



Germany

Trends, Recent Developments, Active Inclusion and Minimum Resources

First Semester Report 2006

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A. Key trends, recent policy and legislative development

1. Key trends

1.1 Information on the baseline policy situation and trends thereof

The former Red-Green coalition government had taken up its second legislative term with the goal not only to reform labour policy, but simultaneously convert large parts of the welfare state by means of extensive and thorough reforms. With the name “Agenda 2010” it indicated at the same time that it regarded this political approach as German contribution to obtaining the goals adopted by the European Council at its meeting in Lisbon in 2000. The famous “agenda speech” by Federal Chancellor Schröder on 14 March 2003¹ was followed by an extensive legislative programme whose laws - Hartz I - IV - not only restructured the previous minimum security system for the unemployed, but were at the same time meant to link financial support with social services more closely. All in all, social assistance, following notions of workfare, was tied more closely to self-activation of unemployed persons (“promoting and demanding”). In the other large security systems, the personal contribution to be furnished by the patients had already been increased as well, either during the previous legislative term (“Riester pension”) or parallel to the Hartz Laws in the health sector.

The current grand coalition of CDU/CSU/SPD promotes before all economic growth to remedy the current problems. In addition, the instruments of an activating labour policy are to be developed further. While this was by and large consensus, although not in detail, the controversies with regard to health and pension policy were by and large omitted in the coalition agreement. However, the National Reform Programme Germany² makes it clear that the government wants to regulate these sectors anew before all else. By contrast, the terms “social inclusion” and “social integration” do not appear; the aspect “social exclusion” is mentioned in the reform programme in one sentence only.³ The development of East Germany (“Aufbau Ost”) forms another centre of activities. The continuation of reporting on poverty and wealth is fixed in the coalition agreement.⁴ Altogether, it becomes obvious that for the federal government integration of the socially excluded means in the first line their reintegration into the gainful employment market. Insofar, this political concept, as far as it could become clear by now, is assignable to the new Lisbon strategy.⁵

1.2 Overview of the economic, social and demographic context

With regard to economic growth rates, Germany has been at the bottom among the EU members states for a considerable time now. In this context, the National Reform Programme Germany refers to a study of the European Commission according to which the way of financing Germany unity through credits is made responsible before all for this long-lasting weakness in economic growth.⁶ Moreover, processes to

¹ Deutscher Bundestag, Stenographischer Bericht der 32. Sitzung, Plenarprotokoll 15/3, Berlin 14. March 2003, page 2493 ff.

² Bundesregierung (2005): Innovation forcieren – Sicherheit im Wandel fördern – Deutsche Einheit vollenden. Nationales Reformprogramm Deutschland, Berlin.

³ Ibid, page 50

⁴ CDU / CSU / SPD (2005): Gemeinsam für Deutschland. Mit Mut und Menschlichkeit. Koalitionsvertrag von CDU, CSU und SPD vom 11. November 2005, Berlin.

⁵ Europäische Kommission (2005): Gemeinsame Maßnahmen für Wachstum und Beschäftigung. Das Lissabon-Programm der Gemeinschaft, Mitteilung KOM (2005) 330 endgültig vom 20. Juli 2005, Brüssel.

⁶ Bundesregierung (2005): Innovation forcieren – Sicherheit im Wandel fördern – Deutsche Einheit vollenden. Nationales Reformprogramm Deutschland, Berlin, page 30.

the disadvantage of the German labour market are currently taking place in the German economy. On the one hand, actual or threatened relocations of partial or whole production companies to foreign countries are taken as reason to enforce wage cuts or longer working hours without compensation in payment before all on the internal company level, although this cannot stop the loss of jobs in each case. This leads to a weak domestic demand, while revenue for the Exchequer and the social security systems declines or stagnates at the same time. On the other hand, workers from the East European acceding countries are coming to Germany, in part legally (harvest helpers, allegedly self-employed persons in the butcher's trade in slaughterhouses), in part semi-legally (nursing staff), in part illegally (black labour). The considerably lower claims for payment etc. lead to a substitution of labour protected by collective wage agreements, force down the collective system and reduce revenue for the state and the social security systems as well. In conjunction with the massive loss of jobs in East Germany, Germany is thus faced with the problem of having to cope not only with a number of 4.5 Mill. registered unemployed persons on annual average, but having a reserve of more than 6 Mill. persons all in all who cannot be provided for on the gainful employment market at the moment.⁷ Presumably, the actual number is even higher, if all persons are included who are currently "parking" in the education system or working in familial or other networks of irregular and partially even illegal employment.

Alternative strategies – further increase of labour productivity, lowering of the wage level, extension of working hours, early retirement under the statutory pensionable age of 65 years, insignificant employment etc. – all in all not only fail to lead to an increase of employment, but rather have the result that fewer and fewer persons liable to contribute to social security have to bear more and more social risks, while the structurally adjusted wage quota is decreasing into the bargain.⁸ Contrary to the widespread theory, this has (not yet) anything to do with the demographic change, but with the high underemployment. German policy aims at solving the individual problems within the respective social security system.

Yet, the national governments have for years cut back the public spending quota which was strongly increased in the course of establishing German unity.

Public spending quota in Germany⁹

Year	1975	1980	1985	1990	1995	2000	2005	2007	2009
Public spending quota*	51.4	50.4	49.8	47.2	52.8	47.3	46.7	(45)	(43.5)

() planned, * in per cent of the gross domestic product

Since the 1990s, the legislature has continually granted tax relief on profits, leading to the result that their share in the total tax revenue of the state has decreased from 20.5 % in 1990 to 11.4 % in 2005. Presupposing constant income circumstances, the state thus loses ca. Euro 50 Bn. per annum.¹⁰ But even this easing of the burden on profits and higher incomes has not effected any trend reversal on the

⁷ Viering, Jonas (2005): Düstere Zahlen, fehlende Jobs. Arbeitsmarkt bleibt 2006 unverändert. „Stille Reserve“ schrumpft, in: Süddeutsche Zeitung, 1 December 2005, page 18.

⁸ Schäfer, Claus (2005): Weiter in der Verteilungsfalle – Die Entwicklung der Einkommensverteilung in 2004 und davor, in: WSI – Mitteilungen, Heft 12, page 604

⁹ Source, 1975 - 2000: Statistisches Bundesamt (eds.) (2004): Datenreport 2004, Bonn, page 235; 2005 – 2009: Bundesministerium der Finanzen (2006): Deutsches Stabilitätsprogramm. Aktualisierung Februar 2006, Berlin, page 19.

¹⁰ Eißel, Dieter (2006): Verteilungspolitik im Zeichen des Neoliberalismus, in: Ruhl, Kathrin et al. (ed.): Demokratisches Regieren und politische Kultur, Münster

labour market. Conversely, the stated reason that these tax cuts had been dictated by worldwide competition is contradicted by the fact that Germany is in fact the world champion in exports.

1.3 Major trends – new and emerging challenges – key immediate and long-term risk factors – main groups at risk

Although the demographic changes were not the cause for the current financing problems in the welfare state, new structures of need are nonetheless emerging, necessitating an alteration of the course in social policy. This affects new fields in sick care, the specialisation in chronic-degenerative illness and multimorbidity, an increasing demand for out-patient, partial in-patient and in-patient care, new requirements on town planning and housing construction, new fields in social work. Besides, the volume of expenditure under the compulsory pension scheme is increasing with growing age. But relief in the sphere of children and youths is not to be expected immediately, because circumstances of a large undersupply so far exist in this field as well (care of children under the age of 3 and of school children from the age of 6). New areas of responsibility are emerging, for example in consequence of a grown interest of women in a better compatibility of family and gainful employment, also and not the least under changed perceptions of partnership. In addition, there are the problems of children from immigrant families, including those of German origin from Eastern Europe. Taken altogether, this means that social policy is currently under-going a phase of transition, where new fields of problems emerge, whereas – due to demographic reasons – no relief is occurring elsewhere to such a far-reaching extent that these new problem areas could be financed by means of justified cuts in other fields. In the three-tier German welfare state, including the pluralisation of services by voluntary welfare associations, the additional problem arises that the various levels and providers would like to divert savings in one field to other areas of responsibility which are perhaps not assignable to social policy in the narrower sense themselves (for example, savings in the school sector being diverted to the field of research and development).

In spite of more or less polemical remarks¹¹, a serious generalising statement about the effects of the merger of unemployment assistance and social assistance made last year within the scope of unemployment benefits II (Hartz IV) cannot be given as yet. Initial data of the socio-economic panel for 2005 confirm the presumption that in view of the estimated large number of unreported social welfare cases in Germany a similar effect has occurred as with regard to the number of unemployed persons, i. e. that the number of officially registered recipients of (minimum) benefits has increased and poverty which had partly been hidden before has become apparent, but that the poverty quota – *sic rebus stantibus* – has not changed as a result.¹²

The risk groups identified so far remain the same (cf. annex 1, figures 5,6 and 7):

- children and youths, before all from rather precarious situations in life
- single parents
- immigrants, here among others also children and youths with disadvantages in the school and vocational education system
- persons with special difficulties
 - Apart from these, the extensive expert opinions on the current 2nd National Report on Poverty and Wealth of the federal government indicate further social risk groups and social exclusion criteria (cf. Annex 5).

¹¹ for example: Bundesministerium für Wirtschaft und Arbeit (2005): Vorrang für die Anständigen. Gegen Missbrauch, „Abzocke“ und Selbstbedienung im Sozialstaat. Ein Report vom Arbeitsmarkt im Sommer 2005, Berlin.

¹² Vorläufige Berechnungen des Deutschen Instituts für Wirtschaftsforschung Berlin.

1.4 New legislation and policy development

During the period from the beginning of the dissolution of the German Bundestag to the formation of the grand coalition in November 2005, the possibilities of legislative work were drastically restricted. Attempts still to push through some laws considered especially controversial in July 2005 (e. g. an antidiscrimination law) failed. In the transition period to the year 2006, first legislative proceedings have been initiated and in part already been brought to a conclusion (cf. Annex 2). In view of the tour de force required in particular within the context of Hartz IV, and here especially with regard to the implementation on the local and regional level, analytical evaluations should exercise some restraint for the time being. Nonetheless, an Ombuds Council set up by the federal government and chaired by the former Prime Minister of Saxony, Kurt Biedenkopf, has already discovered some inconsistencies and gaps in the law and in practice and submitted suggestions for amendments.¹³

1.5 Progress in relation to country-specific challenges identified in the Joint Report on Social Protection and Social Inclusion

The Joint Report on Social Protection and Social Inclusion 2005¹⁴ identifies three Challenges ahead for Germany:

Challenges ahead:

- To ensure that the impact of the Hartz IV legislation as of 1.1.2005 does not lead more people into poverty. This implies on the one hand that the income situation of the most vulnerable should be secured, on the other hand, people with a capacity to work, whether they are receiving long-term unemployment benefits (ALG II), social assistance or without any benefit, should have access to adequate support to enter the labour market.
- To ensure that the measures foreseen for the sustainable integration of immigrants are well implemented in view of the difficult budget situation at all government levels.
- To prevent an adequacy gap in pension provision by promoting a longer working life and an increased participation in supplementary pension provision.

In last year's First Report we have already pointed out that the promoting elements in ALG II at first took second place to the conversion of the monetary benefit systems and the demanding elements. Part B of this Report will comment in detail on the further development, including the way (former) recipients of benefits are affected by income poverty.

Since 2005, the integration of immigrants is to be promoted before all by integration courses. The funds made available for these courses by the Federation were not completely exhausted last year. This is taken as opportunity, for example by the Federation's Immigration Commissioner, Maria Böhmer (CDU), to demand a cutback of funds in the course of the ongoing deliberations on the federal budget for 2006. It seems that a cut of 30 % is being considered.¹⁵ Other comments, for example from the voluntary welfare associations, point out the very high bureaucratic obstacles for the implementation and holding of the courses, which may explain why the budget was not exhausted during the last (initial) year.

No reliable forecast is possible today to which extent poverty in old age will increase because of the recent changes in pension laws. However, indications and supporting factors of a renewed increase of

¹³ Ombudsrat Grundsicherung für Arbeitssuchende (2005): Nach dreieinhalb Monaten Tätigkeit zog der Ombudsrat in seiner Sitzung am 14. April 2005 eine erste Bilanz, Pressemitteilung vom 14. April 2005, www.ombudsrat.de

¹⁴ European Commission (2005): Joint Report on Social Protection and Social Inclusion 2005, Luxembourg, page 39.

¹⁵ Einbürgern ein Staatsakt, in: Die Tageszeitung, 22 March 2006, page 2.

the currently low poverty quota among persons of pensionable age have been extant for years already due to professional biographies becoming more fragile, the continuing mass unemployment and an extensive low-wage sector. "Cutbacks in pensions and unemployment are already beginning to have an effect on pensioners: The younger recipients of pensions have, all in all, less money available than the middle-aged cohorts of pensioners."¹⁶ The quotas of employed persons having company or private pensions at their disposal do not suggest that before all in the lower income groups the cutbacks in the compulsory pension schemes will actually be offset.¹⁷ On the other hand, the federal government has stipulated a lower limit for the reduction of the amount of pensions under the statutory insurance scheme for the next decades. In addition, the minimum security for the elderly has been improved by means of the basic security in old age set up in 2004 (cf. our last reports and Part B of this report).

2. Recent policy and legislative development

With the new election of the Bundestag and following the Landtag elections in three federal states on 26 March 2006, several legislative procedures are now to be put in concrete terms (health reform, nursing care reform, minimum wage, parental benefits etc.) and in part be introduced into the parliamentary coordination process as early as by the summer of 2006. A more detailed list of the most recent relevant legislation and legislative projects can be found in Annex 2.

2.1 Modernise social protection systems

Since the great social reforms in the 1950s, the different branches of the system of social security have been balanced out anew time and again, in the 1970s rather pursuing an extension of the level of benefits with increasing volumes of revenue and expenses, and since the 1980s rather in the sense of restrictions, although there have in fact been new approaches and improvements in benefits during this period as well.¹⁸

This includes in particular the introduction of the nursing care insurance (cf. annex 1, figure 18). However, its basic problem was and still is that it is not a tax-financed social benefit law, but a social insurance scheme whose rate of contribution is fixed by law, contrary to the health insurance, where the revenue has, if necessary, to be adapted to expenses by means of increases in contributions. In view of the demographic changes and the increase of cases of illness in old age, including in particular psychical disorders (e.g. dementia), the reserves of the nursing care insurance scheme are exhausted. As the rates of benefit payments on the expense side are also fixed by law, this leads to an undersupply in two ways: For one, the rates of benefits are insufficient, before all with regard to the in-patient sector, to cover the costs arising from care. An increase in additional own payments of those affected or their dependants within the framework of familial subsidiarity is spreading. At the same time, the municipalities are burdened more strongly again within the scope of the "grants for nursing care" in accordance with the Federal Social Security Act, although the nursing care insurance scheme was supposed to lead to relief before all in this particular field, which had in fact materialised to a high degree in the early phase. The coalition has held out the prospect of new regulations in the coalition agreement, but without defining them more precisely so far.

The same applies to the compulsory health insurance system which again shows deficits in spite of a considerable shifting of costs to the private households (practice fee, additional own payments, shifting

¹⁶ Winkelmann, Ulrike (2006): Mehr Altersarmut, in: Die Tageszeitung, 9 March 2006, page 2.

¹⁷ see: Döring, Diether (2006): „Betriebsrenten stärker zur Pflicht machen, in: Die Tageszeitung, 9 March 2006 page 2.

¹⁸ see Boeckh, Jürgen / Huster, Ernst-Ulrich / Benz, Benjamin (2004): Sozialpolitik in Deutschland. Eine systematische Einführung, Wiesbaden, page 131ff.

of part of the sector of provided benefits to the private additional insurance within the framework of the compulsory health insurance system). Both coalition partners have different ideas how this dilemma should be solved: "Per capita lump sum" stands for the model of the CDU/CSU, "citizens' insurance" for the model of the SPD. As both parties have been unable to come to an agreement so far, a consensus is to be brought about in the course of this year. Considering that ca. 90 % of the resident population has coverage under the compulsory health insurance system, this reform constitutes a key instrument to push ahead more strongly with inclusion or to effect exclusion, depending on the solution which will be found.

