



Germany

Assessment of the 2008-2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective: The extent of synergies between growth and jobs policies and social inclusion policies

A Study of National Policies

Ernst-Ulrich Huster, Ev. Fachhochschule Bochum, University Gießen

Benjamin Benz, Ev. Fachhochschule Freiburg

Jürgen Boeckh, Fachhochschule Braunschweig/Wolfenbüttel

Kay Bourcarde, University Gießen

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Summary

- The 2008-2010 NRP underlines the success on the fields of consolidating public finances, of the financial sustainability of the welfare system and on the field of the labour market policy. Furthermore it reports, that there has been progress in developing the knowledge society, in strengthening competitiveness and the entrepreneurial activity and on the field of environmental policy including securing the energy supply.
- The Report stresses in particular the development of the knowledge society by promoting top-ranking scientists. It also emphasises the improved energy policy, which prefers alternative energies and thereby reduces the dependency on fossil fuels.
- The consolidating of public finances remains an important objective. Nevertheless it is encouraging what has been achieved already. Therefore it seems possible, that for the first time after a long period the federal government budget of the year 2011 will not cause another net indebtedness. Whether this is possible, however, depends not only on the further development of the economics, the international financial crisis, and the oil prices, but also on their feedback to the welfare system and the labour market. The 2008-2010 NRP includes no comment on this topic and it presents no alternative strategies.
- The 2008-2010 NRP discusses the interactive impacts between social inclusion, economic growth, labour and social security more in an implicit than in an explicit way. Economic growth is still seen as the primary objective, which is the result of entrepreneurial activity, of consolidated public finances and low non-wage labour costs and which vice versa leads to more employment, a better social security and to social inclusion.
- It is doubtful whether the measures to promote greater flexibility are balanced by measures to ensure security and to avoid the risk of being concerned by poverty and social exclusion. On the one hand the 2008-2010 NRP enumerates measures which incorporate the risk of a lower income level. On the other hand it contains no strategy how to overcome the effects of the predominant principle of equivalence in the German system.
- Numerous international comparative studies illustrate and also the European Commission complains that in Germany the social background – more than in other MS – is determining the academic achievements and the chances on the labour market. Although the 2008-2010 NRP demands better educational opportunities for children, its conclusions remains vague. The increase of the benefits within the federal student financial aid program (“BAföG”) is certainly a step in the right direction, but on the other hand it must be taken into account, that tuition fees have been implemented. In the first place a strategy is missing how to promote children with an unfavourable social background early. There will be a lot of new day-nurseries within the next years. Nevertheless it is not clear yet how far these facilities will be used primarily by children with a favourable background, while the intended social benefit for parents who look after their children themselves will keep children with an unfavourable background away.
- The inclusion-approach promotes certainly the reform of the long-term care. The reform improves the benefits for home care, including the possibility for the nurturing relatives to

take off for the short term of ten days or to apply for six months of nursing leave. The benefits on the whole will be increased, especially in case of dementia.

- Even though the stakeholders are in particular important on the field of social inclusion, their involvement by preparing the 2008-2010 NRP was insufficient.

A. Overall assessment of implementation of the 2005-2008 NRPs during the past year from a social inclusion perspective

A.1 Consolidation of economic growth but lack of integration of those furthest away from the labour market

The summit conference of the European Council in spring 2008 has reduced the number of country specific recommendations for Germany from 3 to 2 compared to last year assessment. The council as well as the 2008-2010 NRP agree that Germany has made good progress in consolidating public finances. Therefore this recommendation has been removed and has become a point of watch.¹ As before the 2005-2008 NRP the 2008-2010 NRP sees in consolidated public finances and in a reduction of the national debt an important contribution to stabilise economic growth and to maintain the social security system.

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Both the Council and the 2008-2010 NRP argue that nevertheless the increased employment did not lead to an increased integration of those who are furthest from the labour market: People with a poor education, no vocational training, or any kind of disability. The 2008-2010 NRP mentions different measures (for instance a more effective employment service) to strengthen the promotion of low-qualified employees. A reputable analyst argues that those measures could cause an "institutionalized creaming":² For highly trained employees this can lead to a feeding-in as well as to a feeding-out, while the social exclusion for other groups of people could become even higher.

The European Council demands a strengthening of the framework for competition in the service sector. In its third chapter the 2008-2010 NRP reports in detail on the measures to strengthen competition, for instance about the implementation of the services directive and the implementation of the directive on obtaining the occupational qualification within the trade law. In particular the Commission has asked for an increased competition within the gas and electricity network, within the transnational infrastructure and within the rail sector and the telecom markets.

¹ Rapid-Press Releases – EUROPA 11 12 2007, URL:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/569&format=HT>
(20.10.08).

Council Recommendation of 14 May 2008 on the 2008 update of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States' employment policies
<http://eur-lex.europa.eu/lexUri-Serv/LexUriServ.do?uri=OJ:L:2008:139:0057:0075:EN:PDF>

² Bäcker, Gerhard / Neubauer, Jennifer: Soziale Sicherung und Arbeitsförderung bei Armut und Arbeitslosigkeit, in: Ernst- Huster, Ulrich / Boeckh, Jürgen / Mogge-Grotjahn, Hildegard (ed.): Handbuch Armut und Soziale Ausgrenzung, Wiesbaden 2008, p. 517.

In this regard the 2008-2010 NRP reports about successes (No. 32 et sqq.). Further more the commission has criticised, that the public procuring entity and the existing bureaucracy prevents competition. Until 2009 a new public procurement law should be enacted. A special control council is checking every new law whether unnecessary bureaucratic impacts are produced.

