. Their reference point is obviously not HPOs but private industry and banking. Executive board members of, for instance, Dresdner Bank collect 1.2 million DM and the chief executives of BMW (2.3 million DM) and Daimler-Benz (2.2 million DM) earn roughly four times the amount Chancellor Kohl carries home. In judging the difference between RHPO and private enterprises one should, however, realize that the latter have to finance their pensions.

Less Visible Formal Rewards

With the change of the reward system in 1977, Bundestag members acquired *pension rights* analogous to those enjoyed by civil servants, judges and executive politicians. Between 1968 and 1977 they contributed 25 per cent of their income to a private pension fund,

whereas since 1977 their public pension rights have constituted a considerable indirect benefit. The evolution of a pension system for MPs is a further indication of the bureaucratization of politics.

As with civil servants, the entitlement to a pension is bound by conditions, most importantly the length of service or duration in office. Federal parliamentarians acquire pension rights after 7.5 years, i.e. in their second legislative term. They are entitled to 25 per cent of their cash rewards (excluding the lump sum), a proportion that increases every year by 5 per cent up to 75 per cent after 16 years, and is payable at age 55.[6] Executive politicians acquire pension rights after two years in office, including time served as PStS. The size of the pension, again payable at the age of 55, increases from 18.3 per cent of formal income to 35 per cent after four years and so on to a maximum of 75 per cent.

Furthermore, if PStS or Cabinet members leave their mandate or office, they are, for a while (at least for six months and for a maximum of three years), entitled to a decreasing income to smooth their way into a civilian job and to ease re-integration. MPs receive the same allowance depending on the length of service, with one monthly salary payable after one year in Parliament, seven monthly salaries after four years, and three years' income after 21 years. This is payable even if the MP completely retires or immediately returns to the civil service.[7]

As a matter of course, the costs of official journeys and of the working conditions of mandate and political office-holders are publicly provided too. Not only do they, like civil servants, have *offices* in the ministries or in the Bundestag building, but since 1969 MPs get, on special request, extra payment for secretaries and *assistants* amounting to 9,940 DM in 1987 (Schindler, 1988: 862).

An important cost of office-holding, besides the costs of a second home, are *contributions to faction and party*. This is somewhat surprising, as German parties are heavily state-subsidized and parliamentary factions receive a public budget (Landfried, 1990). These contributions are regarded as a private affair and legitimated by the parties as compensation for electoral costs incurred by the incumbents.[8] Since 1983 the Green faction of the Bundestag have confiscated the amount of their MPs' income which is in excess of a skilled labourer's wages. Social Democrats contribute on average 1,492 DM, Christian Democrats 920 DM and Liberals 988 DM per month (Landfried, 1990: 97f.; Wewer, 1990: 430ff.).

Outside Earnings

Executive politicians and civil servants are supposed to devote themselves fully to their office. Ministers are explicitly prohibited

from accepting another public office or continuing with their private business or occupation. During their term in office they, furthermore, must not serve as company directors or managers on boards or earn money as mediators or as professional consultants. Thus, like civil servants, they are meant to be economically and thus politically neutralized against particular vested interests.

For MPs the situation is different; their official rewards are explicitly intended to secure their political independence, for Art. 48, section 3, of the Federal Constitution states that members of the Bundestag 'can claim an adequate remuneration that secures their independence'. On the other hand, they are not forbidden to take second jobs. Even the 1975 Constitutional Court jurisdiction regarded private sources of income as unproblematic – unless they are a product of the mandate itself and thus indicate a conflict of interest. Since 1986 the Bundestag has developed and successively specified rules that oblige MPs to inform the President of the Bundestag of paid private and public work and of money received as a donation. About 150 MPs serve on boards of trustees, occupying over 300 such positions. The chairman of the Liberals, Otto Graf Lambsdorff, leads the list with 12 such positions, beside being a private solicitor and executive director of another firm.[9]

Outside earnings are occasionally granted to actors who suffer a loss of status: to ease the resignation of a faction head, one would secure him or her a lucrative function in private business. This does not necessarily compensate for income losses, for a faction head ought not to be privileged over normal MPs, but is to make good his or her loss of prestige. Also, for example, to persuade an MP not to stand again, one might offer him or her a consultancy for some public authority. Of course, there are differences among the parties in terms of opportunities to obtain 'retainers' from the private sector.