The grand coalition has agreed on further changes with regard to the compulsory pension scheme as well. Especially spectacular is the decision to raise the age limit, beginning with the year 2012, gradually from the present 65 years to 67 years. In view of the current average age of 63 years for the beginning of the receipt of a pension, this means that pensioners who do not reach the regular age limit have to accept actuarial mathematical deductions and thus a deduction of pension payments. Employed persons with an especially large number of years of gainful employment are to be excepted.¹⁹ In connection with the imposed new zero round with regard to the adjustment of pensions, this announcement has led to heavy critical comments from the group of affected persons and their social associations, but also called the workers' and employees' representatives into action. While the federal government is correct in claiming that the zero rounds, when compared with the actual – decreasing – real wage development, mean that pensioners are, all in all, relatively better off, critics are equally right in pointing out that the real purchasing power of pensioners is not only decreasing, but that at this age there are hardly any possibilities left to offset this. Contrary to all wishes advanced in the political sphere, pensions drawn from the statutory system are still by far the predominant source of income especially for the recipients of income in the lower brackets (cf. annex 1, figure 17).

The "Riester Pension" introduced during the first term of the Red-Green federal government, a voluntary and privately financed provision for old age carrying tax privileges and being subject to governmental conditions, has been accepted in the meantime by no less than 5.6 Mill. persons as one of the possible variants for a third pillar of providing security in old age. "After a fast rise with 3.4 Mill. contracts by the end of 2002, this promoted private provision stagnated until the end of 2004. In 2005, statutory measures have led to rising numbers of contracts again."²⁰ For the groups of persons concerned, this could bring relief in future. In a second pillar (company pension schemes), a considerable part of the saved capital is based on the so-called conversion of remuneration, i. e. parts of the wage or salary - sometimes augmented by the employer - are saved for a private additional pension. In 2004, as the Federal Ministry of Labour has reported, ca. 60 % of all employed persons liable to contribute to social security, including civil servants, had meanwhile acquired entitlements to a company pension. Nonetheless, this second pillar of old age provision thus continues to be less important in Germany than in some neighbouring countries.²¹

But the dilemma remains how to make it plausible especially to younger gainfully employed persons that their considerable contributions to the compulsory pension scheme will lead to a pension level clearly standing out against the level of minimum security as stipulated in SGB XII. The basis of legitimacy for the considerable contributions to the compulsory pension scheme orientated to the standard of living is in danger of dwindling, if this system makes the actual safeguarding of the standard of living possible only, if a second company insurance or a third private insurance must be added. To put it pointedly: A

¹⁹ Sozialbeirat (2006): Gutachten des Sozialbeirats zum Rentenversicherungsbericht 2005 und zum Alterssicherungsbericht 2005, Berlin

²⁰ Sozialbeirat (2006): Gutachten des Sozialbeirats zum Rentenversicherungsbericht 2005 und zum Alterssicherungsbericht 2005, Berlin, page 25.

²¹ Europäische Kommission (2004): Angemessene und nachhaltige Renten. Gemeinsamer Bericht der Kommission und des Rates, Luxembourg, page 77ff.

rate of contribution amounting to 20 % is much more difficult to justify for an insurance scheme holding out the prospect of an insufficient or perhaps higher minimum security level for many people than a scheme guaranteeing a real minimum security in old age or one which - although at a higher rate of contribution or tax share - really and effectively secures the standard of living in old age.

2.2 Tackle disadvantages in education and training

A lessening of the social exclusion factors in the German education system is not in sight at the moment. This also and especially refers to the education opportunities of immigrant children (cf. annex 1, figure 9,10,11 1 and 12). Just recently, great public attention was attracted, when the whole teaching staff of a *Hauptschule* [secondary modern school] in Berlin with ca. 80 % of pupils of non-German origin unanimously demanded the dissolution of their school and type of school because of untenable educational conditions and social manners. In an appeal to this effect to the Senator for Education of Berlin they asked which sense it made "that in one school all pupils are collected who are not shown any perspectives either by their parents or by trade and industry in order to be able to live their lives in a meaningful way? (...) There are no positive examples for them in the school. They do not even get to know other young persons living differently. *Hauptschule* isolates them, they feel secreted and behave accordingly. Seen in perspective, the *Hauptschule* must be dissolved in this composition to make room for a new type of school with a completely different composition."²²

There is hardly any word at the moment used as frequently as PISA, but remaining without consequences with the same frequency, although just recently a representative of the United Nations has confirmed once more the selective components of the German education system in the course of an inspection tour.²³ The final report of the Long-Term Study of Child Poverty by the Workers' Welfare Association and the Institute for Social Work and Social Education (AWO-ISS) clearly shows that this selective effect already begins on the elementary level and is then solidified almost irreversibly on the primary level.²⁴ Quite to the contrary, virtually more and more severe selection filters are becoming apparent, differing from one federal state to the next. This affects German children from the lower strata of society, but before all also children with a migration background.

The Immigration Act has made language courses for immigrants obligatory. Besides, there are also semi-obligatory German language courses for immigrant children on the local and state level to an increasing degree. In some schools, this "obligation" is by now even going to the length that use of the native language is forbidden during breaks.²⁵ In addition, increasing efforts are made to improve the German language abilities of children by including their mothers in language courses.²⁶ Altogether, a broad range of different offers exists here; it will be a matter of finding a practicable middle course between the necessity of linguistic integration and the necessity of not being in a position in the final analysis to dispense with the voluntary cooperation of those affected.

The phenomenon of refusing school attendance exists in Germany as well. After such cases had initially been concealed or hushed up by schools and homes, this problem is meanwhile clearly recognised by

²² „Wir sind am Ende der Sackgasse“. Auszug aus dem Brief, mit dem sich die Lehrer der Rüttschule an die Berliner Senatsverwaltung wenden, in: Die Tageszeitung, 31 March 2006, page 2.

²³ <http://www.spiegel.de/unispiegel/schule/0,1518,402280,00html> Uno-Schulinspektor gibt Deutschland schlechte Noten, 21.02.2006

²⁴ Gerda Holz u.a. (2005): Zukunftschancen für Kinder. Wirkungen von Armut bis zum Ende der Grundschulzeit. Endbericht der 3. AWO-ISS-Studie im Auftrag der Arbeiterwohlfahrt Bundesverband e.V., Frankfurt am Main.

²⁵ Cf. <http://de.news.yahoo.com/29012006/336/pause-deutsch.html> In der Pause nur Deutsch, 29.01.2006

²⁶ Cf. Bundesministerium für Gesundheit und soziale Sicherung (2004): Strategien zur Stärkung der sozialen Integration. Nationaler Aktionsplan zur Bekämpfung von Armut und sozialer Ausgrenzung 2003 – 2005, Update 2004, Bonn, p. A73 (Nuremberg)

politics and science. The German Youth Institute in Munich assumes a number of 300,000 young people attending school only irregularly, occasionally and partially not at all.²⁷

Finally, a tendency not stopping at the state boundaries is becoming apparent - in glaring contrast to the national political debate – to tie educational opportunities more strongly again to private income or municipal budget situations. Examples for this tendency have already been identified by us in our last report.²⁸ Additional examples can be added:

- January 2005: The Federal Constitutional Court overturns the prohibition of tuition fees in the Länder. Right away, Bavaria, Baden-Württemberg, Hamburg, Lower Saxony and the Saarland declare that they want to introduce fees as quickly as possible. After the change of government in 2005, North Rhine-Westphalia joins this trend.
- January 2006: Land NRW intends to cut its subsidies for operating expenses for nursery schools by Euro 116 Mill. The shortfall is to be made up for by the cities and municipalities. Some local authorities - e. g. Rostock - likewise plan to reduce their share at the expense of the parents.

Conversely, one can also find examples in the federal system, reshaping educational opportunities - contrary to such a trend - more independently of municipal and individual income situations. Some local authorities (e. g. Kassel), but also some federal states set about reducing the fees for day nurseries drastically or abolishing them completely.

2.3 Eliminate child poverty and enhance assistance to families

The poverty quotas among children up to 15 years of age (2003 = 15.0 %) and in particular also among youths and young adults up to 24 years of age (19.1 %) are considerably higher than the average of all age groups (13.5 %).²⁹ And the “social assistance quota” is also much higher than the quota of the total population. The 10th Report on Children and Youths of the federal government dating from 1998 dealt in greater detail with these problems in the political context for the first time³⁰, after the infantilisation of poverty had already been complained of previously in the field of science (cf. annex 1, figures 5, 7 and 8).

Not the least for this reason, the federal Child Benefits Act has been amended in the context of the Hartz IV legislation to the effect that a child benefit supplement is paid in certain cases. If the income of

²⁷ <http://bildungsklick.de/serviceText?serviceTextId=20429> Man nennt sie Schulschwänzer, Jugendinstitut legt aktuelle Studie vor, 24.10.2005

²⁸ “Several Länder are meanwhile restricting the free supply of educational aids at the schools. Whereas in Brandenburg, for example, this free supply is embodied in the state constitution, parents meanwhile have to pay again up to € 100 per child and school year for school books and similar aids in Land Berlin. Excepted are recipients of state welfare assistance and rent subsidies; but before all low income recipients must accept considerable burdens. “In Lower Saxony, the free supply of educational aids is to cease with the beginning of the school year 2004/2005 because of the budget situation. Parents in North Rhine-Westphalia have to bear a share of up to 49 % of the costs for school books since the last school year.”²⁸ According to plans by the Bavarian state government, parents are also to pay for school books in future, between € 20 and 40 depending on the type of school, to relieve the treasury.²⁸ Exceptions are planned here as well (for families with low income and more than two children). Nonetheless, numerous own contributions of this kind and similar and reduced non-cash contributions by the Federation, Länder, local authorities and social security schemes are meanwhile adding up to higher and higher amounts even for families above a low income.” Huster, Ernst-Ulrich / Benz, Benjamin / Boeckh, Jürgen (2005): Assessment of the NAP implementation Report 2003 – 2005. Report 2005 of the German non-governmental experts in the field of poverty and social exclusion on the German NAPincl 2005, Bochum, page 19

²⁹ Bundesregierung (2005): Lebenslagen in Deutschland. Zweiter Armuts- und Reichtumsbericht, Bundestags-drucksache 15/5015, Berlin, page 262.

³⁰ Bundesregierung (1998): Bericht über die Lebenssituation von Kindern und die Leistungen der Kinderhilfen in Deutschland. Zehnter Kinder- und Jugendbericht, Bundestagsdrucksache 13/11368, Bonn, page 88f.

the gainfully employed persons living in a household drawing social security is so high that the adults do not need to claim ALG II, whereas the family context would turn this household into recipients of ALG II, the child benefit amounting to Euro 154 (from the first to the third child) can be increased by up to Euro 140 per child. At Euro 294, the total amount is still 10 Euro lower than the minimum maintenance requirement of a child as defined in the minimum subsistence report of the federal government, and even with the supplement the household drawing social security is living at the level of minimum security only; however, it is then no longer subjected to the restrictions in respect of the granting of benefits under the minimum security systems ("demanding").

Since the last legislative period, federal policy has already been aiming on the whole at improving gainful employment specifically among single mothers by means of enhancing the compatibility of family and occupation and also considers this to be a contribution to overcoming child poverty. Therefore, we have already reported about the initiatives on the federal level in this field in our last reports, for example about the Day Care Development Act and the initiatives "Alliance for the Family" and "Local Alliances for Families". These were also the subject of a peer review on the European level in December 2005.³¹

The Independent Commission of the 7th Family Report of the federal government completed in the summer of 2005 calls for a status of equal rank for time, monetary and infrastructure policy for families. However, in all three fields it is evident that no consistent policy for families has been established so far. Despite the funds spent on family policies to a considerable overall extent, Germany has so far not succeeded either in guaranteeing the compatibility of family and occupation or in combatting effectively poverty at an early age or in adolescence as well as among single parents and large families, nor in supporting to a sufficient degree the realisation of the desire of (potential) parents to get children. The long version of the 7th Family Report will be sent to parliament and presented to the public this spring, after the election of the new Bundestag has considerably delayed the preparation of the statement by the federal government.

The final report of the survey on child poverty and its consequences sounding out a constant group of persons over a longer period which was submitted by the Institute for Social Work and Social Education (ISS) and the Confederation of Workers' Welfare Associations (AWO) in December 2005 once again draws explicit attention to the consequences of income poverty in childhood. In this context it becomes evident which high importance is placed on the family with regard to the consequences of poverty as well as to ways and means to escape from it.³² "Poverty of a family is the strongest formative element for the children's situation in life and thus a central risk factor for a development in comfort."³³ At this point the access to gainful employment, social benefits and the equalisation of burdens for families must set in. However, coming as early as second, the ISS states: "Family activities (e. g. eating together with the parents, learning, shopping, playing, watching TV, going for excursions etc.) constitute the second most important factor explaining the different life situation of children (...)."³⁴ They were placed in importance before individual protection and risk factors (e. g. cognitive abilities) and any from outside the family (e. g. living environment). "Support by the parents, well-being in school, an extensive network of friendships and relatives as well as regular family and leisure time activities are to be considered

³¹ see: INBAS (2005): „The Alliance for the Family“. Reconciliation of Work and Family Life in Germany. Synthesis Report on the Peer Review Meeting held in Berlin, 13-14 December 2005, Offenbach am Main.

³² Gerda Holz u.a. (2005): Zukunftschancen für Kinder. Wirkungen von Armut bis zum Ende der Grundschulzeit. Endbericht der 3. AWO-ISS-Studie im Auftrag der Arbeiterwohlfahrt Bundesverband e.V., Frankfurt am Main.

³³ Arbeiterwohlfahrt Bundesverband (Hg.) (2005): Zukunftschancen für Kinder. Wirkung von Armut bis zum Ende der Grundschulzeit. Endbericht einer Langzeitstudie (1997-2004) im Auftrag des AWO-Bundesverbandes e.V., Bonn / Berlin / Frankfurt am Main, page V.

³⁴ *ibid.*

protective factors whose existence, apart from the factor poverty, decisively influences everyday life of the children and in the positive case facilitates the coping with burdens conditional on poverty.”³⁵

The rectification of the shortfall in child care facilities and all-day schools is already placed very high on the political agenda of federal politics, but is still counteracted to a considerable degree by the practice in a large number of Länder and municipalities. For example, in North Rhine-Westphalia only 2.8 % of all children under the age of 8 have a space in a crèche at the moment. The state government wants to raise this quota to 20 % by 2010.³⁶ Nationwide, the Day Care Development Act provides for an extension of offers matching demand until the year 2010. In the coalition agreement, the federal government has come to an understanding to introduce, if necessary, a legal claim for children under 3 years of age as well, in case an evaluation of the development in the year 2008 shows that this extension of the offer is too slow to go off the ground.

2.4 Ensure decent housing and tackle homelessness

As explained in our previous reports, strong relief has taken place on the housing market, and the number of housing emergency cases has been cut in half. This does not make further efforts to overcome already existing homelessness superfluous; however, there is a wide network of offering overnight accommodation and better feeding in Germany. Here again, as in other fields, one can note that the emergency cases are becoming younger and younger. At a very early stage, children and before all youths no longer see any perspectives for life which could induce them to meet the obligation to attend school and obtain vocational training. Conflicts in the family environment result in leaving it. Precise data are missing, but reports by the pertinent institutions show a clear tendency towards an increasing number of cases.³⁷

In the medium term, serious problems in combatting homelessness are to be feared insofar as even after the amendments according to the 2nd Amending Law to SGB II, no improvement of the legal situation will be achieved with regard to the regulations of § 22 SGB II and §§ 21 and 34 SGB XII, playing a central role for the assumption of arrears of rent. There is no legal basis for assuming debts in case of persons who do not (yet) receive recurring benefits for accommodation and heating. Even for these persons, an assumption of debts under SGB II is possible only through a loan, whereas SGB XII - excluding the clients of SGB II - also allows the local authorities assumption in the form of grants. In the opinion of the Federal Working Group Assistance to the Homeless, a way out of this mistake in comparison to the former legal situation of the Federal Social Security Act would be a reintroduction in the course of the planned law optimising the SGB II.³⁸

2.5 Improve access to quality services

The Federal Republic of Germany has a widely developed health system on the basis of nearly 100 per cent coverage of the population by either statutory and/or private insurance cover. The recipients of benefits of the minimum security system (ALG II, social assistance, so-called “Sozialgeld” as social assistance for members of a household whose head gets ALG II) are likewise either insured against illness or entitled to the benefits of SGB V, with the exception of sickness benefits. Since 2004, social

³⁵ *ibid*, page 207.