A.2 Good examples of *feeding in* and *feeding out*

- The Commission has reasonably removed the point to watch on **increasing the provision of childcare facilities** (No. 1, 2): The German parliament has passed a law for the developing of day care. The supporting organisations (in normal case the local authorities and the welfare work) have started to implement this act. According to that until 2013 there should be a place in a nursery for at least one third of all children less than three years and parents will have a legal claim. The federal government contributes to the investment costs. This investment in childcare promotes the economic growth by building investments and therefore provides new jobs. At the same time it allows especially women to return earlier into the labour market. Therewith the possibly arising gap of qualified employees is counteracted (feeding-in). On the other hand there is a feeding-out-effect, because these facilities can make a contribution to promote equal opportunities for children.³
- In this context one can have a look at the intended concerted scheme of the federal government and the federal states **to promote qualification** (autumn 2008). It is aspired to offer young people more educational opportunities and life-long learning with no respect to their social background. Especially women should be promoted (no. 8). This socio-political measure will have an impact on growth and jobs as well as vice versa economic growth and jobs are preconditions for the demand of these skills on the labour market. The reform of the federal student financial aid program (“BAföG”) has extended the number of eligible persons and the amount of the benefits, which also includes an important feeding-in-effect.
- On 1 July 2008 the **reform of the long-term care insurance** came into effect (no. 54). Thereby not only the cash benefits have been increased but new measures for cases of dementia were implemented. This will lead to social inclusion within the home care and will have effects on the professional nursing service (feeding-in). Nurturing relatives have the opportunity to take off for the short term of ten days or to apply for six months of unpaid but state-insured nursing leave. Because this entitlement improves the employment of women, it also leads to an important feeding-in-effect (no. 77).
- The federal government demands and promotes **a new integrated energy strategy**, which includes an improved power efficiency, reduction of CO₂ – emissions, investments in alternative energies, more competition between the energy trading companies etc. (no. 62 et sqq.). All in all the government wants to reduce the emissions until the year 2020 (in comparison with 1990) by 40 percent. As well the heating costs should be decreased by 50 billion euro. This energy policy strengthens the economic growth – already today Germany is a leading provider of environmental technology. At the same time the burden

³ Bundesministerium für Familie, Senioren, Frauen und Jugend: Zwölfter Kinder- und Jugendbericht 2005, in: Deutscher Bundestag, Drucksache 15/6014 10.10.2005

for socially disadvantaged people caused by high energy prices and pollution could be reduced. So this might become a feeding-out-effect.

- As a result of the health care reform all private and compulsory health insurances are obliged to assure all persons as well as all persons are obliged to take out insurance – irrespective of their financial situation and their individual risk of illness. In case of need the costs are to be covered by social welfare. This pursuant to insurance law means for 300.000 persons in Germany a structural feeding-out-effect. At the same time the improved framework for competition within the health care sector is expected to lower the costs and to increase the quality (no. 53).

B. Assessment of the 2008-2010 NRPs from the perspective of social inclusion

B.1 Overall assessment

B.1.1 Effects of feeding in and feeding out more implicit than explicit

The policy on federal level continues its attempts to combine the following targets: Improvement of the framework for competition of the German economy by reduction of non-wage labour costs, consolidation of public finances, maintaining of the financial basis of the social security system and improvement of facilities for families. Additional there are special programs to deal with problems, which can not be solved with structural reforms. The 2008-2010 NRP for example reports about the program for labour market integration of people with multiple placement handicaps (page 31 et seq.). Furthermore the 2008-2010 NSRSPSI mentions measures to assure people in the private or compulsory health insurances. All in all the 2008-2010 NRP assumes feeding-out effects much more in a general and abstract way than the 2008-2010 NSRSPSI does. These effects are seen more in an “implicit” way: An enhanced framework leads to a higher economic growth, more employment, and equal opportunities. Reciprocally the 2008-2010 NRP assumes also a feeding-in effect because global systems like the social security institution always have an impact on economic growth and employment, too.

For example the decrease of the social security contributions below 40 percent (by lowering the contribution to the unemployment insurance) is understood as a feeding-in effect. The 2008-2010 NRP however does not mention the increasing contributions to the long term care or health care insurance. Nevertheless the governing coalition on federal level considers an additional decrease of the contribution to the unemployment insurance. Up to now it is not clear, whether the 40-percent-threshold will be exceeded again or not.⁴

⁴ For the foreign observer this „German“ debate is only understandable if you know that in Germany social security is financed about two thirds by social security contributions (in 2007: 64.2%) and only about a third by taxes. In Danmark it is exactly the other way round; Statistisches Bundesamt: Sozialbudget 2007, URL: <http://www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/DE/Content/Statistiken/Sozialleistungen/Sozialbudget/Tabellen/Content75/SozialbudgetLeistung,templateId=renderPrint.psm!> (20.10.08); Bundesministerium für Arbeit und Soziales: Sozial-Kompass Europa, S. 13, URL: http://www.bmas.de/coremedia/generator/2882/property=pdf/sozial_kompass_europasoziale_409.pdf (20.10.08).

B.1.2 Ongoing turmoil in financial markets: impacts of the slowdown of the economy

Regarding to this issue the 2008-2010 NRP remains inexplicit. Although it describes the risk of an economic slowdown and considers the rising burden of increasing energy prices as well as the threat caused by the financial crisis, it nevertheless does not discuss what these developments mean for the situation of the socially disadvantaged. On the contrary the policy has just decided to increase the housing benefits by a loading for energy expenses not until spring 2009.⁵ In coordination with other MS of the Euro zone, the German parliament has passed a measure which is supposed to bail out German financial institutes which are involved in the financial crisis. At the moment it is discussed, whether the economic upswing in Germany will be stable in the long term.⁶ For this reason the encouraging development on the labour market could come to an end.

B.1.3 No close connection between 2008-2010 NRP and 2008 – 2010 NSRSPSI

Although the 2008-2010 NRP refers to the 2008-2010 NSRSPSI, no close connection is established. The NSRSPSIs are made by the Federal Ministry for Labour and Social Affairs, the NRPs by the Ministry of Economics. The 2008-2010 NRP acts (in an implicit way) on the assumption of feeding-out, while the 2008-2010 NSRSPSI stronger assumes feeding-in effects.