Deferred Rewards

On the assumption that HPOs try to maximize rewards over their entire lifetime, one would have to account for deferred rewards as well. However, only if there is a clearly established source of rewards after HPO can one assume that these rewards are anticipated at an earlier stage of the career and immediate need fulfilment is postponed. The civil service élite know there will be an equivalent, not necessarily better paid, position for them if they happen to be temporarily retired on political grounds; this occurred to every third State Secretary between 1949 and 1984 (Derlien, 1984). Thus, leaving at the statistical average age of 58, there is a good chance of being appointed ambassador, taking up a position in an international organization, in the Federal Court of Accounts, or in business

(Derlien, 1990b). Recent examples of ex-State Secretaries who became top managers in industry have nourished the expectation of a second career. Former State Secretary Rohwedder became executive director with the steel giant Thyssen (1978) before taking over the presidency of the Treuhand agency that is privatizing the east German economy. Further, Lahnstein, State Secretary and then Minister of Finance in the last Schmidt Cabinet, joined the Bertelsmann publishing group (1983). On the other hand, Schüler, the Chief of the Chancellor's Office under Schmidt, turned to the state-owned Bank for Reconstruction. Pöhl, the former President of the Bundesbank and highest-paid public official, had been State Secretary too, as had Ruhnau, former chief executive of Lufthansa. Taking into account seven more cases of State Secretaries who ended up in state-owned banking institutions (Bundestags-Drucksache 8/1969; 9/1221), one can generalize that there is a strong inclination for the administrative élite to seek well-paid positions in public rather than in private enterprises. Nevertheless, it is not surprising that in 1987 37 per cent of the administrative élite regarded a job in the private sector as a professional alternative – twice as many as in 1970 (Derlien, Mayntz et al., 1991).

For the federal political élite, private industry is definitely not a lucrative position to aspire to after public office. For them, political positions in the European Parliament or in the Länder are more likely paths (see below). In general, though, there is little opportunity for politicians to count on deferred rewards. Closure of high positions, for instance in the universities, and the absence of powerful political think-tanks contribute to the low intersectoral mobility of German politicians even at the end of their career. On the other hand, their professionalization implies that they stay in political positions and, induced by generous superannuations, stay in office as long as possible. Thus, the pension rights acquired are their deferred rewards.

Non-material Benefits and Costs of HPO

Apart from using official cars sized according to formal status, a special vanity premium are *honours* distributed not only to ordinary citizens for extraordinary efforts for the public, but also to public office-holders, who – one might suppose – are doing their duty anyway. One knows about the appeal of medals to a Sir Humphrey Appleby, but the importance of visibly distinguishing oneself might be even more crucial in republican states that no longer have the option of elevating their servants to the nobility or allowing them to wear uniforms in civilian office. Between 1949 and 1984, 60 per cent of the Federal Ministers and 50 per cent of the State Secretaries who

were in office were decorated by the Federal President with ever higher classes of the award cross. There was a clear rank effect: *the higher the office, the heavier the crosses.*[10] Naturally, there are also intrinsically rewarding aspects of high public office. Élites in Bonn most enjoy the political influence of their position and the intellectual challenge involved in their job (Derlien, Mayntz et al., 1991: 76ff.).

If one goes beyond the rent-seeking hypothesis and adopts a sociological approach, one should ask not merely what induces people to pursue a public career and to aspire to high public office, but also what price they pay. When we asked bureaucratic and political élites in 1987 about the negative aspects of their jobs, they most often complained about their long working hours and their shortage of time. Reported weekly working hours were far above the regular 40 (or under) of the average population; top civil servants in the ministries reported 57 hours per week, MPs reached 75 hours. Even more important was the lack of spare time for family and private social relations.

However, when confronted with the summary statement: 'The disadvantages of my career are more than outweighed by the personal satisfactions', 90 per cent of the administrative and 95 per cent of the political élite in Bonn agreed in 1987 – 5 to 13 per cent more than 17 years ago (Derlien, Mayntz et al., 1991: 88ff.). We may assume, therefore, that the reward level is not unsatisfactory. This positive balance, in turn, is likely to have something to do with who takes decisions over RHPO and the way the decisions are reached.

The Dynamics of the Reward System

While MPs' pay structure has undergone considerable alteration since 1949, that of the civil service and the executive politicians has remained basically unchanged. To speak of a reward *system* involving both the bureaucratic and the political élites was more justifiable before 1977, for only some elements of the reward structure of MPs are linked with the civil service now. However, not merely the survival of civil service elements in the politicians' reward structure but also the process of periodically adjusting the level of MP rewards still reveal subtle links to the civil service income policy. At the same time, reward policy for politicians has become politicized since it was overtly disentangled from civil service income policy in 1976.

Development of Formal Rewards of Federal MPs

The Federal Constitutional Court ruled in 1975 that MPs are professional, full-time politicians and their remuneration was in fact an income and thus had to be taxed.[11] This historic ruling broke the linkage to civil service salaries, which has stayed in force for

executive politicians till today. In 1958 the Bundestag established this nexus indirectly by defining the level of MPs' pay as 22.5 per cent of the salary of a Federal Minister; this was raised to one-third in 1968 in order to allow for old age pension insurance of MPs (25 per cent of the salary). Imposition of taxation in 1977 led to a considerable pay rise in order to preserve the previous level of net income. Thus, to assess adequately the development of MP *remuneration* over time, one has to take into account that the monthly payment was net income before 1977.