³⁶ Kitaplätze für Kleinkinder, in: Die Tageszeitung, 27 March 2006, page NRW 1.

³⁷ So Informationen bei einer Expertenanhörung des Neukirchener Jugendhilfeeinstituts und des Friedericke-Fliedner-Instituts in der Kaiserswerther Diakonie am 17.03.2006

³⁸ Gesetz könnte Arme obdachlos machen, in: Frankfurter Rundschau, 10 March 2006, page 4; Bundesarbeitsgemeinschaft Wohnungslosenhilfe e.V. (2006): Positionspapier der BAG Wohnungslosenhilfe zum Änderungsbedarf im Sozialgesetzbuch II, 15 March 2006, www.bag-wohnungslosenhilfe.de.

assistance recipients are also furnished with chipcards so that they can no longer be identified as such in the health system. But in spite of this degree of almost 100 per cent coverage by insurance, certain groups of people are being excluded from any kind of insurance coverage as of late³⁹, and the German health system continues to be class-related and ethnically pre-shaped to a high degree. By way of example, this is demonstrated in the last annual opinion of the Council of Experts for the Appraisal of the Overall Economic Development in the Health System (cf. annex 1, figure 16).⁴⁰ On the level of the perception of symptoms, the use of diagnostic tools, the therapy to be pursued and after-care, socially selective elements are effective, resulting in a clearly worse health status and a lower life expectancy in the lower social segment.

More recently, developments towards a privatisation in the in-patient sector of the health system are intensifying.⁴¹ In view of the restrictive possibilities of refinancing in the context of public health insurance, privately insured patients are already being charged by the private offerers of out-patient care to make up for losses in the public sector.⁴² It is to be expected that a privatisation of in-patient care services will lead to a considerable strengthening of the trends towards two-tier medical services.

The demand to promote life-long learning is widespread in politics. It is also explicitly mentioned by the federal government in its previous National Action Plans and in the National Reform Programme Germany; however, competencies are resting mostly with the Länder and the commercial enterprises themselves. Especially in the small and medium enterprises, considerably lower efforts can be observed here⁴³, whereas the larger enterprises are backing further training. Within the framework of SGB II and III it is in fact a duty of the Employment Agency to offer and arrange for further training. The instrument of the integration agreement could be used accurately to assist in overcoming unemployment. However, it needs to be evaluated in how far the necessary financial means and suitable structures of offers are available for this purpose.

Surveys among experts and reports by institutions of voluntary welfare work and other private support agencies show that the supply with social services is, all in all, drifting apart more strongly than ever. For one, it can be seen in the socio-educational field that the offers of services whose type and scope are not defined by law (open youth work, family education, cultural offers etc.) are frequently reduced, whereas in the field of obligatory services which are established by law and individually enforceable financial means must be expended to an increasing degree. Those municipalities in North Rhine-Westphalia whose budgets show a deficit and have been subjected to fiscal control by the District Administrations may serve as example here.⁴⁴ Secondly, there is an increasing number of cases that legal claims to socio-educational benefits must be enforced through the courts.⁴⁵ Finally, costs are

³⁹ „A growing problem is the access of (precariously) self-employed persons to the provision of health care services. Meanwhile, an estimated 300,000 persons are presumed to have lost all insurance coverage for illness, because they can no longer pay their private insurance premiums nor get back into the statutory health insurance schemes (which are cheaper, depending on age and health condition).“ Huster, Ernst-Ulrich / Benz, Benjamin / Boeckh, Jürgen (2005): Assessment of the NAP implementation Report 2003 – 2005. Report 2005 of the German non-governmental experts in the field of poverty and social exclusion on the German NAPincl 2005, Bochum, page 18

⁴⁰ Sachverständigenrat zur Begutachtung der Entwicklung im Gesundheitswesen (2005): Koordination und Qualität im Gesundheitswesen, Bonn. Cf. auch die Studie der Bertelsmannstiftung im Zusammenhang mit der Armuts- und Reichtumsberichterstattung der Bundesregierung.

⁴¹ Ein besonders markantes Beispiel ist, dass zum ersten Mal in der deutschen Geschichte zwei zuvor staatliche Universitätskliniken – Gießen und Marburg – an ein privates Wirtschaftsunternehmen verkauft wurden.

⁴² Cf. Die Welt vom 11.07.2005

⁴³ Bundesregierung (2005): Innovation forcieren – Sicherheit im Wandel fördern – Deutsche Einheit vollenden. Nationales Reformprogramm Deutschland, Berlin, page 11.

⁴⁴ Anfang 2004 mussten bereits 115 der 427 Kommunen in NRW ein Haushaltssicherungskonzept führen. Weitere 65 Gemeinden verfügten nicht einmal über ein genehmigtes Konzept; Marler Zeitung, 14. February 2004, page 1.

⁴⁵ Cf. Hinrichs, Knut (2003): Selbstbeschaffung, Beurteilungsspielraum und weitere Probleme jugendhilfe-rechtlicher Individuelleistungen in der Rechtsprechung, in: Zentralblatt für Jugendrecht, Heft 12, 90. Jahrgang, page 449 ff.

shoved back and forth between the social systems, for example from family assistance to psychiatry and vice versa. Competencies are becoming blurred. At the same time, a discussion has flared up whether expended funds are in fact used efficiently. Limitations of funds, insufficient efficiency and strong vested interests of existing institutions, taken altogether, lead to the suspicion that there is a considerable undersupply, although this has not yet been investigated so far by means of an adequate evaluation.⁴⁶

Moreover, politics often contradict in performance what they have just introduced on the legislative level. For example, a civilian insolvency law has been introduced to counteract the growing number of households involved in debt. About 3.1 Mill. households are heavily indebted in Germany.⁴⁷ Simultaneously, some Länder and municipalities are withdrawing from the financing of legal advice.⁴⁸

The situation of public transportation is contradictory: Whereas a broad offer is provided in the population centres, it is reduced in the less populated areas. At the same time, the private offers (centralisation of shopping opportunities, the location of doctors, hospitals, banks etc.) and the public offers (Employment Agencies, ARGE, postal agencies now also run by private institutions etc.) are becoming more and more centralised. This way, people - in particular older persons - who are not mobile for lack of a car are increasingly subjected to social exclusion. Making up for these offers through electronic services (eBay, homebanking etc.) not only presupposes a pertinent material infrastructure, but also abilities which ca. 30 % of the population cannot muster.⁴⁹

2.6 Integration of people with disabilities, ethnic minorities and immigrants

Federal German policy can record clear progress with regard to the integration of people with disabilities (education, training, labour market, access without barriers to public offices, public institutions, media etc., cf. annex 1, figure 13).⁵⁰

On the other hand, the situation for certain groups of immigrants is problematical: Even in the third generation of immigrants, Turkish and Italian children and youths have on average the worst secondary school qualifications, problems with vocational training and access to the labour market, whereas the problems are considerably smaller for other ethnic minorities. A special case are the immigrants of German origin from Eastern Europe. Whereas the adults mostly find work, although rather in the low wage or low qualification sector, the children and youths before all have great problems with integration. Among them, as among young people from Turkey or the Balkans, property offences and the use of force occur increasingly often.⁵¹

⁴⁶ Expertenhearing des Neukirchener Jugendhilfeinstituts und des Friederike Fliedner Instituts zum Thema Ressourcenverknappung mit Verantwortlichen Leitungen der Einrichtungen Vorständen Diakonischer Einrichtungen und Vertretern der Kommunen, des Landes NRW sowie der überörtlichen Träger im Zeitraum zwischen März 2005 und März 2006. Auswertung durch die wissenschaftlichen Leiter – Sabine Kühnert und Ernst-Ulrich Huster - im Erscheinen.

⁴⁷ Millionen in der Schuldenfalle, in: Frankfurter Rundschau, 16 February 2006, page 11; cf. Korczak, Dieter (2004): Überschuldungssituation in Deutschland im Jahr 2002, München

⁴⁸ For example Hesse and Bavaria; Heininger, Wolfgang (2004): Bundesländer streichen Schuldnerberatern die Mittel, in: Frankfurter Rundschau, 18 June 2004, page 12; Arbeiterwohlfahrt Bundesverband (2004): In der Schuldenfalle. Private Insolvenzen steigen - Schuldnerberatung vor dem Konkurs, AWO Magazin, No. 4/2004, Bonn.

⁴⁹ Zwölfter Kinder- und Jugendbericht (2005): Bericht über die Lebenssituation junger Menschen und Leistungen der Kinder- und Jugendhilfe in Deutschland und Stellungnahme der Bundesregierung. Drucksache des Deutschen Bundestages Nr. 15/6014; cf. Neukirchener Jugendhilfeinstitut: Medienkompetenz bei sozial benachteiligten Kindern und Jugendlichen, im Erscheinen.

⁵⁰ cf. unsere bisherigen Berichte aus den Jahren 2004 und 2005.

⁵¹ Kriminologe sieht alarmierende Trends bei Jugendgewalt – Christian Pfeifer: Jugendkriminalität ist aber in den vergangenen Jahren gesunken, vom 09.03.2006 in: <http://www.3sat.de/SCRIPTS/print.php?url=/nano/astuecke/89554/index.html>

In view of the defensive barriers put up at the borders in practically all Schengen states, the number of asylum-seekers has drastically gone back in Germany as well, and the recognition quota is still extremely low. In 2005, only 411 asylum-seekers were recognised. Including the persons admitted in accordance with the Geneva Convention on Refugees, only 0.9 % out of 29,000 asylum-seekers were granted the right to stay in Germany last year according to information provided by the Catholic Welfare Association Caritas.⁵²

In the spring of 2006, a debate about tests as part of the procedure to obtain German citizenship flared up, which Baden-Württemberg has been administering since the beginning of the year to check the loyalty to the constitution of immigrants who wish to become naturalised and which Hesse also wants to introduce, whereas this is already common practice in Saxony. In this context, the different conception of the tests and regulations in the Länder is critically debated and questions are raised about possible nationwide standards⁵³ and the chances and limits of effectiveness as well as the requirements of conceptions free from discrimination. The test in Baden-Württemberg is geared especially towards Muslims. The Max Planck Institute for International Law is of the opinion that the test violates international law, because numerous questions are deemed to come within the sphere of the freedom of opinion and freedom of conscience.

Plans to increase the minimum age to enter the country for foreign spouses which are meant to proceed against coercive marriages and demands to require knowledge of the German language from these spouses already on occasion of entry to the country have likewise triggered discussions within the government camp, with the opposition and with associations of immigrants.⁵⁴ No decision has been made as yet whether to revise or keep the previous practice. As an interdepartmental draft for an EU Directives Act incorporating 11 EU directives into German law had already been presented and the mentioned hurdles for immigration were supposed to be made higher, an agreement is now aimed at because of the objections in 2006.⁵⁵

Incorporation of the Antidiscrimination Directive of the EU into German law is still outstanding. After a draft bill of the Red-Green federal government had failed in the summer of 2005 due to opposition by the Bundesrat, the current coalition partners hope to be able to agree on the extent of the guarantees against discrimination this spring and to pass the law before the summer recess of Parliament. So far, the protection against discrimination on account of age, disability, religion and sexual orientation which goes beyond the contents of the EU Directive has been disputed; while Social Democrats and Greens demanded it, the CDU/CSU rejected it.⁵⁶

3. Assessment

3.1 Changes in budgetary allocations to policy measures

The political decisions since the formation of the grand coalition are directed at growth impulses for the economy and prioritisation in research and education. We have pointed out that in this connection ambitions of the federal level in the education sector and actual developments in the Länder - which are

⁵² Tieben, Angela (2006): Grundrecht auf Asyl. Nur noch eine leere Hülse, in: Neue Caritas, 4/2006, page 3.

⁵³ Einbürgern ein Staatsakt, in: Die Tageszeitung, 22 March 2006, page 2. Härtere Regeln für Einbürgerung, in: Frankfurter Rundschau 6 May 2006, page 1

⁵⁴ Cf.: Verband binationaler Familien und Partnerschaften (IAF) (2006): Stellungnahme zum Gesetzentwurf der Bundesregierung vom 3. Januar 2006 betreffend die Umsetzung aufenthalts- und asylrechtlicher Richtlinien der Europäischen Union, Frankfurt am Main.

⁵⁵ Gaserow, Vera (2006): Verschärfung durch die Hintertür, in: Frankfurter Rundschau, 15 March 2006, page 3; SPD bremst Schäuble, in: Die Tageszeitung, 23 March 2006, page 7.

⁵⁶ Annäherung bei Gesetz gegen Diskriminierung, in: Frankfurter Rundschau, 2 March 2006, page 4.

essentially competent for education matters - and the municipalities are sometimes falling far apart. Decisions having been taken are in part refinanced by cutting benefits in other fields so that the overall volume of federal spending hardly changes. The opposition criticises that these measures are by no means sufficient. Part of these measures which have now been decided is, among others, the possibility of tax deductions for care services for children and household-related services. This way, the compatibility of family and occupation is to be improved and simultaneously illicit work to be counteracted.⁵⁷ However, the limits within which public spending can be financed through credits is exhausted. Germany was granted a final deadline by the European Commission to fulfill at least one of the Maastricht criteria by 2007, namely to limit new borrowing to below 3 % of the GDP; otherwise, financial penalties may be imposed. In order to reach this goal, the coalition agreement calls for an increase of the value-added tax by 3 % to take effect on 1 January 2007. With this increase, the lowering of the contributions to the unemployment insurance by 2 points from 6.5 % to 4.5 % of the gross wage is to be counterfinanced. The rest of the income is to be used for limiting new borrowing as from 2007.⁵⁸

With its intention to reduce the public spending quota to 43.5 % of the GDP again in 2009, the new federal government all in all tightens the line pursued by the previous Red-Green coalition.⁵⁹ The tax reform of 2000 already relieves commercial enterprises and private households “by almost Euro 60 Bn. year after year”.⁶⁰ However, the upswing this relief was hopefully to bring with it and the accompanying self-financing effects of the decreases of the tax rates have failed to materialise. The structural deficit of the federal budget, as the government has stated, rather amounts to Euro 35 Bn. at the moment.

Public spending and poverty quotas in West European neighbouring states of Germany

State	SE	DK	FR	AT	DE	UK	IE	EU25
Public spending quota 2003 ⁶¹	58.7	55.8	54.0	51.1	49.1	43.2	33.9	48.3
Poverty quota 2003 ⁶²	11	12	12	13	15	18	21	16

Although no direct connection exists between the public spending quota and poverty situations, the volume of public finances in comparable neighbouring states of Germany shows how much better results with regard to growth, employment and social solidarity are possible with a different macroeconomic course of action. The continuing burdens of ca. 4 % of the GDP conditional on reunification also speak against a reduction of the public spending quota to the level of West Germany in the early 1970s.⁶³ At that time, both the expansion of education and mass unemployment were still to happen. Besides, expenditures for pensions, health and long-term nursing care were lower back then. Finally, such a reduction of the state budget is possible only with continuing drastic cuts in the safety net of social services, considering that the budget of the Federal Ministry of Labour and Social Affairs has by far the largest volume of all Departments in the federal budget.

⁵⁷ Frankfurter Rundschau, 18 March 2006, page 1.

⁵⁸ CDU / CSU / SPD (2005): Gemeinsam für Deutschland. Mit Mut und Menschlichkeit. Koalitionsvertrag von CDU, CSU und SPD vom 11. November 2005, Berlin, page 21.

⁵⁹ CDU / CSU (2004): Weichen stellen für Deutschland. Wachstumsprogramm von CDU und CSU, Beschluss der Präsidien der Christlich Demokratischen Union und der Christlich-Sozialen Union am 7. März 2004, page 8.