B.2 Feeding out

In combination with a number of social policy reforms (prior to the labour market laws in the scope of the Agenda 2010), the economic upswing has apparently led to the result that the public budgets are getting consolidated and unemployment is continuously decreasing. The number of unemployed was decreasing by 240.000 persons in the first half of 2008 and the number of employed persons is expected to reach 40 million in 2008. The rate of the long term unemployed has been reduced by 0.8% to 4.7% in 2007. Therewith the structural reforms in the field of economics show a reform benefit ("Reformdividende"). Due to the positive development on the labour market the government is planning as next step to reduce the unemployment insurance contribution (Code of Social Law no. III) to 3.0% on the 1st of January 2009. In the midterm (2010) it is planed to reduce the rate again to finally 2.8%. This would be a reduction of 30 billion Euros.⁷ And due to the labour market reforms and the positive economic situation the overall fiscal costs of unemployment were reduced by 25 billion Euro (or 27%) between 2005 and 2007. In the same time the number of unemployed persons decreased by 22% and the overall costs per unemployed were reduced by 7%. But nevertheless, Germany is still paying 68 billion Euros for active and passive employment schemes.⁸

⁵ Cf. <http://www.wohngeldantrag.de/2008.htm> (26.09.2008).

⁶ Cf. Düstere Aussichten für 2009 (<http://www.rundschau-online.de/html/artikel/1218382129504.shtml>)

⁷ Bundesagentur für Arbeit 2008: Erneute Senkung des Beitragssatzes zeigt Vertrauen in die BA, press release no. 60, 06.10.2008.

⁸ Bach, Hans-Uwe / Spitznagel, Eugen 2008: Kosten der Arbeitslosigkeit sind gesunken, in: IAB-Kurzbericht 14/2008, Nürnberg.

B.2.1 Employment and feeding out

- **Flexicurity:** It is doubtful whether the measures to promote greater flexibility are balanced by measures to ensure security and to avoid the risk of being concerned by poverty and social exclusion. On the one hand the government pays attention to a flexicurity concept. In this scope the government tries to enforce measures for qualification. It is also said, that the better compatibility between family and work life and more flexibility in job organization (e.g. mini jobs) will be a contribution to more flexibility. On the other hand there is still no overall concept to make the social security system insusceptible for poverty. Because one problem still remains: In the German social security system the social transfers are strictly bound to the employee's wages. Therefore low wages will lead to low social transfers in case of retirement, unemployment, or disease. On the one hand the 2008-2010 NRP enumerates measures which incorporate the risk of a lower income level (e.g. part time work as a measure to combine family and work life). On the other hand it contains no strategy how to overcome the effects of the predominant principle of equivalence in the German system. To sum it up: In the NRP flexicurity is mainly seen as an instrument to break up labour market restrictions but not to enhance the principles of the social security system. So in a lot of cases flexicurity in Germany leads to lower incomes and lower claims on social transfers.⁹
- **Job creation:** It is also doubtful whether the economic upswing is really promoting a job creation targeted at more vulnerable groups like jobless households, working poor, lone parents, people with a disability, ethnic minorities. For example, there is a new research on the job situation of younger people. It shows clearly that the more obstacles a person individually combines, the less are the chances for a successful integration in the labour market.¹⁰
- A second effect of the economic upswing can be mentioned. Starting with the year of the labour market reforms 2003, not only the number of part-time employees liable for social insurance was rising, but also employments not covered by insurance. The number of employees with a “mini-job” (short-time/low-wage job, 400 Euro per month not exceeding) rose between 12/2005 and 12/2007 from 4.136 to 7.188 million.¹¹ This leads into two effects: First, those employees are barred from the social security system. Second, the loss of employees subject to social insurance contributions cuts the revenues of the social security system.
- **Adequate earned income:** The problem of in-work poverty is tackled in the 2008 – 2010 NRP, but it is not a predominant topic. The NRP refers to the “Arbeitnehmerentsendegesetz” (Law concerning the posting of employees abroad) which

⁹ There is a brand new OECD study showing that in Germany (wage) inequality is rising even in time of the past economic upswing. This might be a hint that the progress in reducing unemployment is not always accompanied by what we might call ‘good’ work (reference: Growing Unequal? Paris: OECD 2008, 360 Seiten. Paperback, ISBN 9789264044180). The experts have ordered the study and will refer more detailed in the upcoming reports.

¹⁰ Cf. Antoni, Manfred et al. 2007: Die Schwächsten kamen seltener zum Zug, in: IAB-Kurzbericht No. 2 vom 30.01.2007, Nürnberg.

¹¹ Bundesagentur für Arbeit, URL: <http://www.pub.arbeitsagentur.de/hst/services/statistik/detail/b.html> (20.10.08); Sozialpolitik-aktuell.de, URL: http://www.sozialpolitik-aktuell.de/tabellen_arbeitsmarkt.shtml#1.2 (20.10.08).

was leading to some appointments on minimum wages in specific branches. But this is not an overall concept. In terms of feeding in and feeding out this will be a problem, because in Germany one can find, that the low-wage labour market expands. For instance, in December 2007 the ratio of low-wage employments to full-time jobs was already 1:5. Beside from that, two third of all people in a “Mini-Job” are women. The extraordinary growth of low-wage employments which are serving as incidental earnings (701.000 in March 2003 to more than 2 million in December 2007) indicates that an increasing number of employees cannot make a living with their actual income. A study recently published by the Institute for Labour Market and Occupational Research (IAB; established at the Federal Employment Office) reports a continuous growth of the low-wage labour market. At the same time it contradicts to the opinion that the low-wage labour market is a good entry for full-time jobs: Only one out of five men succeeds in leaving the low-wage labour market within six years, in the group of female employees actually only one out of ten. During the period of the study about one third remained as a full-time employee within the low-wage labour market.¹² This is a signal that mobility in the low wage sector is fairly low.