Formal rewards have developed from 1,950 DM in 1949 to 15,893 DM per month in 1991. On average the increase was 3 per cent per year, except for the years when a system change took place. Distinct increases occurred in 1958 (21.8 per cent), when remuneration was geared to civil service salaries; and 19.4 per cent in 1968, when adjustment took place to allow for old age pension insurance. However, considerable increases occurred also in 1964 (15.4 per cent) when the lump sum was raised, in 1970 (18.1 per cent) when the lump sum was adjusted to allow for the office costs of an assistant (provided since 1969), and in 1974 (20.6 per cent) in the course of a general adjustment. These instances mostly occurred shortly after federal elections (1957, 1961, 1965, 1969, 1972) and could be *indications of a political business cycle*.

If one relates the overall development to inflation and pay trends for private and public employees, it becomes obvious that – apart from in 1977 – the annual rates of increase are similar.

Two aspects of the 1975–7 reform are of interest. First, as the Court had decided that receiving civil service pensions in addition to the salary was unconstitutional, those MPs affected needed compensation through higher pay and an increased lump sum. Otherwise they would have drastically fallen behind colleagues with a private professional income. The 1977 pay hike is better explained by the need to close this gap than as a means of offsetting increased taxation – the argument dominant in the official justification. Furthermore, the policy of preserving civil service privileges led to the introduction of a public pension system replacing the 1968 insurance solution. As pensions are linked to pay levels, but are not visible, the real income increase of 1977 was even higher. Consequently, the overall effect of the 1977 reform amounted to far more than that which had been recommended by a pay commission (Arnim, 1991: 226).

Second, not increasing the rewards between 1977 and 1983 reflected the bad conscience politicians had (Arnim, 1991: 227) about the size of the reward increase and the grumbling of the Constitutional Court (Geiger, 1978) in particular about the introduction of public pensions. In another decision in 1987, the Court specified the

1975 ruling and made it quite clear that there is no obligation to give full 'alimentation' to MPs, although the trend towards professionalization of politics had already reached Länder parliaments. There, civil service orientation had already led to adopting the 13th monthly salary (Rhineland-Palatinate, Thuringia).

'Scandalization' of Reimbursement Policy

The salary of executive politicians need not become a political issue – and in fact never did – as long as the nature of the system, its definition through the state secretary income, remains unchanged, because rewards are *implicitly* decided in the course of routine civil service salary legislation. Periodic rises in the level of MPs' pay, however, were bound to attract public attention after the decoupling from civil service rewards and the automatic linkage system. This effect was intended by the Constitutional Court, for it was concerned about the lack of transparency of MPs' rewards. The broad political consensus of all established parties, however, was to keep the problem of the 1976 reform behind closed doors for a while.

Initially, criticism was confined to constitutional experts, but grew when the 1975 ruling gradually came to be applied by Länder parliaments that so far had at least formally mostly remained part-time diets. When they started to raise pay, occasionally coming close to Bundestag level, to introduce pension rights and even special allowances to faction heads, criticism spiralled, propelled by the taxpayers' association with Professor von Arnim (Speyer) as their spearhead. As parliaments obviously do not synchronize their remuneration policies, there is continuous politicization, comparable to the permanent electoral campaigns characteristic of a federal state.

Another important factor contributed to the politicization of reward policies in the early 1980s: the system opposition by the Green Party, sectarians in terms of the cultural theory discussed in Chapter 1, who use every opportunity to castigate the established political parties for their allegedly self-serving inclinations. Nevertheless, with the exception of the Greens, there was no *inter-party conflict* that would bring reward issues to the electorate.

In 1992, however, politicization reached a peak when East German parliaments started slopping in the public trough and when concealed rewards, pensions in particular (Arnim, 1992), for Länder politicians became publicly known.[12] This occurred at the very moment when the federal government proposed a corporatist 'solidarity pact' to cope with the costs of reunification. To symbolize Bonn's solidarity with the taxpayer, in April 1992 Kohl and the CDU-faction leader Schäuble suggested pay cuts of 5 per cent for

executive politicians and MPs; but in December MPs' pay rose by 2.3 per cent while a two-year (1992 and 1993) salary freeze for the Cabinet was legislated in February 1993 – temporarily uncoupling from the increasing civil service pay.

Further, owing to political pressure exerted by von Arnim's critical investigations and their press coverage, three western Länder (Lower Saxony, Hesse, Saarland) decided to reduce their generous pension regulations to federal standards, and Hamburg initiated a revision of senators' controversial pension rights. The east German diets, in line with the general preoccupation to meet western standards, granted themselves a 'thirteenth month' salary like the civil service (Thuringia) or pension rights even after one legislative period – the first and last for many an MP.[13]

The Grand Civil Service Salary Coalition

In order to understand why it was so much easier before 1977 to raise MPs' pay and why there is still 'silence' about rising rewards for executive politicians, whereas 'voice' is being heard over MPs' pay rises, it is necessary to consider the way civil service salaries are legislated in Germany.