⁶⁰ Bundesregierung (2005): Innovation forcieren – Sicherheit im Wandel fördern – Deutsche Einheit vollenden. Nationales Reformprogramm Deutschland, Berlin, page 23.

⁶¹ Source: Eurostat, nach: Statistischem Bundesamt: www.destatis.de/daten1/stba/html/basis/d/fist/fist028.php

⁶² Source: Eurostat, nach: Guio, Anne-Catherine (2005): Income Poverty and Social Exclusion in the EU25, Statistics in focus, Population and social conditions, 13/2005, Luxembourg.

⁶³ Cf.: Schäfer, Ulrich (2006): Der Einfluss des Staates schwindet. Große Koalition will Staatsquote auf Niveau der 70er Jahre zurückführen. Einsparungen bei den Sozialleistungen, in: Süddeutsche Zeitung, 24 February 2006, page 21.

The problem of the federal financial system has not yet been regulated efficiently with the reform of federalism now introduced into the legislative procedure. Especially the inclusion of socially disadvantaged people would require a better coordinated strategy between the central federal services (pension, health benefits, monetary benefits in case of unemployment etc.) and the decentralised social services which often become all the more necessary, if the direct financial transfers are cancelled or too low. As the Federation, Länder and local authorities on the one hand have fiscal jurisdiction of their own, but on the other hand are connected with each other through financial equalisation between the Federation and the Länder as well as between the Länder and the local authorities and the latter in turn are connected with each other through the municipal financial equalisation scheme, it is not possible in Germany to have uniform standards determined by the central government and make the funds necessary for this purpose available or refuse them; very heterogeneous decisions rather come together which in one town leave scope, for example, for inclusion projects, whereas in other towns no such scope exists due to the financial situation or other priorities being set. This also concerns the situation in the various Länder.

3.2 Other reforms so as to achieve the objectives

The Red-Green federal government had taken up office with the goal to make the existing security systems safer, eventually with regard to pensions by means of the sustainability factor and the extension of private provision for old age and in the field of health care by means of a redistribution of costs at the expense of the patients and the insured. Both measures did not consider the structural problem that financing of the central security systems in the first line through social security contributions will not suffice. As regards pensions, a federal grant exists, however, it seems that it no longer can, or is meant to, compensate for the growing discrepancy between the income from contributions and the expenses for benefits. According to the National Reform Programme, the dynamic factor of the federal grants is to be stopped for the compulsory pension scheme and even be reduced to zero for the health insurance schemes and the Federal Agency for Employment.⁶⁴

The introduction of the eco tax was a step towards closing the discrepancy between social need and income resources by means of raising the price of consumption and an - indirect - easing of the factor labour. It makes sense to adapt the VAT rates in Germany to those of the average of the EU member states. However, this revenue should be used to an even stronger degree than planned to relieve the factor labour. The relief of the net wages would lead to strengthening of the overall demand and offset the effect of the VAT increase restraining consumption. At the same time, the group of persons would be called upon to make a larger contribution to the financing of the central social security systems - pensioners and persons in need of nursing care - who profit the most from these central funds. This would at least be a strategy geared more strongly to inclusion than a continuing lowering of the real benefits (also by means of non-adjustment). The VAT increase must be accompanied by a corresponding increase of the benefits of the minimum security, because otherwise these measures would mean a real lowering of the minimum benefits.

Very important for combatting income poverty in spite of gainful employment and for the prevention of poverty in old age could be the introduction of a statutory minimum wage (where there are no preponderant collective agreements). This is currently being debated by the coalition partners.⁶⁵ However, substantial information on this point can only be provided in our next reports, because the project is currently still in the stage of forming opinions.

⁶⁴ Bundesregierung (2005): Innovation forcieren – Sicherheit im Wandel fördern – Deutsche Einheit vollenden. Nationales Reformprogramm Deutschland, Berlin, page 30.

⁶⁵ Die Welt vom 03.04.2006: Regierung streitet über Mindestlohn. Steinbrück äußert Bedenken – Merkel und Müntefering sind dafür

3.3 Mainstreaming social inclusion policy in other decision-making

As already stated several times in former reports, it is in the nature of the graduated federal (welfare) state that a coordinated consistent mainstreaming of social inclusion policies is difficult to implement. Nonetheless, uniform standards are developing in the Federal Republic of Germany through mutual learning processes. In this respect, the voluntary welfare associations operating nationwide, but also, for example, the German Society for Public and Private Welfare (DV), play a prominent role. However, there is no management instrument on the national level like a firmly established Open Method of Coordination which could promote the process of integrated thinking and acting through (regional) National Action Plans.

Looking at the coalition agreement and the National Reform Programme, one gets the impression that no change is to be expected in the foreseeable future. Quite in accord with the revised Lisbon strategy, social policy is seen before all from a “feeding in” perspective with regard to a labour policy which promotes employment. The necessity of a systematic “feeding out” does not arise in this logic or answers itself, for the desired “feeding out” consists in an improved social integration into the labour market. If this integration does not materialise, this only means that the supply conditions for the factor labour must be further improved in favour of the economy.

3.4 Education

Education and vocational training are to keep their central political role, but these proclamations are followed by too few actions. Before all the ideological adherence to the German three-tier school system, the heavier weighting of the second school phase leading to intermediate school leaving examinations and university entrance qualifications in comparison with the primary phase and finally the long-standing neglect of the elementary phase have reduced even further the chances of socially disadvantaged children ever to get the support they urgently need. There is only a vague prospect that this course may be altered.

The contrary is the case: During the current legislative process concerning the reform of federalism, it is particularly the Länder governed by the CDU/CSU which insist on the exclusive competency of the Länder in educational matters.⁶⁶ In addition to the danger of a parochial divergence of educational standards, the risk is thus increased that possible beginnings of reforms in some of the Länder to overcome this three-tier system would be counteracted by the reality of educational qualifications no longer recognised by other Länder. Instead of a polarising reform of regulating competency in educational matters in the direction of a one-sided state or federal jurisdiction, a direction of reform would presumably promise better success which - similar to child and juvenile law - would combine a federal framework defining minimum standards with possibilities for the Länder to emphasise certain features and the regulation of details by the local authorities.

3.5 Child poverty

The turn in family policy initiated during the second term of the Red-Green coalition (2002 - 2005), namely to try to improve the compatibility of family and occupation (e. g. day nurseries, all-day schools) instead of further increasing the general direct benefits for families (in particular child benefits), is continued by the current grand coalition in principle, following an about-turn in family policy in recent years before all by the CDU/CSU. The conservative image of the family which had been advocated for a long time (the woman belongs to the children, hence the compatibility of family and occupation is not to be aimed at) has meanwhile been given up not the least because of the electorate of the CDU/CSU in

⁶⁶ DER SPIEGEL 6/2006 from 6.02.2006, page 26 f; DER SPIEGEL 11/2006 from 13.03.2006, page 24 ff.

the cities.⁶⁷ But here again, it is a matter for the Länder to establish all-day schools and then also to decide for which types of schools. In the final analysis, it is a matter for the local authorities to set up all-day nursery schools, day nurseries or day-homes for children. Nonetheless, it can be observed that a consensus which is more than vague has emerged that the care for children from 0 to 10 years of age must be strengthened all in all and, if possible, be offered for longer than during the morning hours only.

The financial services for children and families come mostly under the Federation's own jurisdiction. With the introduction of the child benefit supplement in 2005, its planned further development in 2006 and the planning of parental benefits depending on income as from 2007, a new political trend for the future has been introduced. From the point of view of poverty policy, it seems to be a step in the direction of a necessary further development of the equalisation of family burdens, although it is not yet sufficient. Especially if part-time employment is to be promoted, a minimum wage to be fixed at a low level and the low wage sector to be extended, the demand for strengthening of a poverty-proof minimum security for children raised by voluntary welfare and family associations gains in importance. Improvements in the equalisation of family burdens for lower and medium income groups and the strengthening of an institutional infrastructure for families are necessary elements for the successful fight against multidimensional poverty at an early age.

3.6 Gender

General statements are not possible here, because too many levels of action and actors are involved. For example, some political parties have decided to regulate the proportion of women among political representatives in a specific manner. The EU Directive on Equal Opportunities and Equal Treatment for Women and Men has not yet been implemented in Germany, because attempts by the former Red-Green federal government to extend, among others, the gender aspect beyond this directive met with heavy resistance by the opposition and thus by the Bundesrat. All in all, very strong gender-specific nuances are still to be found in Germany⁶⁸: Wages for women are still 23 % lower than comparable wages for men (annex 1, figure 2), and with regard to vocational training as well as courses of studies women decide to a disproportionately large degree for professions in which - as a rule in the public service - the compatibility of family and occupation can be reached better through part-time regulations. In the professional hierarchy, women are clearly holding worse positions than men. Sexual harassment at the workplace is still reality in spite of the shifting of the onus of proof to the molester instigated by law. The mentioned parameters continue to be current in spite of numerous legal regulations and the reversal of role models in certain areas. Nonetheless, in trade and industry the top positions are almost universally a male preserve. This points at the same time to the limits of exerting influence through regulations by the state.

3.7 Developments in the role of main stakeholders

As emphasised time and again in our previous reports, the possibilities of the stake-holders to participate are highly formalised with regard to the legislative procedures, the passing of implementing provisions etc. This affects not only the federal level, but the Länder and local authorities as well. Public and voluntary welfare work are tied to each other in central institutions; voluntary welfare associations for their part have established own working groups on the federal, state and local level. The voluntary welfare associations themselves do not have a centralised structure, the various levels each have specific functions.

⁶⁷ Cf.: CDU will ihr Familienbild korrigieren, in: Frankfurter Rundschau, 6. November 2004, page 23.

⁶⁸ Bothfeld, S. u.a. (2005): WSI-FrauenDatenReport, Köln

With the Hartz IV legislation, a decision has been made that all stakeholders, i. e. the institutions of the Employment Agencies, the local Social Welfare and Youth Welfare Offices as well as the private providers of services, are to cooperate in pursuing the goal to integrate long-term unemployed persons: This goes beyond the previous corporate participation procedures. When the SGB II was passed, the voluntary welfare associations obtained a provision that this particular aspect is to be reviewed in a separate evaluation procedure (§ 55 SGB II). This will be carried out for the first time in 2007.

In connection with the reporting on poverty and wealth, the federal government has appointed a Permanent Council of Advisers on which, in addition to scientists, the most diverse representatives of the stakeholders are represented. With the series of events ForTeil⁶⁹ and the project of an "Information Exchange"⁷⁰ commissioned by the Federal Ministry of Social Affairs, an attempt is undertaken to make the approach of the OMC, including the National Action Programmes for social inclusion, more popular among the general public. However, it becomes apparent that no success has been achieved so far in heightening public awareness beyond a relatively small group consisting mostly of those involved. In parallel, an initiative coming from the ranks of the NGOs and funded by the European Commission has established itself which critically accompanies the NAPincl process with a series of events "NAPsens".⁷¹ Insofar, a critical debate about the OMC and the NAPincl carried on by the Federation and a debate carried on by private stakeholders are taking place nationwide. Central statements by the voluntary welfare associations, the National Conference on Poverty, but also by the regional and local conferences on poverty and other NGOs, confronting the mainstream of a "feeding-in" which is taken for granted with critical positions, are becoming more important than ever.

3.8 Other relevant country-specific information

The shaping of German unity continues to be a long-lasting challenge for the future. The National Reform Programme Germany estimates the volume of direct transfer payments from West to East to amount to 4 % of the GDP. Besides, large requirements with regard to the quantity and quality not only of the social infra-structure, the renovation of residential housing and vocational training still continue to exist here. Simultaneously, the population in some East German regions is decreasing so that the existing relief institutions are sometimes not fully stretched and must be amalgamated or closed.

3.9 Regional and local interests

As already described in previous reports, the federal welfare state has advantages and disadvantages. Advantages are to be seen in the fact that individual actors on the local and regional level can proceed with the improvement of social services specifically for groups of persons who are extremely burdened socially. Conversely, bad practice examples in some municipalities or Länder are now taken as models for cutbacks of benefits in other fields (e. g. with regard to cutbacks in benefits for the blind and the promotion of recreation projects for poor families). But it can also be observed that, while cutbacks occur overall, they have very different effects locally and regionally. There are good practice examples as well as bad practice examples for this. At the same time, it becomes apparent that the aggravated refinancing conditions also lead to the result that voluntary support agencies withdraw from certain areas of social services.

⁶⁹ cf. Institut für Sozialarbeit und Sozialpädagogik informiert, Heft 1/2005 page 2; Pressemitteilung: Auftaktveranstaltung „FORTEIL“ – „Forum Teilhabe und soziale Integration“ vom 07.03.2005

⁷⁰ cf. Institut für Sozialarbeit und Sozialpädagogik, Script

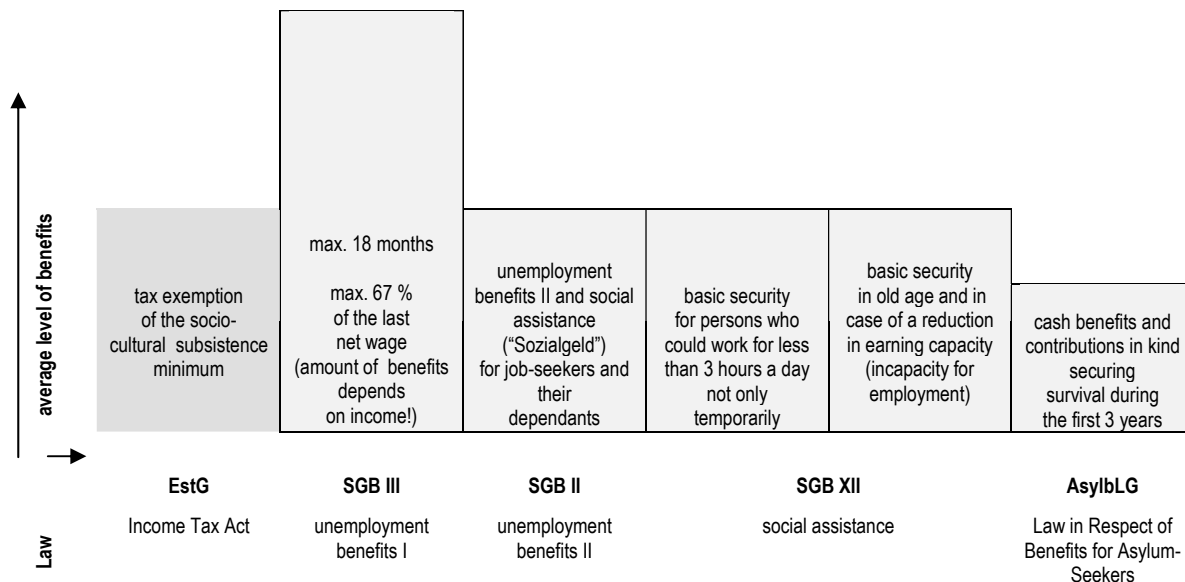
⁷¹ cf. <http://www.lawaetz.de/af/few/projekte.html>

B. Active inclusion and minimum resources

1. A review of minimum income (MI) schemes to help people escape extreme poverty

Different instruments to achieve minimum security exist in the Federal Republic of Germany which are geared to persons who are gainfully employed or not gainfully employed for different reasons (age, disability, unemployment). In this context, the benefits of social assistance according to SGB XII serve as “last safety net” of social security and at the same time as reference system for an assessment of the subsistence minimum. In accordance with § 28 SGB XII, they comprise the normal requirement for the expenses of daily life in the form of a standard rate graduated according to age groups, and under § 29 SGB XII the appropriate costs of rent and heating. § 30 SGB XII establishes a claim to particular extra requirements in case of special contingencies in life (e. g. special nutrition, pregnancy, single parents). Finally, § 31 SGB XII provides for the granting of non-recurring benefits (e. g. initial furnishing of a flat and basic provision of clothing). Through the SGB XII, all citizens in Germany substantively have a legal claim and access to social transfers providing minimum security.