- Also the **situation of recipients of transfer income** has not developed consistently. The German Institute for economic research (DIW) reports that “half of the people who live in households which receive unemployment aid or social welfare benefit [...] had to sustain a loss of income. In contrast one third made a profit.” Furthermore it is mentioned, that “in western Germany [...] the proportion of the people who benefit from the reform (35 %) is marginal superior to that in eastern Germany (33 %) and according to that [...] the ratio of those who left the reform as losers is in eastern Germany also just a little bit higher (53 to 50 %).” The DIW estimates the amount of the loss respectively gain of income, too. According to that, the average cutback of the “reform-losers” was 31 percent. In contrast to that, the average gain of the “reform-winners” was 40 percent. Regarding the absolute figures the loss of income turns out higher than the income increase: A “reform-loser” has to make a living with in average a minus of 3,250 Euro per year, while the “reform-winners” can achieve an increase of 2,620 Euro. And while West Germans can possess an increase by 2,340 Euro, the increase of the East Germans is 1,590 Euro.¹³
- The **reconciliation of work and family** life is mainly reduced to the improvement of the day care facilities for children under the age of three. Some more measures are added, like the program “Erfolgsfaktor Familie” (success factor family). The aim is to make working conditions more compatible with family life. But still it can be seen that there are gender specific gaps in the working and earning conditions. The Federal Ministry for Family Affairs was therefore organising a conference with the employers’ association to discuss the reasons for these distinctions at the end of September 2008 in Berlin. From our experts’ point of view the measures mentioned in the 2008 – 2010 NRP cannot be seen to be sufficient to close this gap.¹⁴
- The government pays quite a lot attention to the situation of the **older workers and active ageing**. By doing that the government is following the strategy to increase the age of retirement. The programs seem to be successful: The employment rate of people 55

¹² Bildungsspiegel.de, URL: <http://www.bildungsspiegel.de/aktuelles/niedriglohnsektor-nur-jeder-achte-schafft-de...> (13.06.2008).

¹³ Cf. DIW-Wochenbericht 10/2008: Schrumpfende Mittelschicht – Anzeichen einer dauerhaften Polarisierung der verfügbaren Einkommen?; authors’ translation.

¹⁴ Press release of the BMFSJ, no. 328/2008, 30.09.2008.

years and older increased to 51.5 percent in 2007. It is planned to reach 55 percent until 2010.

- In the 2008-2010 NRP no special measures or schemes for **SMEs** are mentioned to create employment for those furthest from the labour market. The SMEs in Germany however are the backbone of the economy. According to that it is quite reasonable to argue that they make a significant contribution to the integration of these groups of people. Referring to the governmental Report on Vocational Education (2008) around 28 percent of the companies in western Germany and 26 percent of those in eastern Germany are qualifying young people. All in all the potential volume of education within the small companies is utilised insufficient. Nevertheless the small and medium companies are providing the vocational education in large part, because 34 percent of the trainees are educated in companies with 50 up to 499 employees and 29 percent in companies with 10 to 49 employees.¹⁵

B.2.2 Economic growth, financial sustainability and feeding out

- In chapter V the 2008 – 2010 NRP deals with the **problem of consolidating public finances**. This has top priority, in the year 2011 for the first time after a long period the federal government wants to present a budget that will not cause further net indebtedness. In the face of the turbulences on the international financial markets this target is at risk.¹⁶

The federal government also tried to rebalance the revenues and expenditures of the **statutory pension insurance**. For this purpose the pension adjustment and the retirement age was reformed so that an increase of the contribution rate was avoided. It is to mention, that the added 'sustainability factor'¹⁷ is not allowed to cause nominal cut-backs of the pensions. There exists a legal minimum pension. In the recent years the policy has diverged several times from its target of a budget consolidation of the statutory pension insurance to make at least a minimal increase of the pension payments possible and thereby making visible its ability to ensure greater social cohesion.

On 1 January 2009 a reform of the **statutory health insurance** will come into effect. A special pool for the health insurance will be implemented, which has to be financed by a standardised contribution of all insured persons and an increasing subvention (public money). Additional to that the miscellaneous health insurances are allowed to charge an extra contribution, if their expenditures make this necessary. Within the long term care insurance the contribution rate has been increased on 1 July 2008 by 0.25 percent. The rates within the unemployment insurance have been decreased, further decreases are intended. There is also a reform of the statutory accident insurance (which is financed exclusively by the employers) in planning with the objective of stabilising the contribution rate (no. 61). The stabilisation of their budget is a precondition for the social security systems to perform their task. Consistently the question comes up, whether the reduction of cost leads to social exclusion, for instance within the labour market policy, where (further) education is demanded frequently. Also within the public health sector it is

¹⁵ Bundesministerium für Bildung und Forschung (ed.): Berufsbildungsbericht 2008. Vorversion, Berlin 2008, p. 125ff.

¹⁶ Focus-Online, URL: <http://www.focus.de/politik/schlagzeilen?day=20081013&did=927054> (13.10.08).

¹⁷ Whereby retirement payments are adjusted by taking into account the number of pensioners and contributors.

important not only to maintain but to strengthen the quality. An extra contribution or the choice of rates (one can opt for more or less benefits) may cause social exclusion, too.