As the traditional German civil service is not allowed to go on strike and as salaries are unilaterally determined by the state through legislation, adjustments are actually *initiated* by the civil service unions that represent public labourers and employees. They can negotiate, because their constitutional right to go on strike is not limited. Subsequent civil service salary legislation takes place with reference to results and economic variables relevant in the negotiations between the unions and the state represented by the Federal Minister of the Interior (Keller, 1978). What is interesting, and relates the decision pattern to the rewards for executive politicians, is less the fact that the Minister of the Interior representing the employers in these negotiations will ultimately be personally affected by the outcome of the pay settlement; rather, it is more significant that it is the civil servants in his ministry who draft the salary legislation. Furthermore, in the Bundestag it is the former civil servants of all factions (35 per cent) who consider the government bill in the committee for home affairs. This is not to say that the tail is wagging the dog, but that there is a network of decision-makers with a deep mutual understanding when it comes to preserving the wage difference between public employees and civil servants. This hidden grand coalition of (former) civil servants in all sub-systems adjusts salaries in a way that – unintendedly – benefits executive politicians as well. It is evident that this system worked even more smoothly before 1976 when MPs' pay was still geared to executive politicians' income,

which in turn was linked to the salary of the top civil service position. Even today MPs take top civil service salaries as a yardstick in forming their own pay. This *circularity* of the decision process is repeated on yet another level.

Neutralizing the Debate about MP Rewards

Since the Constitutional Court also ruled in 1975 that decisions on MP remuneration must be publicly transparent, a special procedure had to be developed to handle this delicate matter. In 1976, an advisory commission had recommended a periodical reconsideration procedure initiated by the Bundestag President, and the MP law incorporated this idea. Presidential reports and recommendations were delivered to the house biannually between 1978 and 1982 and have been annually since 1983, thus achieving *synchronization* with the general negotiations in industry and the public service.

The composition of the first commission indicates which *criteria* are taken into account when fixing MPs' pay:

- salaries of Cabinet members and parliamentary State Secretaries;
- the salary of the civil service élite: State Secretaries and elected officials (in local government) as well as the high judiciary;
- the income of leading employees in private industry;
- average wage increases in the labour force.

Interestingly, a second commission in 1990 recommended including the pay trends of top professionals and concluded that the present remuneration level should be raised at least 3,000 DM (Bundestag Drucksache 11/7398: 15f.).

The commissions, by representing (and co-opting) powerful interest group representatives, are obviously meant to build consensus and to legitimate amendments. Despite the seemingly somewhat more representative composition of interest groups in the second commission (the taxpayers' association was, however, missing), all members came from high-income groups. The covert party-political composition along the lines of the big Bundestag factions was even more indicative of their function. Rather than legitimating pay decisions to the (critical) public, the advisory commissions appear to legitimate the absence of pay controversies in the Bundestag – notwithstanding interventions by individual MPs and the Green/B90 faction in 1991.

Federal–Länder Circularity

Whereas neither the report of the first commission nor that of the second commission had referred to Länder MP remuneration (although their views were represented in the first commission), by

1989 the President pointed to pay rises in Länder parliaments (Bundestag Drucksache 11/4668). On the other hand, the Länder had meanwhile adjusted their reward structure (including the privileged pay for Presidents, Vice-Presidents and occasionally even faction heads, as in Thuringia in 1992) to that of the Bundestag and referred to pay increases there. This is the *second circularity* besides that between civil service and MP pay rises mentioned above.

Politicians' Rewards Reviewed Again

When general political weariness culminated in 1992, two new commissions were appointed to solve the 'Politicians' Dilemma' of Chapter 1, one for determining Bundestag pay rises and another, appointed by the Federal President, to scrutinize the system of party financing by the state. This time the taxpayers' association was represented in the first, but Professor von Arnim was a member of the second one. Other solutions are currently being discussed; Thuringia is considering writing an indexation of MPs' pay into their new constitution, while Bonn contemplates waiving legislation of rewards in favour of determination by an independent commission, appointed by the Federal President.

The Reward System and Career Patterns

Despite severe normative criticism of some elements of the parliamentary politicians' reward structure and of the process that determines rewards, most experts agree that the reward level is not too high if one considers it as an important factor for recruiting élite members from other quarters than the civil service. Today's RHPOs constitute a potential incentive for those choosing a career in the public sector and for those prepared to move from other élite positions into public office. Furthermore, are the rewards structured in such a way as to allow mobility between politics and administration and between federal and Länder positions?