Selected social security benefits in the Federal Republic of Germany



Own graph

Taking precedence over social security benefits is the tax exemption of one's own income up to the amount securing subsistence (EStG).

Subsequently, three types of minimum security are distinguished:

- Combination of minimum security and (re-)integration into working life (SGB II)
- Securing of minimum benefits in cash without an obligation to cooperate relating to gainful employment (SGB XII)
- Securing the subsistence of asylum-seekers (AsylbLG)

1.1 The fiscal subsistence minimum

The subsistence minimum is fiscally protected in the Federal Republic of Germany. According to rulings by the Federal Constitutional Court, the tax burden imposed on income by direct taxes must not jeopardise the necessary level of subsistence or lead to the situation that a claim for social security benefits arises. The amount of the subsistence minimum to be protected fiscally can be determined by the legislator at his discretion. In practice, the benefits under the law of social assistance according to SGB XII are taken as norm.

By decision of the Bundestag of 2 July 1995, the federal government has to submit a report about the amount of the minimum of subsistence for adults and children every two years. The calculation of the fiscal minimum of subsistence comprises the costs of the necessary level of subsistence of the taxable person and his family members (calculated on the basis of the standard rates according to SGB XII), accommodation (calculated on the basis of the rent subsidy statistics of the Federal Statistics Office), heating (calculated on the basis of the income and consumption sample) as well as the requirement for care and education or training of the children (assessed on the basis of the tax-free allowances of the income tax law).

Material subsistence minimum amounts and tax-exempt allowances (in Euro)

	Singles	Married couples	Children
Level of subsistence	4,164	7,488	2,688
Rent	2,592	3,984	804
Heating costs	600	768	156
	7,356	12,240	3,648
Material subsistence minimum analogous to guidelines under SGB XII			
	7,664	15,329	3,648
Tax-exempt allowance according to current income tax law			

Source: *Deutscher Bundestag (2004): Report on the amount of the Subsistence Minimum for Adults and Children for the year 2005 (Fifth Subsistence Minimum Report), printed paper 15/2462, Berlin, page 5.*

1.2 Social assistance according to SGB XII

With effect from 1 January 2005, the law of social assistance was integrated into the Code of Social Law as Twelfth Book. The group of persons covered by it is not, or no longer, available to the gainful employment market. Insofar, a corresponding obligation to cooperate is inapplicable here. The previous systematic differentiation of benefits into subsistence grants and assistance to meet special contingencies in life was dropped, but the contents of the benefits were kept.

- The standard rates were adjusted and now contain as lump sums most of the previous non-recurring benefits. Therefore, the recipient of assistance no longer has to visit the Social Welfare Office to apply for individual services. Not included in the standard rate are the costs of accommodation and heating, initial furnishing of a flat and basic provision of clothing, Christmas grants, costs for trips of the school class lasting for several days, contributions to the social security systems as well as requirements in special cases and extra requirements. With effect from July 2006, the standard rate for the head of the household amounts to Euro 345 in West Germany (East: Euro 331), 60 % of this rate for household members up to the age of 14 and 80 % as from the age

of 15. In comparison with the old regulation, this means a material improvement for children up to the age of 7 and a deterioration for children between the ages of 8 and 18. Contrary to ALG II as provided for in SGB II, the different standard rates for West Germany and East Germany will remain under SGB XII, following the discussion to date and the legal situation.⁷²

- Activating elements are to be strengthened by means of better advice services, mutual written agreements (promotion plan procedure) and the provision of day-care spaces for the children of single parents.
- Integration benefits for disabled persons and persons in need of nursing care are likewise part of SGB XII; their amount is governed by the regulations of SGB IX (rehabilitation and participation of persons with disabilities). With § 57 SGB XII, the possibility has been created to receive the benefits in the form of a *personal budget* irrespective of the responsible support agencies. This is a cash payment with which certain care services can be organised and paid for individually. This instrument is to be tested until the end of 2007 and then become a legal claim as from 2008.
- Social assistance abroad will only be paid to dependants of persons who are unfit for transportation, the victims of the exercise of sovereign powers abroad and emigrated victims of National Socialism.

Due to the fact that with the entry into force of the basic security for job-seekers in accordance with SGB II on 1 January 2005, most of the previous recipients have been transferred from the legal sphere of SGB XII to that of SGB II, their number has decreased by ca. 90 %.⁷³ Consequently, the SGB XII has assumed again its original function as special service in the individual case coming under the responsibility of the municipalities and being financed by them.

1.3 Basic security in old age and permanent incapacity to work

The Basic Security Act (GSiG) was passed in 2003 for one in order to get before all older persons with small pension payments out of “bashful poverty” by increasing the limit for recourse to the income of the children or the parents to Euro 100,000 p. a., and, secondly, to give persons with disabilities a stronger legal position of their own vis-à-vis their parents and the public authorities. Since 1 January 2005, the law has been integrated without amendments to contents as 4th chapter into the Twelfth Book of the Code of Social Law. Insofar, there is no more separate agency responsible for the provision of basic security; it rather has to be provided now by the local authority responsible for income support. The amount of benefits follows the regulations for social assistance under SGB XII.

According to the most recent figures of the Federal Statistics Office, ca. 526,000 persons received benefits under the GSiG on 31 December 2004. In comparison to 2003, this equals an increase of ca. 20 %. Approximately 233,000 persons between the ages of 18 and 64 received the new benefit because of a permanent incapacity to work (44 % of the total number of recipients); 293,000 persons were already drawing a pension. This means that in 2004 1.9 % of all people from the age of 65 received benefits under the GSiG. About one quarter of the recipients (144,000 persons) were accommodated in in-patient institutions (e. g. old people’s homes or nursing homes). Conspicuous is the increase of net expenses in 2004 by 55.2 % to Euro 2.09 Bn. (after the deduction of reimbursements, e. g. by other providers of social security benefits). The Federal Statistics Office sees the reason for this increase in the fact that the backlog of applications following the direct introduction of the service could mostly be eliminated in 2004. With a quota of 0.8 % of basic security recipients, use of the service in the old Länder was slightly higher (compared to 0.6 % in the new Länder). The largest number of recipients

⁷² Steffen, Johannes (2006): Der Abstand zwischen Lohn und Sozialhilfe. Arbeitspapier zum Lohnabstandsgebot des § 28 Abs. 4 SGB XII, Bremen

⁷³ SPD-Bundestagsfraktion (2006): Bilanz für den Bereich der Gesundheits- und Sozialpolitik in der 15. Legislaturperiode, Typoskript, Berlin.

lived in North Rhine-Westphalia (127,306 persons); with 68.8 %, Berlin had the highest increase of recipients in comparison to 2003. It is also conspicuous that in all five East German Länder the number of GSIG recipients on account of a reduction in earning capacity is consistently higher than the number of recipients on account of age. It is exactly the other way round in the old Länder.⁷⁴

1.4 The law in respect of benefits for asylum-seekers

As a result of the Law in Respect of Benefits for Asylum-Seekers as a special system of minimum security, the access to minimum security benefits for asylum-seekers in the first three years of their stay in Germany has been clearly reduced since 1993. They do not have a claim to benefits under SGB XII, but receive reduced benefits in kind and pocket-money. As basic supply, benefits in kind to cover the necessary needs for food, accommodation, clothing and articles of hygiene are granted. In exceptional cases it is possible to grant these benefits in the form of cash payments or vouchers. Medical care is limited to cases of acute illness and conditions of pain. Recipients of benefits who are capable of gainful employment, but not employed are obliged to accept a job opportunity offered to them without contractual basis. Finally, income (taking into consideration allowances) and assets which might be available must be used for securing one's own living, before falling back on the law providing benefits for asylum-seekers.

The number of recipients under the Law in Respect of Benefits for Asylum-Seekers has been decreasing continuously for years, nationwide by 12.9 %. In absolute figures, there were 230,107 recipients compared to 264,240 in 2003. In comparison with the all-time high of 460,000 recipients in 1996, their number thus has been cut exactly in half during the last eight years. The development with regard to costs is parallel to the development of the number of recipients. Whereas gross expenses (without reimbursements by other providers of social security benefits) still amounted to Euro 2.9 Bn. in 1996, they decreased to Euro 1.31 Bn. in 2004. Euro 970 Mill. out of this sum were spent on the minimum social security benefits, Euro 340 Mill. on special benefits (before all benefits for illness, pregnancy and birth).⁷⁵

1.5 Unemployment benefits II

After the reform of social assistance and unemployment assistance for persons without an income securing their subsistence which went into force on 1 January 2005, access to minimum security benefits still continues to be generally guaranteed. But whereas the social assistance assumed by the local authorities had until then been the safety net for those persons who did not, or no longer, have claims under the unemployment insurance scheme, the new system of entitlement to benefits from minimum security now differentiates on the basis of the principal capability of a person to be gainfully employed and no longer on the basis of expectant rights to draw benefits from unemployment insurance. Independently of the question whether the new minimum security for job-seekers constitutes sufficient material support and is suited to provide quick integration into the labour market, it must be emphasised nonetheless that the follow-up costs of the long-lasting mass unemployment need no longer be absorbed by the local (social assistance) budgets. The financing of ALG II out of the Federation's general tax revenue leads to a broader distribution of burdens among society.

Following the approach of activating and of promoting and demanding pursued by governmental social policy, those groups of persons are also entitled to the services of an active labour market policy under SGB III now who were previously excluded from these instruments and referred exclusively to the

⁷⁴ Statistisches Bundesamt (2005): 20% mehr Grundsicherungsempfänger im Jahr 2004, Wiesbaden.

⁷⁵ Statistisches Bundesamt (2005): Asylbewerberleistungen weiter zurückgegangen, Wiesbaden.

promotion of employment by the local authorities due to being assigned to social assistance according to the Federal Social Security Act. At the same time, the provision of material benefits has become clearer and simpler, but for many former recipients of unemployment assistance also lower because of the lump sum determination of the standard rates. This applies in particular to those cases where, due to the income of the partner, no claim to the new minimum security benefits exists for persons capable of gainful employment and their dependants in accordance with SGB II (ALG II).

With the merger of unemployment assistance and social assistance with effect from 1 January 2005, the minimum security for job-seekers and their dependants (ALG II) has taken on special importance. Expressed in numbers of recipients, it is now the transfer service with by far the largest scope of operation. Whereas in the past the development of dependency on social assistance according to the Federal Social Security Act was a central indicator for the evaluation of social exclusion elements in the research on poverty, the drawing of unemployment benefits II and social assistance ("Sozialgeld") will be the centre of attention in future.

In February 2006, five Million people were registered as unemployed in the Federal Republic of Germany. The unemployment rate was 12.2 % in February and thus half a percentage point lower than in the year before. In East Germany, the rate is clearly higher at 19.5 % than in the West where it stands at 10.2 %. However, in comparison to February 2005, the reduction of unemployment was clearly stronger in the East with 1.3 % than in the West with only 0.4 %. Of the total number of 5,048,000 people registered as unemployed in February, 42 % (in absolute figures: 2,095,000) were cared for by a local Employment Agency, because they drew benefits under SGB III. 58 % of the unemployed (in absolute figures: 2,935,000) were looked after by one of the agencies responsible for basic security through SGB II.

Recipients of benefits under SGB III and SGB II

Germany overall	January 2006	February 2006
SGB III		
Recipients of unemployment benefits (ALG I)	1,834,000	1,804,000
among them unemployed recipients	1,538,000	1,474,000
SGB II		
Recipients of unemployment benefits II	5,037,000	5,126,000
among them unemployed recipients	2,909,000	2,953,000
among them recipients of "Sozialgeld"	1,807,000	1,839,000
Households drawing social security	3,789,000	3,852,000

Source: Federal Agency for Employment: The Labour Market in Germany. Monthly Report for February 2006, p 4, 2006 Nuremberg

Access to gainful employment is difficult to find in particular for a) long-term unemployed recipients of ALG II, b) persons with low qualifications, c) persons with disabilities and finally d) immigrants.⁷⁶ Increasingly often, young people are becoming a problem group, independently of the level of their qualifications (annex 1, figure 12). Clearing the first threshold (training) and the second threshold (first regular employment after training) is becoming more difficult and considerably impairs the chances of

⁷⁶ Cf. Bundesregierung (2004): Strategien zur Stärkung der sozialen Integration. Nationaler Aktionsplan zur Bekämpfung von Armut und sozialer Ausgrenzung 2003-2005. Aktualisierung 2004, Berlin, page 39.

participation. As a consequence, the goal “increasing labour market participation” will have to deal to an increasing degree with these problem groups.

2. The review of existing social assistance and active labour market policies targeted to the social activation of individuals furthest from the labour market: On the question of effectiveness of the new instruments through Hartz I - IV

2.1 Adequacy of minimum security benefits?

According to § 1 SGB XII, it is the goal of social assistance “to enable the person eligible for benefits to lead a life in conformity with human dignity”. Nonetheless, the question whether the amounts of the standard rates and special requirements are in fact appropriate to guarantee social inclusion is discussed controversially time and again.⁷⁷ In the course of merging unemployment assistance and social assistance to unemployment benefits II (ALG II), the German *Paritätische* Association of Private Welfare Work (DPWV) has pointed out in several expert opinions and statements that the standard rates of ALG II (and thus also of social assistance under SGB XII) are calculated too low in order to guarantee the socio-cultural minimum. Proceeding from the current basic standard rate (West) of Euro 345, the DPWV has arrived at a shortfall of Euro 67 or 19 %. The Bundestag group “The Left” regards an increase by 75 Euro as necessary. In case of an increase, at least for social assistance conflicts would arise with the wage distance rule according to § 28 para. 4 SGB XII,⁷⁸ because the latter’s benefits would then be higher than the average income of lower wage and salary brackets (West). Unemployment benefits II according to SGB II do not contain a wage distance rule, however, since SGB XII is regarded as reference system, the same logic applies here. Insofar, higher standard rates can only be brought about by a changed wage policy of the parties to collective agreements, watering down of the wage distance rule⁷⁹ and/or a minimum wage fixed by law.

The DPWV also estimates that the introduction of ALG II has led to a drastic rise of the number of persons who have to live on the level of minimum security in the first half of 2005: from ca. 3 Mill. to 6.16 Mill. recipients. As for children under 15 years of age, the association has calculated an increase from ca. 750.000 to 1.7 Mill. Children during the same time period.⁸⁰ It is to be noted in this context that for those persons who were transferred from unemployment assistance to ALG II cutbacks in benefits could arise in two respects. Firstly, the ALG II can be lower than the unemployment assistance received before, as the latter’s amount stood in relation to the original net income. Secondly, the regulations with regard to crediting the partner’s income were tightened for the granting of ALG II, as a consequence of

⁷⁷ Cf. hierzu Huster, Ernst-Ulrich / Benz, Benjamin / Boeckh, Jürgen (2004): 1. Bericht der nationalen Experten zum Nationalen Aktionsplan gegen soziale Ausgrenzung 2003-2005, Bochum.

⁷⁸ Nach § 28 Abs. 4 SGB XII muss die Regelsatzbemessung so erfolgen, dass ausgehend von einem Ehepaar mit drei Kindern die Leistungen der Sozialhilfe unter „den erzielten monatlichen durchschnittlichen Nettoarbeitsentgelten unterer Lohn- und Gehaltsgruppen einschließlich anteiliger einmaliger Zahlungen zuzüglich Kindergeld und Wohngeld in einer entsprechenden Haushaltsgemeinschaft mit einer alleinverdienenden vollzeitbeschäftigten Person bleiben.“

⁷⁹ Steffen, Johannes (2006): Der Abstand zwischen Lohn und Sozialhilfe. Arbeitspapier zum Lohnabstandsgebot des § 28 Abs. 4 SGB XII, Bremen.