- **The 2008 – 2010 NRP does not take into account their impacts on social inclusion**, in contrast to the 2008 – 2010 NSRSPSI no effects of social exclusion are reported at this point. Within the labour market policy and the unemployment insurance one can find, that the reduction of costs obviously leads to an insufficient number of measures for qualifying and (advanced) training. This situation was criticised rightly by the commission (point 19 Synthesis Report 2007¹⁸). However, in return the Federal Employment Office is now responsible for the labour market integration of people with multiple placement restraints. Within the statutory pension insurance the cutbacks of the newly granted pensions have been increased extraordinarily,¹⁹ but also apart from that the newly granted pensions are lower than the existing ones.²⁰ This is a result of fragmentary biographies of the employees on the one hand and of the increase of the retirement age as well as an insufficient compensation by the pension insurance on the other hand.
- The 2008 – 2010 NRP reports about the next steps within the **reform of federalism**. It is intended to adapt the financing between the federal government and the federal states according to the modified responsibility assignments. These negotiations are still going on, but they are not mentioned by the NRP in detail. Thus it is not clear, how for example the financial transfer between the economically stronger and weaker federal states will be regulated. Up to now this is determined within the “financial equalisation scheme between the Federal Government and the Länder”.
- Chapter VI reports in detail about **environmental schemes** (a mix of energy saving and strengthening of the renewable energies). The energy supply has to be ensured, especially by increasing the efficiency. The 2008 – 2010 NRP report takes up the national debate about a better controlling within the energy sector and about abolishing monopolies. It intends to lower the energy cost until 2020 by up to 50 billion Euros. In the future we have to take more attention of the impact of energy prices as well as the prices of food, housing and public transport (and their availability) as a factor of promoting social inequality. Especially poor people cannot afford expensive energy saving technical devices. As their share of income paid for food, housing and (public) transport is already high, decreasing costs will hit them in a severe way. So more in depth analysis will be needed to monitor and assess the distribution effects in the future.
- Chapter II reports also in detail about schemes for enhancing the knowledge based society. It mentions measures how to improve the **“high-tech-policy”** including the promotion of networks. A discussion about “e-exclusion” however is missing. Merely in conjunction with the initiative for qualification (started in autumn 2008) “more attention for technique and natural science” is demanded.
- The Third National Report on Poverty and Wealth deals with the situation of people with special problems but the 2008 – 2010 NRP does not pick up the topic of **access to bank accounts**. Regarding to estimations of the Federal Ministry of Justice in 2007 around

18 The Commission's of NRP for Growth and Jobs, http://ec.europa.eu/growthandjobs/european-dimension/200712-annual-progress-report/index_en.htm

19 Deutsche Rentenversicherung, URL: http://forschung.deutsche-rentenversicherung.de/ForschPortalWeb/contentAction.do?statzrID=B3D63BBD99F2548FC12573760046D976&chstzr_Rente=WebPagesIOP617&open&viewName=statzr_Rente#WebPagesIOP617 (10.10.08).

20 Deutsche Rentenversicherung: Rentenversicherung in Zeitreihen, Oktober 2007, p. 89-90; 159-160.

500,000 households had no bank account. In 60 percent of all cases there had been distraint of the giro account before it was cancelled.²¹

- The **debt counselling** is well-established in Germany, but is not mentioned by the 2008 – 2010 NRP. The Third National Report on Poverty and Wealth deals indeed with that topic but by using completely insufficient data. Reputable estimations report about 3 million over indebted people in Germany. Since the consumer insolvency was established in 1999 more than 600,000 persons (2007) have applied for a remission of their remainder of a debt. At this the debt counselling plays a key role.²² The Federal Ministry of Justice is currently preparing a reform of the consumer insolvency and wants to limit the possibilities for distraining the bank accounts (inviolability of mere subsistence). But as debt counselling becomes more and more important it is problematic that the local, regional or federal governments do not sufficiently finance an infrastructure of debt counselling agencies. So not all people in need can be covered by the existing institutions and have therefore restricted access to their rights.
- The lease costs especially of low-income households are discussed detailed by the Third National Report on Poverty and Wealth. The **housing benefits** disburden those households considerably. From 1 January 2009 the housing benefits will be increased. Furthermore it is intended to subsidise one third of the heating costs (as a lump-sum). Effective from 1 September 2006 the responsibility for social housing has been handed over from the federal government to the federal states.²³ The federal government however is paying a compensation balance, which can be used by the federal states for both old and new buildings. Still problematical is the continuing segregation of low-income households. At this the scheme “Soziale Stadt” (“social city”) has caused some progress.

B.3 Feeding in

The measures mentioned in the 2008 – 2010 NRP and NSRSPSI are quite similar because both see the integration into the labour market as an important instrument against poverty and social exclusion. As already indicated, the NRP does not deal with feeding in and feeding out in such an explicit way the NSRSPSI does: “Only if it succeeds to combine economic targets, social objectives and employment policy in a coequal and balanced way, it will be possible to reach the agreed targets until 2010 and beyond that. [...] Social security and public health contribute to productivity growth. Social cohesion is indispensable for social stability, which is a precondition for a reliable investment climate. The social protection of the essential life risks like ageing, illness, accidents and unemployment as well as investments in education, advanced training and in health contribute to growth, employment, and social stability. Social protection in this spirit is a factor of productivity.”²⁴ Former NSRSPSIs did not discuss the connection between the revised Lisbon strategy and the OMK in the field of social protection and social integration in such an articulate way.

²¹ Mulke, Wolfgang 2007: 985,15 Euro bleiben verschont, in: Badische Zeitung, 06.09.2007, p. 20.

²² Bundesregierung der Bundesrepublik Deutschland: 3. Armuts- und Reichtumsbericht 2008, p. 54.

²³ Cf. *ibid.*, p. 225 f

²⁴ German 2008-2010 NSRSPSI, p. 18; author's translation.

- The 2008 – 2010 NRP sees a significant feeding in effect in the field of **labour market policy**, for instance in the amendment of the Code of Social Law II (“Arbeitslosengeld II” – unemployment benefit including “Sozialgeld” – a kind of social welfare) and Code of Social Law III (“Arbeitslosengeld I” – unemployment pay). According to the NRP these measures in the field of social protection have contributed to the favourable situation on the labour market during the period of strong economic growth between 2006 and 2008 (no. 1, 66).

The 2008 – 2010 NRP address several times the country specific recommendations for Germany regarding the “flexicurity” concept (no. 67, 69). However, unlike the 2008 – 2010 NSRSPSI²⁵ it does not focus very strongly on the relevance of social protection for risk-averse people. A flexicurity concept with significant elements of social protection could increase willingness to face risks (i.e. self-employment), because people do not need to fear poverty if they fail.²⁶ Therewith the NRP considers too little the feeding in aspect of socio-political promotion of innovation and foundations of enterprises to strengthen economic growth and employment.