Impact on Élite Composition

The social portrait of the administrative élite is easy to paint (Derlien, 1990a; Derlien, Mayntz et al., 1991). As a university degree is the regular entry requirement, 97 per cent are graduates, the majority (65 per cent) in law and another 15 per cent in economics. Among Bundestag MPs there is a dramatic trend towards academization, with university graduates increasing from 44 per cent in 1953 to 82.5 per cent in 1982–6. The relative share of lawyers among MPs, however, has decreased to 40 per cent, whereas that of economists and school teachers (8.4 per cent) has advanced. Among

the parliamentary élite (Presidents, faction heads, spokesmen) the number of lawyers is slightly higher (46 per cent in 1987) than among the rank-and-file members. Not surprisingly, 72 per cent of all Cabinet members between 1949 and 1984 had a university degree, of these 60 per cent in law. In addition, one-third had initial professional experience in the civil service. Both administrative and political élites are, therefore, relatively *homogeneous* with respect to education level, subject studied (law) and civil service background.

This might be related to the low economic attraction of public offices, not for the general public but for graduates who would otherwise like to change from the private to the public sector. It is also the result of early professionalization and closure of the two élites against outsiders. The subjective calculation of long-term rewards and alternatives takes place at a relatively early age, often when choosing what to study.

The professional career of a German lawyer is (except for solicitors and attorneys) closely geared to the judicial and civil service sectors. Thus some interest in public affairs might be assumed, with economic aspirations oriented to the civil service pay structure. Those who study for other professions and go through a successful career in their field will often start with higher economic aspirations than those which the civil service offers its novices, and their rewards will remain higher than those of the average HPO.

Élite composition is first of all the product of *self-recruitment*. We know that there are *family traditions* of involvement with public affairs, and career choices (and the necessary training) are frequently inherited. The second bifurcation of élite recruitment takes place among the lawyers: the majority stay in appointive administrative office, but some change from this safe harbour to elective office and politics. Further, in administration and the first couple of years in politics these politicians are professionalized. Frequently they have become involved in politics at a relatively early age, possibly before going to university.

As long as they engage in local politics at the beginning of professional life, they can do so with privileged civil service conditions without becoming professional politicians, although material rewards start growing. When finally succeeding in Bundestag elections, they retire from their civil service positions and start, at a relatively young age, consuming the higher political rewards (Herzog, 1975). The early experience in public affairs and the head start gained for promoting their career tend to protect incumbent politicians from outside challengers, who do not have the political experience and who would have to go through a local and regional party career first before becoming a candidate. This tendency

towards closure might be stronger the higher the actual and expected rewards of incumbents and the greater their economic dependency on these rewards.

Today's top civil servants in Bonn entered the service (not necessarily in the federal administration) at the age of 29, while the MPs interviewed in 1987 were first elected into the Bundestag at the age of 36 (all ages are averages). At 49 they became PStS or at 46 they arrived at an elevated Bundestag function. The administrative élite are 53 (State Secretaries) and 52 years old (Ministerialdirektoren) when appointed to their positions (Derlien, 1990b; Derlien, Mayntz et al., 1991: 44–52). Both élite groups stay no longer than five years in their office and leave at the age of 58, with executive politicians doing so at 57.5 (Ministers) and 49.7 years (PStS) – not infrequently to take on another (post-)élite position inside (PStS as Ministers) or outside the system.

For a politician as for a civil servant, the way to the top is, despite intense competition, fairly predictable and paved with gradually rising tangible rewards. This general *hierarchization* of monetary rewards *streamlines careers*, as positions in other sectors are not seen as attractive. Thus intersectoral mobility between élite positions is generally low.

Closure of careers enhances the predictability of promotion, for vacant positions are predominantly staffed from within the élite sector with professional bureaucrats and party politicians, respectively. Even when *outsiders* manage to enter the élite ranks (10 per cent in the bureaucracy and a handful of Federal Ministers in 40 years), they normally come from a less well-paid position close to the system. For instance, the new Ministers Chancellor Kohl appointed since his initial government formation in 1982 were almost all professors and thus civil servants who earned considerably less in their previous positions. MPs of any status improve their financial situation when appointed Minister; the same holds for the seven State Secretaries who became Federal Ministers between 1949 and 1993. Only the pecking order among Federal Ministers, which involves the possibility to succeed a Chancellor, does not reflect differential instant cash rewards. Another deviation from the general pattern are the rewards of faction heads in Bonn, who received additional rewards from their faction only until 1976.