⁸⁰ Deutscher Paritätischer Wohlfahrtsverband (2004): Kinder und Hartz IV: Eine erste Bilanz der Auswirkungen des SGB II, 2005 Berlin; Deutscher Paritätischer Wohlfahrtsverband, „Zum Leben zu wenig ...“ Für eine offene Diskussion über das Existenzminimum beim Arbeitslosengeld II und in der Sozialhilfe, Berlin.

which a personal claim for benefits under ALG II has at least partially been forfeited in a good number of cases.⁸¹

An up-to-date study commissioned by the Hans Böckler Foundation which is close to the trade unions confirms the consequences for distribution arising from these connections and arrives at the result that the merger of these two transfer services leads before all to a redistribution “from the bottom to rock bottom”. Insofar, the ALG II redistributes income among the poorest households. As a result, ca. 40 % of the households are better off (average rise in household income between 18 and 30 %), and 60 % are worse off (average decrease of the household income weighted in respect of need by 20 %) than before the reform. The financial betterment affects before all those groups of persons who had lived in hidden poverty before, because they did not augment their low unemployment assistance benefits by supplementary social assistance. On the side of the losers, the effects result in the first line from the tightened crediting of the partner’s income, hitting before all unemployed women who had received the previous unemployment assistance (annex 1, figure 14).⁸²

The federal government does not share the criticism of the DPWV of the calculation and amount of the standard rates under SGB XII and SGB II; nonetheless, a change in attitude in respect of the social integration power of the minimum security benefits according to SGB XII and SGB II can be observed on the official government level as well. Whereas the receipt of social assistance was still considered as “combated poverty” before all in the 1970s and 1980s, the 2nd National Report on Poverty and Wealth, when conceding that “poverty risks can also threaten the centre of society”, that social inequality is “a fact” and “has grown in some areas during the last few years”, clearly underlines that minimum security benefits are geared in the first line to the surmounting of short-term emergency situations, but that their long-term receipt can counteract poverty and social exclusion only insufficiently.⁸³

2.2 Social activation of individuals furthest from the labour market

The interim report “The Effectiveness of Modern Services on the Labour Market” commissioned by decision of the Bundestag of 14 November 2002 and presented by the federal government in January 2006 does not deal with the implementation of the new payment, but with the effectiveness of the new structures and instruments.⁸⁴ According to this report which explicitly sees itself as interim report and only expects fully reliable data in the final document in 2006, some labour market instruments turned out to have been successful with regard to implementation to date. A faster integration into the labour market is said to have been achieved before all by means of the integration subsidies, the promotion of the establishment of new small firms (bridging grants and start-up grants for single-member firms) and further vocational training. The reform of the low-wage sector by way of the introduction of the mini and midi jobs have made the outline conditions for work requiring low qualifications yet more flexible and resulted in ca. 1.8 Mill. additional mini-jobbers by mid-2005 (annex 1, figures 1,3 and 4).

On the other hand, the Personnel Service Agencies as suppliers of temporary employment have been found to be completely unsatisfactory. These agencies even worsened integration chances. In response, the federal government has decided that as from 1 January 2006 the local Employment

⁸¹ Cf. Huster, Ernst-Ulrich / Benz, Benjamin / Boeckh, Jürgen (2003): 2. Bericht der nationalen Experten. Implementation des deutschen NAPinI 2001-2003 und Vorbereitung des NAPinI 2003-2005, Bochum.

⁸² Becker, Irene / Hauser, Richard (2006): Auswirkungen der Hartz-IV-Reform auf die personelle Einkommensverteilung, Studie im Auftrag der Hans-Böckler-Stiftung, Düsseldorf.

⁸³ Bundesministerium für Gesundheit und Soziale Sicherung (2005): Lebenslagen in Deutschland. Der Armuts- und Reichtumsbericht der Bundesregierung, Berlin.

⁸⁴ Bundesregierung (2006): Die Wirksamkeit moderner Dienstleistungen am Arbeitsmarkt. Bericht 2005 der Bundesregierung zur Wirkung der Umsetzung der Vorschläge der Kommission *Moderne Dienstleistungen am Arbeitsmarkt* (Ohne Grundsicherung für Arbeitssuchende), Berlin.

Agencies are no longer obliged to maintain a PSA. The softening of the job placement monopoly of the Employment Agencies has likewise not led to any measurable success. The commissioning of third parties by means of issuing job placement vouchers has not resulted in any integration success worth mentioning. The traditional job placement measures as instrument of the publicly promoted second labour market are regarded by the report as an obstacle to integration as well. Finally, the reform elements aiming at better job placement of older people have likewise turned out to be largely ineffective. Due to this interim balance sheet, the report was assessed in the media as rather bad judgment on the reform package Hartz I - III.⁸⁵

Whereas with regard to the more global inclusion strategies presumptions about their effectiveness continue to be, before all, the order of the day so far, there still are numerous integrating projects on the local and regional level strongly drawing on ESF funds for financing. They involve the combination with belated school education, professional qualification, but sometimes also training programmes for job and job application practice. These measures especially concerning persons who are socially put at a particular disadvantage are, all in all, contradictory in themselves; for on the one hand, they wish to reach those of all persons who are particularly disadvantaged, but at the same time hold out a perspective to young people which even persons with a good education sometimes do not - or no longer – have (cf. annex 4).

But the central problem will turn out to be that the sharp division between those who are available to the labour market for at least 3 hours a day (SGB II) and those where this is not the case or does not constitute a criterion because of age (SGB XII) is too rough. There is a growing number of persons who are substantively to be assigned to SGB II as well as to SGB XII and now are not integrated appropriately through either system alone. This often involves groups to whom the moneys from the ESF and ERDF, i. e. special programmes, are specifically targeted. Further need for research exists on the question of the usefulness of the job opportunities (1-Euro jobs) meant to provide a chance for reintegration into the primary labour market before all for persons who have been unemployed for a long time. No systematic evaluations on this question are available so far. The German Caritas Association presented a half-time balance last year according to which only 5 % of those affected had managed re-entry. This experience shows that before all persons who had been unemployed for more than two years and have only low qualifications have no more chance to be reintegrated into the labour market. The Caritas also criticises that those affected are insufficiently looked after in the job centres.

Altogether, it seems that the previous federal government itself was not really convinced in 2005 that implementation was a success. On the basis of a non-representative telephone survey by the Federal Agency for Employment and startled by media reports about the abuse of social security benefits in the sphere of SGB II, the Federal Ministry for Economics and Labour (BMWA) for which Wolfgang Clement was still responsible back then published a report entitled "Priority for the Decent – Against Abuse, Shameless Misuse and Self-Service in the Welfare State" in August 2005.⁸⁶ In this report, the impression is created on the basis of the description of individual cases that massive social benefit fraud was before all responsible for the costs explosion and difficulties with implementation in the course of the introduction of ALG II. The background for the excitement was the fact that in 2005 almost double the originally estimated sum of Euro 14.6 Bn. had to be expended for the merger of unemployment assistance and social assistance.

Not only the voluntary welfare associations like the Diakonische Werk, but also agencies responsible for operating SGB II like the Rhine-Main Jobcentre countered the accusation by the BMWA that 20 % of the costs were attributable to social benefit fraud by pointing out that the costs explosion resulted in the first

⁸⁵ Vernichtendes Urteil, in: Frankfurter Allgemeine Zeitung, 9 March 2006, page 10; Die ersten Hartz-Gesetze: fast alle gescheitert, in: Die Tageszeitung, 2 February 2006, page 2.

⁸⁶ Bundesministerium für Wirtschaft und Arbeit (2005): Vorrang für die Anständigen - Gegen Missbrauch, „Abzocke“ und Selbstbedienung im Sozialstaat. Ein Report vom Arbeitsmarkt im Sommer 2005, Berlin.

line from gaps in the legislative procedure. For example, the very broad regulation regarding the capability of gainful employment has led to the result that the local authorities as former providers of social assistance transferred a much larger number of persons to SGB II than expected – among them persons facing a multi-complex of problems like home-lessness, drug problems and psychical problems who are extremely difficult to place, hence groups of persons who originally would rather belong to the sphere of SGB XII. Moreover, it is to be noted that the receipt of ALG II has a lower stigmatising effect than the old social assistance. Apparently, a great number of persons have registered supplementary claims with the providers of basic security benefits who had previously not reported to the Social Welfare Offices.⁸⁷

Another reason for the increases in costs was presumed last year to be attributable to the regulation on establishing one's own household living on social security which is more generous in comparison with the old social assistance for persons under 25 years of age. In fact, the number of such households increased by 16.1 % nationwide between January and September 2005. Simultaneously, the number of single-person households also rose by 19.2 %. However, it is not known in how far this increase is attributable to youths under the age of 25 who just wanted to leave the parental household. And at least in North Rhine-Westphalia the portion of single-person households among all households receiving ALG II has even gone down between February and September 2005.⁸⁸ Nonetheless, the federal government has reacted and in fact decided to reintroduce the obligation of parents to provide maintenance analogously to the old social assistance. Accordingly, young unemployed persons under 25 years of age without completed vocational training do not have a claim to SGB II, if they want to move out from home. The agency responsible for basic security can grant exceptions, however, an original legal claim no longer exists.⁸⁹

3. A description of the providers of services implementing these policies, of the financial resources used and the role of social partners and NGOs

The experience in 2005 shows that at least part of the critical objections against the tight time schedule for the implementation of the labour market reforms seems to be proven well-founded. The agencies responsible for the implementation of SGB II at first had to be established. In principle two (virtually three) different possibilities are available for this:

- Common exercise of duties within the framework of the Working Teams (ARGE). 362 local agencies in 356 Working Teams have decided in favour of this model.
- Separate exercise of duties by the two providers local authority and Employment Agency. 19 local authorities have decided for this model or have not yet come to an agreement on the establishment of an ARGE with the Employment Agency.
- Sole provision of services to implement SGB II at first limited in duration to six years in 69 municipalities (Option Law).

Altogether, 444 organisational units are thus to be (newly) created. Long delays have occurred in this respect. Although the SGB II went into effect on 1 January 2005, ca. 80 % of the working teams (in absolute figures: 282) were only founded in the fourth calendar quarter of 2004, hence immediately

⁸⁷ Kein Missbrauch, alles legal. Rhein-Main Jobcenter sieht keine Indizien für Trickereien von Hartz IV-Empfängern, in: Frankfurter Rundschau, 2 November 2005.

⁸⁸ Wyputta, Andreas (2006): Der Single-Schwindel, in: Die Tageszeitung, 23 March 2006, page 1.

⁸⁹ Maron, Thomas (2006): Kürzungen bei Jungen. Sparen bei Hartz IV, in: Frankfurter Rundschau, 14 February 2006.

before the law came into force. The high time pressure generated in this context is also to be seen in the fact that 100 contracts were concluded during the last 14 days of the year 2004. 28 contracts were added in the first half of 2005 and four more contracts in the second half of 2005. As can be seen from the semi-annual report of the Federal Agency for Employment, 42 Working Teams were still lacking or in the process of being founded in the course of 2005.⁹⁰

Corresponding to the difficulties with the establishment of the organisational administrative infrastructure, legal problems with the new system of entitlement to benefits also became apparent in 2005. The Social Courts which have been competent for legal questions in the context of SGB II since January 2005 were virtually steamrollered by a "flood of actions". In Hesse, no less than 5,000 lawsuits from this legal sphere had to be clarified. This amounts to 600 cases for each judge. The main subjects of the proceedings were disputes over benefits, the crediting of assets and the obligation to provide maintenance arising among persons living together as cohabitants. In the opinion of the Land Social Court, principal decisions were to be made in this connection in Hesse time and again, because important questions, for example with regard to the powers of control of the job placement officers on site, had not been clarified during the legislative procedure.⁹¹

§ 16 SGB II opens access to the integration tools of active labour policies to the recipients of ALG II. The basis for their individual format is the integration agreement between the unemployed person and the Employment Agency (§ 15 SGB II). Beyond this, additional services can be rendered in accordance with § 16 para. 2 SGB II. This includes in particular child care services, debtors' counselling, psycho-social care and addiction counselling. According to §§ 17 and 18 SGB II, the providers of basic security are not supposed to set up new institutions and services to render the integration services, but to support the extension and development of existing offers and structures of voluntary welfare work and promote cooperation of the actors on the local labour markets.

By way of criticism, the exhaustive approach of the Hartz legislation has also forced local and regional projects to close down which in the past had very successfully contributed to the integration of unemployed persons into the primary labour market. For example, prior to Hartz IV Landkreis Wesel had integrated 1,000 people annually into the labour market not subsidised with public funds, and on average two-thirds of them still held jobs liable to contribute to social security after one year. Under Hartz IV, this local initiative was abandoned.⁹² In the same way, we have pointed out in a previous report that the programmes of the old Employment Promotion Act for the benefit of disadvantaged persons were cancelled by SGB III and SGB II, which also contributed to the abandonment of meaningful qualification measures. It cannot yet be judged at the moment whether the new integration measures may be equally effective. This also concerns the question whether and which new problem groups arise on the labour market.⁹³

As regards the financial development of the Federal Agency for Employment (BA), a positive financial statement could be presented for the budget year 2005. In spite of a low contribution income due to the loss of employment liable to contribute to social security which continued in 2005 (estimate by the BA: minus 300,000 jobs in 2005) and simultaneously higher unemployment figures before all in the sphere of SGB II (the so-called "Hartz effect" of 380,000 additional persons eligible for benefits who switched from the competency of the local authorities to the competency of the BA after the merger of

⁹⁰ Bundesagentur für Arbeit (2006): SGB II Sozialgesetzbuch Zweites Buch. Zahlen Daten Fakten. Halbjahresbericht 2005, Nürnberg.

⁹¹ Hartz IV löst Flut von Klagen aus, in: Frankfurter Rundschau, 9 March 2006.

⁹² So der Landrat des Landkreises Wesel bei einem Expertengespräch am 13. März 2006 in Düsseldorf-Kaiserswerth; cf. Beschäftigungsoffensive Kreis Wesel. Ergebnisse und Erfolge im Jahr 2004.

⁹³ Cf. Huster, Ernst-Ulrich/ Benz, Benjamin/ Boeckh, Jürgen (2005): Assessment of the NAP implementation Report 2003 - 2005

unemployment assistance and social assistance), only Euro 397 Mill. instead of the originally estimated Euro 4 Bn. had to be transferred to the federal budget to cover the financial requirement of the BA.

As the BA has stated, this has for one budgetary reasons resulting from the new legal situation. For example, costs for the vocational integration of indigent persons capable of gainful employment or the administrative expenses for the recipients of unemployment benefits II are now financed directly out of the federal budget instead of the BA budget. Secondly, the BA points out savings, for example in the expenses for unemployment benefits amounting to Euro 1.62 Bn., but also in the so-called discontinuation payments⁹⁴ amounting to Euro 2.16 Bn. Whereas the decrease of expenses for unemployment benefits I is explained by lower average amounts of payment, but before all by timely advice and job placement (integration from job to job), the decline of the discontinuation payments is said to be due before all to the higher willingness to establish one's own small firm after the expiration of eligibility for unemployment benefits, better integration services of the Employment Agencies as well as a backlog of case handling, when the Working Teams were set up in early 2005. Additional savings resulted from the "redirecting" of benefit payments of active labour policy. While the expenses for the promotion of self-employment were 36.2 % above the original budget estimate of the BA in 2005, the funds in the budget item for the promotion of further vocational training remained below their respective budget estimates.

Comparing the years 2004 and 2005, the integration items (inter alia qualification benefits, services accompanying employment, promotion of disadvantaged trainees) were cut by ca. Euro 5.5 Bn. Simultaneously, the expenses for additional services of active employment promotion (inter alia promotion of vocational training, services for the participation of disabled persons, promotion of self-employment, unemployment benefits in case of further vocational training) increased by ca. Euro 400 Mill. and the expenses for unemployment benefits, discontinuation payments and payments to employees in case of insolvency by Euro 2.3 Bn.⁹⁵

When interpreting these developments, it is to be noted that the integration services according to SGB II are transferred to an increasing degree from the budget of the Federal Agency for Employment to the budget of the Federation. But all in all, an indistinct picture of cutbacks and shifts of services and benefits continues to exist for the time being. Especially with regard to the expanded promotion of self-employment, it remains to be awaited whether a new form of alleged self-employment subsidised or promoted by the state may arise here (annex 1, figure 15).