The 2008 – 2010 NRP reports about measures of all three areas of the **active inclusion approach** such as the commission expressed it in its recommendations on the active inclusion of people excluded from the labour market (30 September 2008). Thus the NRP enumerates the improved access to working life for people with permanent residence permit (no. 84), the efforts to implement binding minimum wages (no. 70), and the investments in the expansion of child-care services (no. 82). However, the NRP refers not in an explicit way to approaches or recommendations and does not highlight the overall context for the separate schemes. The connections can partially be made, for instance, regarding the reduction of the parents’ money to one year, the increase of the children’s allowance and family allowance, the establishing of minimum wages, and finally the expansion of child-care services within the policy for young parents. On the whole this is meant to lead to an improved access to the labour market, secured incomes, access to services, and therefore enhancing social inclusion. Not least, this can contribute to economic growth and employment.

- Some efforts to improve the **education** in Germany (in the fields of education, training, lifelong learning, reduction of the number of early school leavers, etc.) are mentioned in the 2008 – 2010 NSRSPSI as well as in the 2008 – 2010 NRP (e.g. see no. 7, 8, 75). They are cited on the one hand as an example for promoting social inclusion and reducing the risk of poverty and on the other hand as a contribution to promote economic growth and employment. Mostly the NRP only mentions that these measures are intended to promote the “chances” of persons concerned, but it does not explicitly note the potential of the schemes to reduce social exclusion (e.g. see no. 7 for the field of education in general and no. 8 for the field of child-care). Many of the investments in the field of education are actually both: a contribution to strengthen economic growth and employment as well as a contribution to reduce poverty and social exclusion. Therefore schemes to promote (vocational) training can be initiated as an attempt to increase the participation in the labour market. Anyhow they are also a contribution to reduce social

²⁵ Page 14: „An adequate social protection encourages the citizens to take chances and develop their abilities.”; authors’ translation.

²⁶ Ministerium für Arbeit und Soziales Qualifikation und Technologie des Landes Nordrhein-Westfalen (ed.) (2001): Flexicurity: Soziale Sicherung und Flexibilisierung der Arbeits- und Lebensverhältnisse. Projektbericht. Düsseldorf.

exclusion (feeding out). The same scheme can be just as well initiated as an attempt to reduce social exclusion and then as a secondary effect lead to an increase of employment (feeding in).

- The 2008 – 2010 NRP identifies the relevance of **gender equality** for economic growth and employment, for example when it describes the extension of child-care services and the schemes for compatibility between work and family life (no. 82). It also deals with the labour participation of women and highlights that the Lisbon target of 60 percent until 2010 was already exceeded (no. 81). Nevertheless the NRP does not discuss explicitly how relevant this is for the topic of social inclusion.
- Regarding the **demographical decrease of the labour force potential**, the 2008 – 2010 NRP says that the federal government wants to utilise this potential as far as possible (no. 75). The access to working life for women, younger and older employees and people with a migration background or disabilities has to be guaranteed. The NRP describes the success in integrating people with disabilities into labour market and what this means for the persons concerned (no. 80). Obviously it is not assumed that people with disabilities can make a contribution to found an enterprise, to provide new jobs, or that services or products for handicapped persons could be a potential for growth, too. As a best practice example the First Report on Integration of North Rhine-Westphalia²⁷ can be mentioned, which describes potentials of people with a migration background.
- As mentioned before, the federal government wants to promote the **labour participation, the income maintenance and the access to services for families** with a combination of schemes (parents' money for 12 or 14 months, increase of the children's and family allowance, establishing of minimum wages, expansion of child-care services). In doing so the government wants to make a contribution to reduce poverty and social exclusion of families. Unlike the 2008 – 2010 NSRSPSI²⁸, the 2008 – 2010 NRP does not point out that increasing incomes of families can lead to a higher purchasing power, a higher demand, and therewith to economic growth and more employment.

On the 15th October 2008 the federal government passed the so called family contribution law ("Familienleistungsgesetz"). The government estimates a relief for families of 2 billion Euros. The aim is to promote families by increasing the child benefit (for the first and second child: 164 instead of 154 Euro per month; for the third child 170 instead of 154 Euro and for the fifth and more child instead of 190 instead of 179 Euro per month). If the law will pass the parliament especially the families with three and more children will benefit. 4.5 mill out of 18 mill children and youth will be reached. The household budget of a family with three children will increase by 432 Euro a year (632 Euro with four children). Another important measure in this law for fighting poverty as well as improving better education for children is the so called school package ("Schulbedarfspaket"). This will support children living in families dependant from unemployment assistance (SGB - Social law book II, 'Hartz IV') or social assistance (SGB XII, Sozialhilfe). From the first up to 10th school class they shall get 100 Euro at the beginning of the new school year. This

²⁷ Ministerium für Generationen, Familie, Frauen und Integration des Landes Nordrhein-Westfalen (ed.) (2008): Nordrhein-Westfalen: Land der neuen Integrationschancen. 1. Integrationsbericht der Landesregierung, Düsseldorf.

²⁸ Page 19: „An increased family income leads to increased spending capacity and therefore a higher demand for goods and services.“; authors' translation.

money shall help the families to buy school equipment as for example books, exercise books, school boxes etc.²⁹

- The 2008 – 2010 NRP deals virtually not with the contribution of the **social economy** to create employment for people furthest from the labour market. In contrast to the 2008 – 2010 NSRSPSI³⁰ the NRP also does not discuss the relevance and the potential of the health system for economic growth and employment.

B.4 Governance

The 2008 – 2010 NRP confirms the institutionalised cooperation of the different levels (federal government, federal states, municipalities) and of the stakeholders. No further governance approach is mentioned.