If, however, higher rewards are not attained, the entire subjective calculus of lifetime reward maximization might collapse; and only at this point and in these instances may the real costs of a career become obvious. This uncertainty of success impairs the supposed economic rationality in the behaviour of politicians. When making up the balance sheet at any step in their career they might also suffer from a

cash-flow illusion, thus underrating the real costs, not to speak of the opportunity costs of their career. Even if regarded as investment in further advancement, the rate of return could be minimal or negative in a number of cases, for only very few of those who embark on a bureaucratic or political career actually make it to the top.[14]

Incentives for Intersectoral Mobility

The hierarchy of RHPOs has consequences for intersectoral mobility between politics and administration as well as between executive and parliamentary offices. Since the 1970s parliamentarians have not entered top civil service positions; eight out of 11 cases in 44 years where MPs moved into State Secretary positions – a position below would not do – occurred before 1970, when one of the major remuneration hikes took place. On the other hand, the 35 per cent of civil servants and 8 per cent of public employees who populate the Bundestag are, as a rule, *not recruited from top positions in the federal ministries*; if they came from the ministries at all, they had crossed into political office from lower ranks. Overwhelmingly, the civil servants in the Bundestag are recruited from Länder offices and are quite often school teachers.

Naturally, intersectoral mobility between parliamentary mandates and executive political offices, and vice versa, is much higher. First, Cabinet Ministers, with a few exceptions,[15] are recruited from the Bundestag. Second, after government changes the former Chancellor and his Ministers necessarily return to their factions, but rarely take on senior positions; in Germany they become 'elder statesmen' rather than opposition leaders. This is, of course, also a matter of age and competition from the young, but it might be assumed that the income loss of an ex-Minister is not dramatic enough to motivate him to compete for higher parliamentary positions. (Vice-)President is theoretically the only position with outstanding tangible rewards, as the faction leaders in the Bundestag do not get official extra payments, and in fact some ex-Ministers have ended their career as Bundestag Presidents.[16]

Incentives for Intergovernmental Mobility

Vertical mobility of bureaucratic and political élites in a federal state, i.e. between Länder and federal level, is also of interest. Unless federal MPs' pay was considerably higher, what would motivate politicians to move to Bonn instead of staying closer to home in their Land? In fact, Länder remuneration for MPs, which is calculated on the basis of the population, is lower than for Bundestag members. However, the difference in early 1991 between what an MP earned in Bavaria (12,749 DM) and in Hesse (11,510 DM) as compared to

Bonn (15,107 DM) is not dramatic taking into account the higher expenses (and the heavier workload) connected with the job in Bonn. Thus, there is no career pattern leading from Länder MP to federal MP, rather politicians stay where they are put by their party and the electorate. Also, the pay differences between Minister Presidents of the large Länder (Bavaria 25,057 DM, North-Rhine-Westphalia 25,221 DM) and the Chancellor as well as between Länder and Federal Ministers are not too dramatic. Their decision to move to Bonn, as did three of the six postwar Chancellors (Kiesinger, Brandt, Kohl) and as former opposition chancellor candidate Engholm (from poor Schleswig-Holstein with 19,286 DM) aspires to do, is probably not explicable in economic terms.

For politicians, a return from Bonn to the provincial capitals pays only when connected with a higher position or promotion. Thus, for an ordinary federal MP it is rewarding to become a Länder Minister, and a Federal Minister has an incentive to become Minister President of a Land. In fact, among the 1,163 Länder Ministers appointed between 1949 and 1984 there were 79 (6.8 per cent) former federal MPs (Müller, 1984), and of the 58 Minister Presidents elected during the same period 20 had a Bundestag background and seven were even former Federal Ministers (Plöhn, 1984). This career pattern is particularly helpful for the present élite export to the East German Länder: three of the five Minister Presidents are West German Länder politicians and 15 of 52 East German Ministers, in particular those for justice, finance and economics, were imported from the West.

Incentives emanating from the reward structure of political (and bureaucratic) élites are functional for vertical upward mobility within the federal polity as well as between Länder and federation. For 'downward' mobility to the Länder, promotions, or status gains are necessary, but only available for politicians. Exchange between federal and Länder' top civil servants is unlikely to take place.

Conclusion

What this bureaucratically moulded system of rewards does not achieve is openness of the politico-administrative system and does not attract potential representatives with a private professional background. Obviously, politicians' pay is not competitive with top private sector rewards. This might also be one reason why the reward system tends to reproduce itself with its inherited civil service elements, even when it undergoes major changes as after 1975. It seems not to lose the bureaucratic stamp, although it is constantly

incrementally altered by subjectively rational political actors, restrained in their pay strategies by taking the civil service as a dominant reference group. What the reward system does seem to achieve efficiently, however, is the internal recruitment and allocation of public functionaries, bureaucratic and political, to available élite positions in the respective sector, both on federal or Länder levels. The implications of the reward system for the careers of those already in the system are well reflected by the decision-makers, but it might be questioned whether its impact on the social composition of the elected élite is equally well considered.