4. Recent developments and a panorama of the recent policy debate

The coalition agreement and the first 100 days of the new government coalition show that little is likely to change with regard to the basic orientation of labour policy. This is hardly surprising, considering that CDU and CSU had already been extensively integrated into the proceedings during the formulation of the Hartz legislation. Below, the essential projects of the new government arising on the basis of the coalition agreement are summarised.⁹⁶

Principally, the conditions of employment offers are to be improved by reducing the contribution to the unemployment insurance. This is to be financed by a part of the increase of VAT by 3 % with effect from

⁹⁴ Die Bundesagentur für Arbeit muss für jede Person, die innerhalb von drei Monaten nach Ende des Arbeitslosengeldes einen Anspruch auf Arbeitslosengeld II nach SGB II erwerben (Langzeitarbeitslose) einen Aussteuerungsbetrag als Anteil zu den Kosten der Grundsicherung nach SGB II bezahlen. In 2005 waren dies 4,56 Mrd. Euro für 453.000 Personen.

⁹⁵ Bundesagentur für Arbeit (2006): Quartalsbericht 04/2005. Zahlen, Daten, Fakten, Nürnberg.

⁹⁶ CDU / CSU / SPD (2005): Gemeinsam für Deutschland - mit Mut und Menschlichkeit. Koalitionsvertrag zwischen CDU, CSU und SPD vom 11.11.2005, Berlin.

1 January 2007. Concurrently, negotiations about questions of the protection against dismissal and the further development of the autonomy in collective bargaining are to be held between the coalition partners. This last point is also aimed at the discussion about an introduction of minimum wages and an extension of the low-wage sector. In spite of the fact that

- the proportion of low wages has been above the EU average in Germany since 2000,
- almost 20 % of the full-time employed persons getting an average gross hourly wage of Euro 9.70, already worked in the low-wage sector in 2002 according to the definition of the OECD and
- numerous collectively agreed hourly wages are already under the low-wage limit today (lowest collectively agreed hourly wage East: Euro 2.47; West: wage brackets with wages below six Euro per hour),

great hopes are nonetheless placed in the further flexibilisation of wages and working hours time and again. The plans of the federal government to create more jobs for employees from 52 years of age in this age segment by means of easier regulations on time limitations is also to be seen in this context.

The federal government confesses to the course taken by the previous government to increase the chances of integration into the labour market, from "Job AQTIV" to promoting and demanding (Hartz I - IV), by a stronger activation of those affected. Special efforts through overriding promotion are aimed in this connection at persons under the age of 25. "Firm activation" is to lead to the result that no youth remains unemployed for longer than three months. For this purpose, the National Covenant for Training and Qualified Trainees is continued in Germany. This is a self-obligation of trade and industry to submit an offer for training or appropriate qualification to each youth who is willing to train and capable of being trained. In concrete terms, 30,000 training places and 25,000 qualification opportunities are expected. In the field of job placement, a personal contact partner and job placement clerk is to assist the youths. This clerk is to look after 75 customers at a maximum in future. An integration agreement binding for both sides in which extensive accompanying assistance for an integration into the labour market (including debtors' and addiction counselling) is agreed serves as instrument.

The coalition agreement intends to give new momentum for employment before all of older unemployed persons in order to avoid early retirement through an integrated approach consisting of work, education and health. For example, it will be possible to get the expenses for further vocational training of older employees reimbursed by the Federal Agency for Employment until the end of 2006 Working time pilot schemes meeting the needs of older employees are to be further developed and the protection of working time accounts is to be improved through a form of insolvency safeguards. The Initiative New Quality of Work aiming at fostering the fitness of older employees for employment is continued. For long-term unemployed persons who are as a matter of fact no longer capable of being integrated and older than 58 years, 30,000 jobs of benefit for the public are created on the secondary labour market. These job opportunities are limited in duration to three years and funded by the Federation. In case of demand, an additional 20,000 jobs are to be created whose costs are then to be shared by the Federation and the Länder. Under the title Initiative "Perspective 50 plus – Employment Covenants in the Regions", Euro 250 Mill. will be made available until the end of 2007. With the money from this project, pilot schemes for an improvement of the employment situation of older persons are to be financed in 62 regions. This is to be followed by an evaluation of the project and a decision whether it should be continued.

In spite of rather dubious experience in the past ("Mainz Model"), the coalition intends to set up a working group to develop add-on wage models. These schemes are to improve before all the employment chances of persons with low qualifications. In this context, plans by the Economics and Labour Authority of Hamburg are discussed, namely to pay companies hiring long-term unemployed persons a grant of three Euro per hour for wage costs limited from three months to a maximum of 24

months. If the employer lays off staff, the promotion phase is shortened. In order to avoid take-along effects, one grant is approved for every five regular employment relations (“Hamburg add-on wage”).

Due to the full crediting of the grant to the receipt of ALG II and the reimbursement of the costs for accommodation, the scheme is supposed to be cheaper than the job opportunities (1-Euro jobs). Such models supplement the promotion possibilities of the Federal Agency for Employment having existed for years (ca. 50,000 integration grants with a maximum term of 12 months and assumption of up to 50 % of the wage costs and the employer’s share in the overall social insurance contribution as well as ca. 10,000 employment grants for start-up small businessmen hiring unemployed persons). Although the Federal Agency for Employment proceeds on the assumption of a continued employment quota of ca. 60 %, the prospects of success of add-on wage models are judged sceptically before all by the trade unions because of the possible take-along effects.⁹⁷

And finally, the coalition partners explicitly confess to the instruments of SGB II. Technical amendments and interventions in the system of entitlements to benefits are announced. This is positive insofar as the federal government has followed the recommendations of the Ombuds Council and will increase the standard rates in East and West to Euro 345 on 1 July 2006. Further amendments to the law are planned, partially to specify existing regulations, partially to ward off legal resistance and partially to strengthen the possibilities of sanctions.

Insofar, it is already foreseeable that the principle “after the reform is before the reform” will continue to be applied in much the same way as to the health system and the system of security in old age. Quite positive elements of testing and evaluating labour market and income-securing instruments are mixed here with a tendency to incessant reforms of social safeguarding elements which at the same time are also threatening to undermine their very legitimacy, namely to guarantee the security and plannability of the course of life. The fact that in this context the need and possibilities of amendments are, all in all, looked for in the first line in social law and only to a lesser degree in the general economic, financial and labour policy, continues to constitute a narrowing of the perception of problems and of the view to possible alternatives for action.

5. Case studies or examples of best practice

As already mentioned several times in our reports, it is difficult to describe the effect of individual political measures in terms of implementation on the project level because of the federal structure of the Federal Republic of Germany. By the same token, no evaluations of individual practical projects can be undertaken within the scope of the activities of experts. Insofar, outline programmes of the Federation and project descriptions in connection with (nationwide) project competitions are particularly suited for reporting within the context of the NAP process.

5.1 Programme “Local Capital for Social Purposes” (LOS)

The federal programme “Local Capital for Social Purposes” (LOS) was initiated in early 2003. Financed by the ESF, minor measures in the promotion fields under the federal-state agreement “Social Town” and its complementary programme platform “Development and Chances of Young People in Social Focal Points (E & C)” are supported with the programme of the Federal Ministry for Families, Senior Citizens, Women and Youths. It pursues the goal to support local initiatives through small grants of up

⁹⁷ Jonas, Ulrich (2006): Hamburg startet neues Kombilohn-Modell. Programm für zunächst 1.000 Arbeitslose soll im April beginnen, in: epd sozial, 24 February 2006.

to Euro 10,000 in activating social and job-effective potentials in the community which cannot be reached by central programmes like the normal promotion of the European Social Fund.

Main areas eligible for promotion are the integration of immigrants on the labour market, the fight against xenophobia and racism, the integration of disadvantaged youths, the promotion of honorary positions, projects for women as well as for older employees. Within the scope of LOS, local authorities can apply for a promotion of social rooms with special integration problems. Precondition is a Local Action Plan for improvement of the conditions of social and vocational integration. The funds are then appropriated decentrally under the participation of the citizens. Consequently, the project ideas are developed by local actors and can be implemented regionally in social focal points.

Altogether, ca. Euro 75 Mill. are available for the programme until mid-2006. Until the commencement of the third promotion period in July 2005, ca. 5,000 projects in 286 promotion areas could be supported. A database in the Internet provides information about the individual projects (http://www.los-online.de/content/e2717/index_ger.html). Extensive additional information about the implementation of the project can be found in the documentations of the Central LOS Administrative Office which is responsible for implementation of the programme (e. g. documentation of the 2nd LOS Congress and Project Fair of December 2004 in Berlin (http://www.los-online.de/content/e326/e4454/e4456/los_kongress_2004_ger.pdf)).

5.2 German Promotion Award “Youth in Employment”

Proceeding from the fact that more than half a million young people under the age of 25 were registered as unemployed in June 2005, the Federal Ministry of Labour and Social Affairs and the Federal Agency for Employment have established the German Promotion Award *Youth in Employment*. The nationwide competition awards prizes for projects, concepts and ideas helping young recipients of unemployment benefits II to embark on a career.

The Federal Ministry and the Federal Agency make earmarked prizes in the total amount of Euro 3.4 Mill. available for the best projects. The competition is directed at private providers, enterprises, Working Teams or Employment Agencies and local authorities having chosen the option model as well as at networks and initiatives. It looks for projects aiming before all at the support of youths without secondary school qualifications, dropped vocational training, family problems or addiction problems. In early 2006, the best projects were chosen in the Länder and now proceed to the final selection on the federal level.

The contributions in the competition are evaluated on the basis of their innovative contents as well as with a view to a sustainable and effective integration of the youths into the labour market. The suggested solutions of the individual projects are also to prove to be transferable and efficient. The following project descriptions have been taken from the homepage of the promotion award (<http://www.foerderpreis-jugend.de>). By way of example, they describe effective practical models in four different project categories submitted for the state competitions.

▪ Enterprises

Whether entry qualifications, linked training models or in-plant alliances making vocational training and work possible even under difficult conditions – there is a variety of possibilities for enterprises to integrate unemployed youths.

Example:

For a medium-sized mechanical engineering enterprise from Baden-Württemberg, bad school marks, linguistic problems or a dropped apprenticeship have not been an obstacle to employment for years.

Youths with so-called placement difficulties also get a chance here for training and later employment. By way of entry qualifications in the course of in-house practical training lasting for several months, the young men and women acquire the necessary preconditions for training. The company also uses the EQUAL programme of the EU for the vocational training in preparation for later employment. In this way, two trainees are accepted each year. Five contracts of apprenticeship have thus been concluded since 2000.

The company demonstrates how, with great commitment, even badly qualified applicants can subsequently acquire the qualifications for an apprenticeship place and be integrated into the own enterprise. This is an idea which enterprises in other industrial sectors and regions can implement as well.

▪ **Networks and initiatives**

In networks and initiatives, problems are jointly tackled by institutions offering educational programmes, local authorities, enterprises or associations. No matter whether better professional prospects for young disabled persons are involved or the combination of a qualification offer and a child care place for young singles – many ideas can be realised in this way.

Example:

In Berlin, a circus for children and youths has joined forces with an educational institution and an energy supply company to qualify youths for vocational training. Strengthening of self-consciousness and social competencies, imparting of basic craft skills and making up for school deficits are made the focal point of this project. Through the circus training which comprises acrobatics and acting the youths learn essential skills for professional life like reliability, staying power and self-confidence. They acquire handicraft skills in the workshop where repairs and stage setting are to be handled. The energy supply company takes over part of the practical qualification in its training centre for apprentices. In addition, the educational institution offers a sophisticated strengths-weaknesses-analysis as well as lessons in German and Mathematics to make up for deficits. 20 of the 28 youths whom the Federal Agency of Employment placed in the initial five-months course have found an apprenticeship place at the end of the course. Eight participants quit the measure early.

The circus project shows how efficient and sustainable educational work in a network can be. For sports clubs, youth theatres or music schools which want to offer new perspectives to unemployed youths, the cooperation with other institutions and enterprises can also be worthwhile.

▪ **Private providers**

For years, many private providers have developed a variety of different models for the integration of youths into the labour market and realise them in close cooperation with the local authorities. The ideas range from social street work via sophisticated coaching and job application training to qualification measures with socio-educational support.

Example:

A provider of private youth welfare services in Saxony specialising in the care, employment and education of disadvantaged groups of persons offers help for self-help to youths under the age of 25. Main emphasis is put, among others, on projects within the framework of SGB II. With its integration workshop, the institution has developed a pilot project in close cooperation with the Working Team, closely linking social training, practical training periods and accompanying socio-educational elements with vocational training. The programme is composed of modules and offers options to the

youths: job application training, true-to-life support and the imparting of the fundamentals of school education are part of the programme.

Specialist knowledge is also passed on. In addition, the participants can take part in practical training in a company lasting up to four weeks. Since February 1, 200 youths are looked after in supplementary jobs. 41 youths (20 % of the participants) could so far be placed in employment or training after the promotion.

With the linking of educational and craft elements a model project has emerged here which is lastingly effective, not the least because it takes the individual needs of the youths into consideration and allows them free choices. Other private providers can take this project as example and develop their own modules.

▪ **Agencies responsible for SGB II**

At the Employment Agencies, Working Teams and licenced local authorities, the experience gained in vocational support to youths is combined with entrepreneurial thinking and action. It is the goal of all measures to place youths accurately, make the choice of a trade or profession easier for them and prepare them for the demands of the labour market. To this end, the agencies responsible for SGB II cooperate in manifold ways with the important actors on the local labour market.

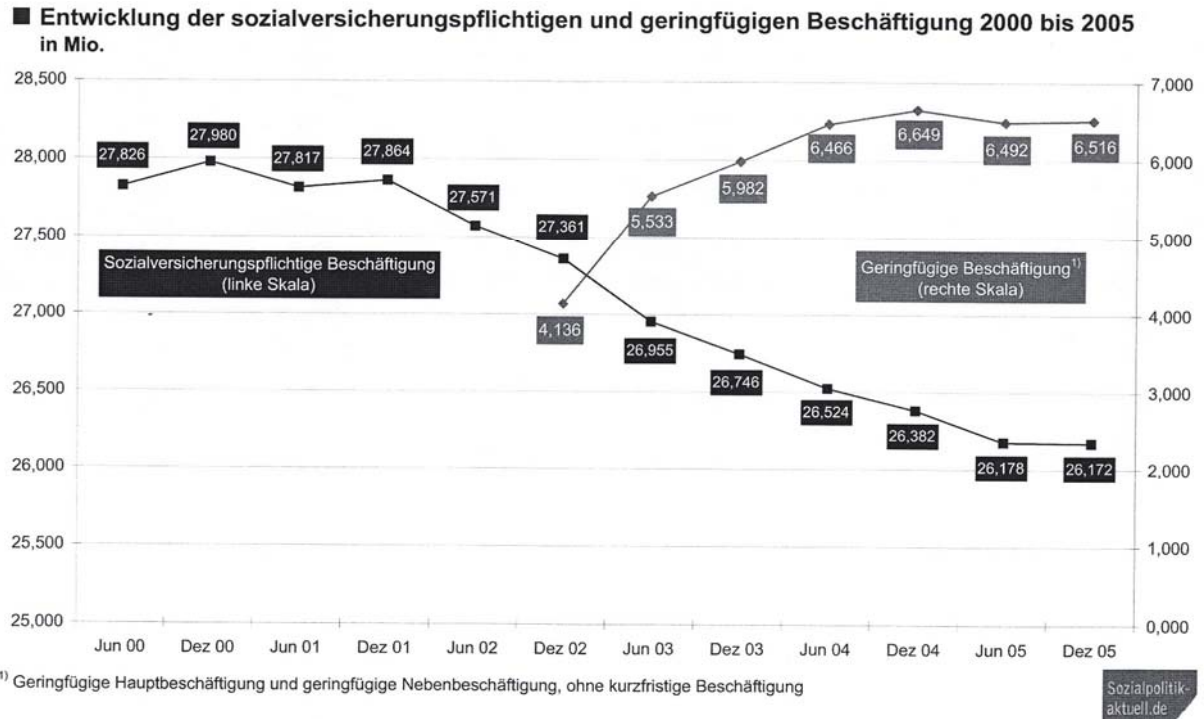
Example:

A job centre in Bavaria has set up a project for youths under the age of 25 who are difficult to motivate for training and work and difficult to place because of bad or lacking secondary school qualifications. The job centre offers them job opportunities with extra remuneration on top of benefits in accordance with § 16 SGB II which are individually combined with educational elements. This approach is supplemented by financial incentives for the agencies which are successful in vocational integration of the youth(s). It is also planned to enable suitable youths to take up vocational training at the respective agency after conclusion of the measure.