B.4.1 Monitoring and assessment

The 2008 – 2010 NRP highlights two processes of monitoring, firstly those of the labour market and secondly the ongoing evaluation of important tax privileges. Furthermore on all relevant fields of policy monitoring can be found: The German Council of Economic Advisors; reports within the sectors of health, education, and labour market; special experts' reports regarding people with specific challenges. Thus, in Germany there is no lack of monitoring and evaluation, but these single reports have to be set in a context.

B.4.2 Involvement of stakeholders

In Germany the involvement of further stakeholders takes place more within the 2008 – 2010 NSRSPSI and within the National Report on Poverty and Wealth. Instruments are the expert advisory boards of social groups and NGOs, and of scientists /researcher and series of conferences like FORTEIL or internet platforms like the "Infobörse". It is important that especially FORTEIL will be continued beyond November 2008 and that the "Infobörse" become firmly established. For that purpose an advisory board of the social societies would be important and helpful.

B.4.3 Coordination

The federal government has institutionalised a set of advisory boards, for instance the so-called "Fünf Weisen" ("The German Council of Economic Advisors") in the field of economic policy, the financial counsellor at the Federal Ministry of Finance, the advisory committee for social policy, the advisory council for family policy, etc. These councils report periodically, discuss legislative projects, and review the schemes. However a committee is missing, which deals with the social

²⁹ BMFSFJ Internetredaktion Meldung: Aktuell Veröffentlicht am 15.10.2008 Thema: Familie

³⁰ Page 18f: "The public health sector is an especially innovative branch with high potential for employment and growth. The health sector, which is mainly financed by the statutory health and long term care insurance, currently employs 4.3 Million persons. This sums up to 11 percent of all employees in Germany. So, there are more people employed in the health sector than in the automobile industry, e.g. Given the demographical change, more job opportunities are expected. The development of innovative products and treatments also contributes to the potential for growth."; authors' translation.

inclusion concept of the Lisbon strategy and which is responsible for seeing that this strategy is kept in mind.

C. Update on Key Social Indicators

Economic Growth: In comparison to the years before, the German GDP increased in 2006 and 2007 above average by 2.9 respectively 2.5 percent and therewith is in accordance with the general tendency of the EU (EU 27: 3.1 / 2.9 percent). Already before the financial crisis worsened, EUROSTAT forecast a lower growth in 2008 and 2009 (1.8 / 1.5 percent). With that prognosis Germany is in accordance with the other MS, too (EU 27: 2.0 / 1.8 percent).³¹

The *unemployment rate* has dropped continuously since 2005 (10.7 percent to 8.4 percent in 2007). The rate provided by EUROSTAT is lower than the one of the German Federal Employment Office. In eastern Germany the rate still is considerably higher than in western Germany.³² The *long-term unemployment rate* decreased further from 5.0 to 4.7 percent, but is still significantly above EU-average (3.0 percent).³³ The proportion of people living in a *jobless household* has dropped since 2005 from 11.0 to 9.5 percent, the quota of children concerned (0-17 years) decreased from 10.7 to 9.3 percent. The last figure is in accordance with the EU27 average (9.3 / 9.4 percent).³⁴

The *employment rate* has increased since 2005 from 66.0 to 69.4 percent (EU: 63.5 to 65.4 percent).³⁵ Also the *employment rate of older employees* (55-64 years) increased considerably: Already between 2003 and 2005 an increase from 39.9 to 45.4 percent could be observed. Now the rate has increased further on to 51.5 percent (EU27: 44.7 percent). In doing so, one target of Lisbon has been achieved (employment rate of older employees ≥ 50 percent).³⁶

³¹ Eurostat: Wachstumsrate des realen BIP - Wachstumsrate des BIP-Volumens - prozentuale Veränderung relativ zum Vorjahr, URL:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=0&language=de&pcode=eb012> (10.10.08).

³² Bundesagentur für Arbeit: Arbeitsmarkt in Zahlen. Arbeitslosenquoten. Monats-/Jahreszahlen 2005, 2005, p. 2, URL: http://www.pub.arbeitsamt.de/hst/services/statistik/200512/iiia4/monats_jahresquotend.pdf (10.10.08).

Bundesagentur für Arbeit: Arbeitsmarkt in Zahlen. Bestand an Arbeitslosen. Arbeitslosenquoten, 2006, p. 2, URL: http://www.pub.arbeitsamt.de/hst/services/statistik/200612/iiia4/monats_jahresquotend.pdf (10.10.08).

Bundesagentur für Arbeit: Arbeitsmarkt in Zahlen. Bestand an Arbeitslosen. Arbeitslosenquoten, 2007, p. 2, URL: http://www.pub.arbeitsamt.de/hst/services/statistik/200712/iiia4/monats_jahresquotend.pdf (10.10.08).

Eurostat: Arbeitslosenquote - insgesamt - Anteil der Arbeitslosen an der gesamten Erwerbsbevölkerung, 1996-2007, URL:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=0&language=de&pcode=em071> (10.10.08).

Zahlen der BA für 2003 und 2004: Destatis-query, URL: <https://www-genesis.destatis.de> (10.10.08).

³³ European Commission: Common indicators. Social Inclusion, Chart CI_Labour market, URL:

http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/data_inclusion_en.xls (10.10.08).

³⁴ European Commission: Common indicators. Overarching indicators, Chart 5, URL:

http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/data_overarching_en.xls (10.10.08).

³⁵ Eurostat: Beschäftigungsquote - insgesamt - Anteil der Erwerbstätigen im Alter von 15-64 Jahren an der Gesamtbevölkerung derselben Altersgruppe, 1996-2007, URL:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=0&language=de&pcode=em011> (10.10.08).

³⁶ Eurostat: Beschäftigungsquote älterer Erwerbstätiger - insgesamt - Anteil der Erwerbstätigen im Alter von 55-64 Jahren an der Gesamtbevölkerung derselben Altersgruppe, 1996-2007, URL:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=0&language=de&pcode=em014> (10.10.08); European Commission: Common indicators. Overarching indicators, Chart 10, URL:

http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/data_overarching_en.xls (10.10.08).