Assessing the functionality of a reward system is, however, not the same as explaining why a given reward system is how it is. Historically, the administrative reward system had priority over a genuinely political one. This direction of linkage, incidentally, preserved the civil service from an erosion like that in the US in the 1980s. Even when reward adjustments for politicians were uncoupled from pay increases for the bureaucracy in 1977, this differentiation was achieved not by a political but by a judicial decision. Thus, the civil service stamp on politicians' rewards, particularly those of executive politicians, suggests strong institutional forces in play. But it is also arguable that economics-of-politics factors are at work. The systemic changes prior to 1975 indicate political business cycle effects and the generous pension rights that have developed in the past as well as the inflation of rewarding PStS positions suggest rent-seeking too. These alterations went largely unnoticed by the public until quite recently and became controversial because politicians' privileges surmounted those of the civil service. Rent-seeking can, however, hardly be detected in the annual rate of pay rises, last but not least because of the direct (executive politicians) and indirect links to civil service salary increases.

Thus, Toqueville's hypothesis might apply at least for a couple of years until parliamentary politicians change the rules of the game to better serve their interests. In fact, both explanations need not be mutually exclusive. An interaction between rules and rent-seeking should have become particularly evident from the way the 1975 Constitutional Court ruling has been interpreted. Thus, in a long-term perspective, although economic motivation probably influences institutional development, that does not hold for executive officials, who profit only indirectly by the cumulation of rewards from elective office.

Notes

I am grateful to Hermann Groß, Bamberg, for collecting the data and compiling the tabulations as well as for critical discussion of the first draft.

1. The variability of the German terminology conveys the notion of status differences between the offices from which payments derive. Under no circumstances can the term 'rewards' that is employed in this book be used in German practice. It is indicative that the application of the 'alimentation' principle to MPs by the Federal Constitutional Court in 1975 was immediately misunderstood, for it had survived from feudal times as a 'traditional principle' of the civil service. Consequently, the Court achieved exactly the opposite of the intended clear distinction between civil service and parliamentary office (Geiger, 1978: 527).

2. §11 *Gesetz über die Rechtsverhältnisse der Mitglieder der Bundesregierung* (Law on the Status of Federal Ministers) of 17 June 1953 as amended on 27 July 1971 (BGBl. I S.1166; BGBl II 1103–1). PStS receive 75 per cent of a Minister's salary which amounts to 100 per cent of the StS salary; § 5 *Gesetz über die Rechtsverhältnisse der Parlamentarischen Staatssekretäre* as of 24 July 1974, originally 6 April 1967 (BGBl. I S. 396).

3. In addition, if they cannot move their houshold to Bonn (which is the rule at least for PStS who – by definition – are MPs) all three types of position-holders receive 3,600 DM compensation per annum. Chancellor and Ministers are entitled to official housing, but the *Ortszuschlag* is subtracted if they move in.

4. BVerfGE 40: 296–330, of 5 November 1975.

5. In some of the Länder (Hesse, Rhineland-Palatinate, Schleswig-Holstein and recently Thuringia), faction heads, their deputies and committee chairmen are particularly well paid – despite the Constitutional Court ruling that all MPs must be treated as equals (Arnim, 1991: 171–7, 382). For instance, faction heads in Thuringia are entitled to receive double the normal remuneration.

6. Thus the maximum pension is acquired considerably earlier than by a private employee or a civil servant (after 40 years since 1990, previously after 35); it is due 10 years earlier, and no reductions are made in case of other private income sources; see the critique by von Arnim (1991: 164ff.).

7. This regulation, for a moment in August 1990, threatened German reunification: as most of the East German MPs elected in March 1990 could not move into the Bundestag in October 1990, they would not have been entitled to redundancy pay. Volkskammer President Dr Sabine Bergmann-Pohl, now PStS in Bonn, pressed for a provision for redundancy pay in the unification treaty to ensure that a majority of East German MPs accepted it.

8. The practice dates back to the turn of the century, when Liberals and Socialists were obliged to support their MPs. When MPs got official remuneration in 1906, they had to pay it back to their party. This practice persisted after the introduction of public party finance in 1959 (Klatt, 1976: 63). It is legally questionable, as parties appear to be publicly financed twice and the competitive position of small or new parties not represented in Parliament is impaired (Wewer, 1990: 422f.). Indicatively, the Greens in the Bavarian diet transferred back 133,000 DM from their 1991 faction budget, because they thought the money unnecessary (*Fränkischer Tag*, 11.1.92: 2).

9. See *Amtliches Handbuch des Deutschen Bundestages*, 11. Wahlperiode, Teil 2, December 1990; cf. *Fränkischer Tag*, 30.11.91: 3.

10. Results from my project 'Bundeselite 1949–1984', so far unpublished. Chancellor Helmut Schmidt is said to have rejected the federal award cross, on the grounds that he came from the Hanseatic town of Hamburg where citizens were traditionally not allowed to accept 'foreign' awards.