According to EUROSTAT in 2006 the *at-risk-of-poverty rate* in Germany was at 13 percent (EU25: 16 percent).³⁷ National figures basing on the SOEP however show a higher risk of poverty (16.5 percent in 2007).³⁸ The *at-risk-of-poverty rate of elderly people (65+)* is also around 13 percent (EU25: 19 percent),³⁹ the rate of unemployed is 43 percent (EU25: 41 percent).⁴⁰ The *in-work risk-of-poverty-rate* in 2006 was at 6.0 percent and therefore below average (EU25: 8.0 percent),⁴¹ in comparison with 2004 the rate had increased by 1.0 percent.⁴² The national figures show two opposing trends: On the one hand the inequality of income distribution decreased in the year 2006 for the first time since the reunification. Also the risk of poverty has decreased for the first time since ten years.⁴³ The main reason is the significant decrease of the unemployment. On the other hand it is to notice, that in Germany for an increasing proportion of the population poverty is no longer a temporary situation but for permanence.⁴⁴

The *expenditures on social protection (as % of GDP)* remain constantly between 2000 and 2005 and were lastly around 29.4 percent (EU 25: 27.4 percent).⁴⁵ Also the expenditure on health between 2003 and 2005 remained constantly at around 10.7 percent and was therewith 2.5 percent above EU27 average.⁴⁶

The *life expectancy at birth* has recently increased from 75.8 years (men) / 81.3 years (women) in 2003 to 77.2 / 82.4 years in 2006. The latest available data for the EU27 shows Germany therewith above average.⁴⁷ Within the *healthy life expectancy* Germany certainly came off badly:

- ³⁷ Eurostat: Quote der von Armut bedrohten Personen auf Basis des Alters und des Geschlechts, URL: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,45323734&_dad=portal&_schema=PORTAL&screen=welcomeref&open=/popul/livcon/ilc/ilc_ip/ilc_li&language=de&product=EU_MAIN_TREE&root=EU_MAIN_TREE&scrollto=121 (10.10.08); European Commission: Common indicators. Social Inclusion, Chart CI_Income, URL: http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/data_inclusion_en.xls (10.10.08).
- ³⁸ Cf. DIW: Pressemitteilung v. 16.09.2008, URL: http://www.diw.de/deutsch/presse/pressemitteilungen/soep_studien/27283.html?pcode=88781&language=deutsch (10.10.08).
- ³⁹ Eurostat: Quote der von Armut bedrohten Personen auf Basis des Alters und des Geschlechts, 65 Jahre und älter, URL: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,45323734&_dad=portal&_schema=PORTAL&screen=welcomeref&open=/popul/livcon/ilc/ilc_ip/ilc_li&language=de&product=EU_MAIN_TREE&root=EU_MAIN_TREE&scrollto=121 (10.10.08).
- ⁴⁰ European Commission: Common indicators. Social Inclusion, Chart CI_Income, URL: http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/data_inclusion_en.xls (10.10.08).
- ⁴¹ European Commission: Common indicators. Overarching indicators, Chart 11, URL: http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/data_overarching_en.xls (10.10.08).
- ⁴² Statistisches Bundesamt, Wirtschaft und Statistik 9/2008, p. 802, URL: http://www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/DE/Content/Publikationen/Querschnittsveroeffentlichungen/WirtschaftStatistik/Wirtschaftszeitbudget/LEBENEUROPA20052006_property=file.pdf (10.10.08).
- ⁴³ Cf. DIW: Pressemitteilung v. 16.09.2008, URL: http://www.diw.de/deutsch/presse/pressemitteilungen/soep_studien/27283.html?pcode=88781&language=deutsch (10.10.08).
- ⁴⁴ Cf. DIW-Wochenbericht, Nr. 12/2007, S. 177 ff., URL: http://soep.info/downloads/07-12-1_armut.pdf (10.10.08).
- ⁴⁵ Eurostat: Statistics in focus, 46/2008, S. 3, URL: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-08-046/EN/KS-SF-08-046-EN.PDF (10.10.08).
- ⁴⁶ OECD: OECD Health Data 2007, URL: http://ec.europa.eu/health/ph_information/dissemination/echi/echi_25_en.pdf (10.10.08).
- WHO: WHO National Health Accounts, URL: <http://www.ecosante.fr/OCDEENG/75.html> (10.10.08).
- ⁴⁷ Eurostat: Lebenserwartung bei der Geburt - (Jahre), 1995-2006, URL: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=welcomeref&open=/popul/livcon/ilc/ilc_ip/ilc_li&language=de&product=EU_MAIN_TREE&root=EU_MAIN_TREE&scrollto=121

Regarding to the percentage of life expectancy without disability Germany is penultimate. The healthy life years at birth are 55.0 years (men) / 55.1 years (women) and therewith the percentage of life expectancy without disability is only at 71.7 / 67.2 percent (EU25: 80.5 / 76.8 percent).⁴⁸

The quota of *early school-leavers* decreased between 2005 and 2007 from 13.8 to 12.7 percent and therewith is below average (EU27: 14.8 percent),⁴⁹ but is still above the target of the European Council of 10 percent.⁵⁰

[n=detailref&language=en&product=Yearlies_new_population&root=Yearlies_new_population/C/C1/C14/cba10000](#) (10.10.08).

⁴⁸ Eurostat: Healthy Life Years, URL: http://ec.europa.eu/health/ph_information/indicators/lifeyears_en.htm (10.10.08).

⁴⁹ European Commission: Common indicators. Social Inclusion, Chart CI skills, URL: http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/data_inclusion_en.xls (10.10.08).

⁵⁰ Cf. European Commission: European benchmarks in education and training, URL: http://europa.eu/geninfo/legal_notices_en.htm (21.10.08).