11. The jurisdiction was invoked by the appeal of an MP in the Saarland, because he was not allowed to stay employed in private law enterprises controlled by the city of

Saarbrücken and because his pension was curbed, whereas MPs from the civil service retained their position and retirement pensions (Thaysen, 1976: 3).

12. In June 1992 it was revealed that the Minister President of the tiny Saarland, Oskar Lafontaine, had obtained some 200,000 DM after he changed from being city mayor of Saarbrücken to his present position.

13. The President of the Court of Accounts in Sachen-Anhalt, who had led an independent commission that had suggested a six-year term, resigned from the commission when the parliamentary majority decided that a 2,000 DM pension per month should be paid after a four-year term at the age of 55.

14. Indicatively, MP Steiner (CDU), whose voice was bought for 50,000 DM in the constructive vote of mistrust against Chancellor Brandt in 1972, was in financial trouble.

15. There have been only two Ministers during the Second Republic who were not MPs: Minister of Education Professor Leussink (1969–72) and Finance Minister Lahnstein (1981–2), a former State Secretary. In the other instances when Ministers were not recruited from the Bundestag, they were soon put on the party ticket and became MPs in the next elections: these cases illustrate Chancellor Kohl's appointment policy, which, not completely to the liking of his parliamentary party faction, has shown a preference for professors: Lehr, Süßmuth, Töpfer, Scholz. Also the liberals Kinkel, Genscher's successor in the Foreign Office in 1992, and Rexrodt, Economics Minister in 1993, started without a seat in the Bundestag.

16. For instance, Westphal (SPD), Stücklen (CSU) and Süßmuth (CDU); former ministers Leber (SPD), Windelen (CDU), again Westphal (SPD) and Klein (CSU) were elected Vice-Presidents.

References

Arnim, H.H. von (1991) *Die Partei, der Abgeordnete und das Geld*, Mainz: Hase und Koehler.

Arnim, H.H. von (1992) *Die finanziellen Privilegien von Ministern in Deutschland*, Wiesbaden: Karl Bräuer Institut.

Derlien, H.-U. (1984) 'Einstweiliger Ruhestand politischer Beamter des Bundes 1949–1983', *Die Öffentliche Verwaltung* 37: 689–99.

Derlien, H.-U. (1990a) 'Continuity and Change in the West German Federal Executive Élite 1949–1984', *European Journal of Political Research* 18: 349–72.

Derlien, H.-U. (1990b) 'Wer macht in Bonn Karriere? Spitzenbeamte und ihr beruflicher Werdegang', *Die Öffentliche Verwaltung* 43: 311–19.

Derlien, H.-U. and Mayntz. R. in cooperation with Fälker, M., Groß, H. and Kramer, R. (1991) 'Bundeselite 1970–1987: Rollenverständnis und Werthaltungen im Wandel', unpublished research report, Bamberg/Cologne.

Geiger, W. (1978) 'Der Abgeordnete und sein Beruf: Eine kritische Auseinandersetzung mit folgenreichen Mißdeutungen eines Urteils', *Zeitschrift für Parlamentsfragen* 9: 522–33.

Herzog, D. (1975) *Politische Karrieren: Selektion und Professionalisierung politischer Führungsgruppen*, Opladen: Westdeutscher Verlag.

Keller, B.K. (1978) 'Public Sector Labor Relations in West Germany', *Industrial Relations* 17: 18–31.

Klatt, H. (1976) 'Die Abgaben der Mandatsinhaber an Partei und Fraktion', *Zeitschrift für Parlamentsfragen* 7: 61–5.

Landfried, C. (1990) *Parteifinanzen und politische Macht: Eine vergleichende Studie zur Bundesrepublik Deutschland, zu Italien und den USA*, Baden-Baden: Nomos.

Müller, H.-P. (1984) 'Landespolitiker und Bundespolitiker – Eine Untersuchung über die Rekrutierung von Landesministern in der Bundesrepublik', unpublished Diploma thesis, Universität Bamberg.

Plöhn, J. (1984) 'Ehemalige Bundestagsabgeordnete als Ministerpräsidenten der Länder – ein etabliertes Karrieremuster', *Zeitschrift für Parlamentsfragen* 15: 176–86.

Schindler, P. (1988) *Datenhandbuch zur Geschichte des Deutschen Bundestages 1980 bis 1987*, Baden-Baden: Nomos.

Thaysen, U. (1976) 'Die Volksvertretungen der Bundesrepublik und das Bundesverfassungsgericht: uneins in ihrem Demokratie- und Parlamentsverständnis', *Zeitschrift für Parlamentsfragen* 7: 3–18.

Wewer, G. (ed.) (1990) *Parteienfinanzierung und politischer Wettbewerb: Rechtsnormen, Realanalysen, Reformvorschläge*, Opladen: Westdeutscher Verlag.