The project shows that job opportunities with extra remuneration on top of benefits are also meaningful to qualify unemployed youths who are difficult to place. They help to build up important basic professional competencies like commitment and a sense of responsibility for working in a team. However, additional educational offers for the affected young people must not be lacking – a model which other agencies responsible for SGB II can also implement together with their regional partners.

Annex 1 Special data

Figure 1: Development of employment with the obligation to social security assurance and of minor employment



Source: www.sozialpolitik-aktuell.de

Figure 2: Difference in payment between woman and men in %
EU 2003

Malta	4
France	12
EU - 25	15
EU - 15	16
Sweden	16
Austria	17
UK	22
Germany	23
Cypres	25

Source: Eurostat, in: Silke Bothefeld u.a.: WSI FrauenDatenReport; p. 266 (extract)

Figure 3: Minor employment in Germany per nationality and sex 31 March 2004

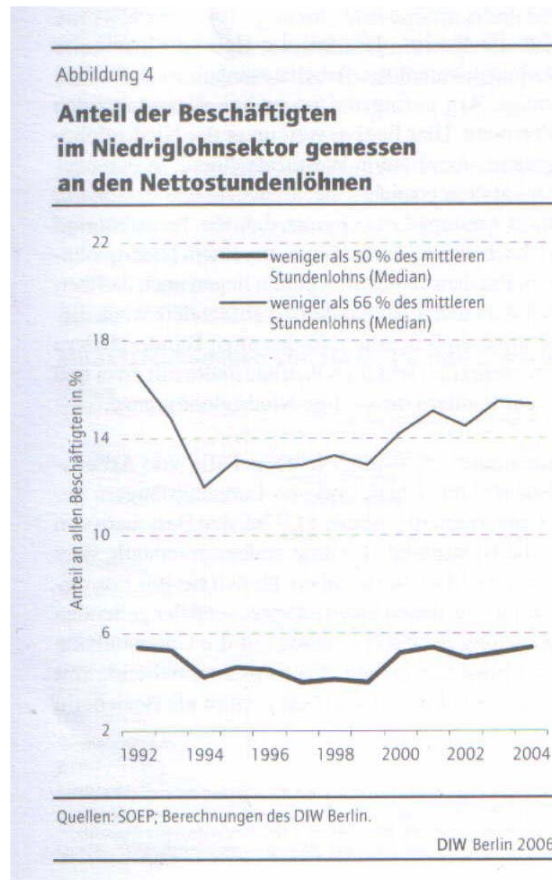
Geringfügig entlohnt Beschäftigte in Deutschland nach Staatsangehörigkeit und Geschlecht am 31.März 2004

	Insgesamt	Deutsche				Ausländer			
		Absolut	Anteil (Sp. 1) in %	Darunter (Spalte 3)		Absolut	Anteil (Sp. 1) in %	Darunter (Spalte 6)	
				Frauen in %	Männer in %			Frauen in %	Männer in %
1	2	3	4	5	6	7	8	9	
Gesamtanzahl aller geringfügig entlohnt Beschäftigten	6.210.616	5.650.658	91,0	65,3	34,7	559.958	9,0	59,3	40,7
Darunter ausschließlich geringfügig entlohnt Beschäftigte	4.658.936	4.271.576	91,7	67,7	32,3	387.360	8,3	65,7	34,3
Darunter geringfügig entlohnt Beschäftigte im Nebenjob	1.551.680	1.379.082	88,9	58,1	41,9	172.410	11,1	45,5	54,5

Quelle: Bundesagentur für Arbeit; eigene Berechnungen

Source: Beauftragte der Bundesregierung für Migration, Flüchtlinge und Integration (2005): Bericht der Beauftragten der Bundesregierung für Migration, Flüchtlinge und Integration über die Lage der Ausländerinnen und Ausländer in Deutschland, Berlin, page 587.

Figure 4: Quota of the employed persons in the minor sector regarding to net – wages per hour



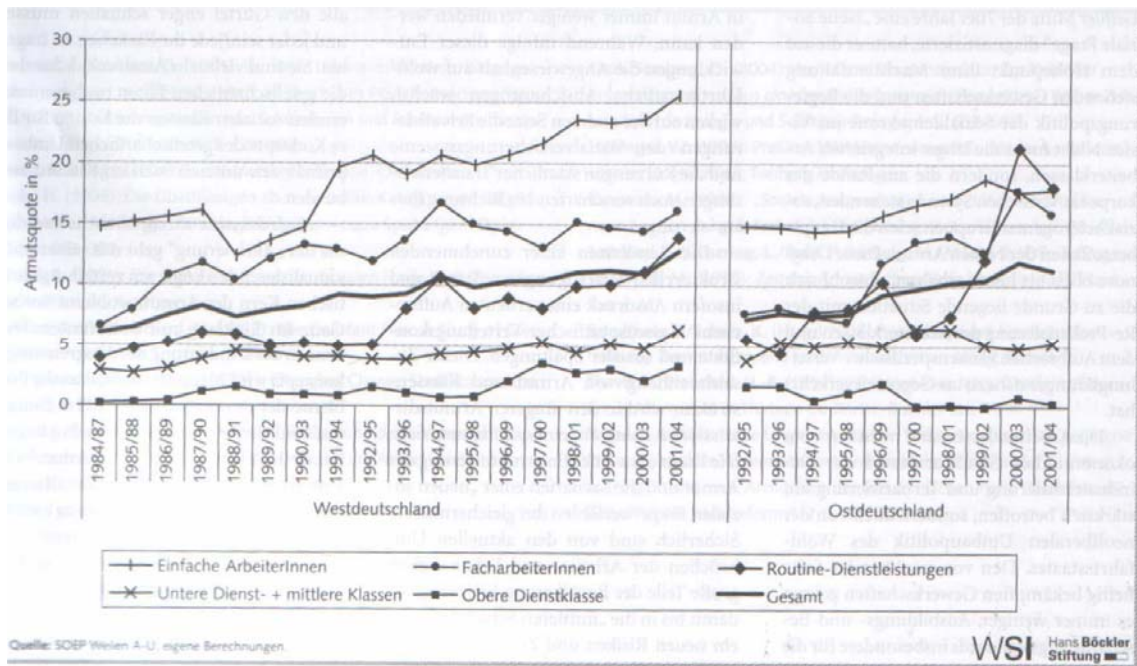
Source: DIW-Wochenbericht Nr. 15-16/2006, p. 201

Figure 5: Quotas of poverty (2002)

	Proportional to the population (%)	Poverty quota (5)
Population at all	100,0	13,1
Male	47,6	12,5
Female	52,4	13,5
till 10 years	10,6	17,6
11 - 20	11,3	22,9
21 - 30	11,1	16,1
61 – 70	12,7	10,1
71 and older	10,8	7,9
Germans	92,8	10,5
Non Germans	7,2	27,4
Hauptschule (without examination)	12,5	22,8
Hauptschule (with examination)	27,9	10,4
Secondary school with examination (Abitur)	8,6	10,6
Full-time employed	38,7	4,7
unemployed	6,7	37,0
Unskilled worker	15,2	17,3
Skilled worker	13,6	6,1

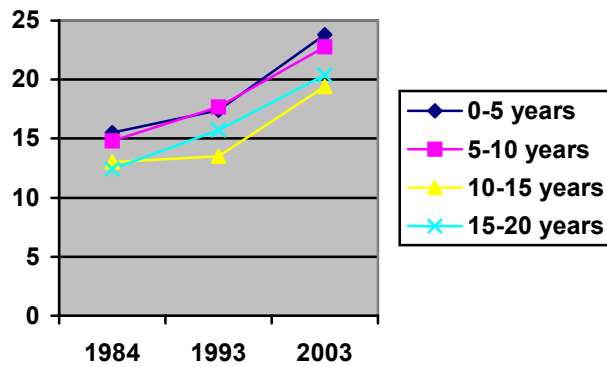
Source: Statistisches Bundesamt (2004), in: Deutscher Bundestag, Drucksache 15/5670 from 09.06.2005: Gutachten 2005 des Sachverständigenrates zur Begutachtung der Entwicklung im Gesundheitswesen, p. 62 f. (extract)

Figure 6: Poverty rates regarding to the position in work life



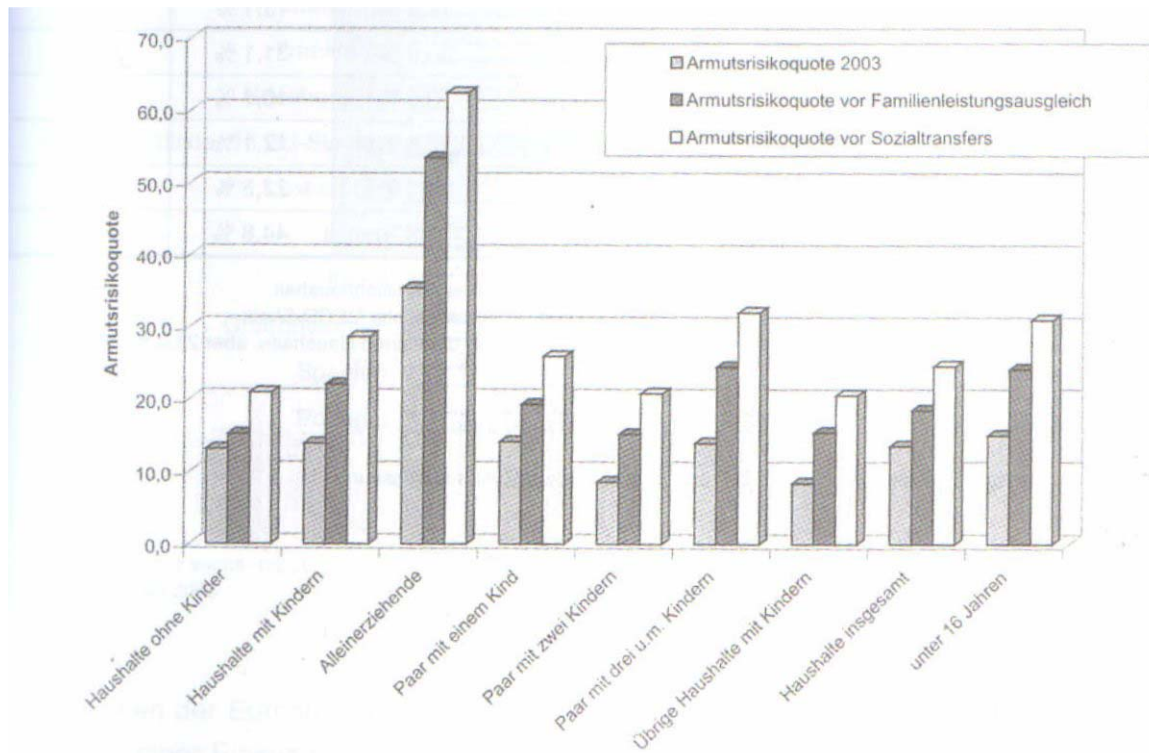
Source: Olaf Groh-Samber: Die Aktualität der sozialen Frage – Trendanalysen sozialer Ausgrenzung 184 – 2004, in: WSI-Mitteilungen, 11/2005, p. 621

Figure 7: Poverty rates by the under 20 year old younger peoples 1984 – 1993 - 2003



Source: SOEP 2003, in: Deutscher Bundstag, Drucksache 15/6014, vom 10.10.2005, 12. Kinder – und Jugendbericht, p. 65

Figure 8: Poverty risk quota before and after family assistance (tax-release and direct benefits)



Quelle: Fraunhofer Institut: Einkommens- und Vermögensstatistik, 1. Halbjahr 2003; nach Deutscher Bundestag 2005: 80.

Source: Gerda Holz u.a.: Zukunftschancen für Kinder. Wirkung von Armut bis zum Ende der Grundschulzeit. Endbericht einer Langzeitstudie (1997 – 2004) im Auftrag des AWO-Bundesverbandes e.V., Frankfurt am Main 2005, p.53

Figure 9: School-leaver with regard to the highest degree and nationality

Schulabschlüsse von deutschen und ausländischen Schulentlassenen an allgemeinbildenden Schulen nach Geschlecht in den Schuljahren 1991/92, 1994/95 und 2001/02
Angaben in Prozent

Schulabschluss	Deutsche Schulentlassene								
	insgesamt			männlich			weiblich		
	1991/1992	1994/1995	2001/2002	1991/1992	1994/1995	2001/2002	1991/1992	1994/1995	2001/2002
Hauptschulabschluss	25,1	25,7	24,1	27,7	28,9	27,6	22,2	22,3	20,5
Realschulabschluss	41,6	40,1	41,3	39,2	37,8	39,4	44,2	42,6	43,2
Fachhochschulreife	0,8	0,8	1,3	0,8	0,7	1,2	0,8	0,8	1,4
Hochschulreife	25,8	25,7	25,1	23,9	22,8	21,4	27,8	28,9	29,0
Ohne Abschluss	6,7	7,7	8,2	8,4	9,8	10,4	5,0	5,4	6,0

Schulabschluss	Ausländische Schulentlassene								
	insgesamt			männlich			weiblich		
	1991/1992	1994/1995	2001/2002	1991/1992	1994/1995	2001/2002	1991/1992	1994/1995	2001/2002
Hauptschulabschluss	44,4	43,8	40,8	44,6	43,9	41,8	44,1	43,8	39,7
Realschulabschluss	26,3	26,8	28,8	23,5	24,2	25,8	29,4	29,8	31,9
Fachhochschulreife	0,6	0,8	1,4	0,6	0,7	1,3	0,6	0,9	1,5
Hochschulreife	7,8	8,8	9,5	7,4	8,1	7,9	8,3	9,7	11,3
Ohne Abschluss	20,9	19,7	19,5	23,9	23,2	23,1	17,5	15,8	15,6

Quelle: Statistisches Bundesamt, Fachserie 11, Reihe 1

Source: Beauftragte der Bundesregierung für Migration, Flüchtlinge und Integration (2005): Bericht der Beauftragten der Bundesregierung für Migration, Flüchtlinge und Integration über die Lage der Ausländerinnen und Ausländer in Deutschland, Berlin, p. 573.

Figure 10: Average marks in selected school - subjects

Tab. 23: Durchschnittsnoten der Kinder in ausgewählten Haupt-/Nebenfächern nach familiärem Einkommensniveau – 2003/04

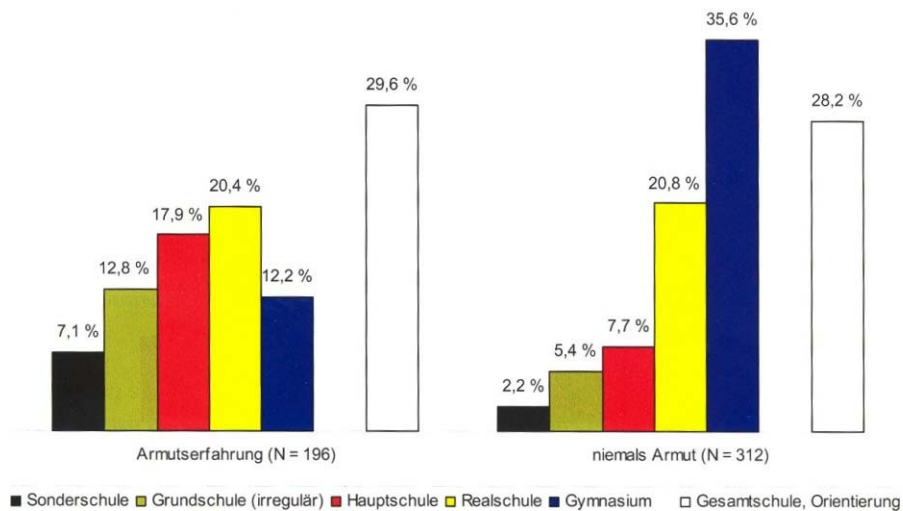
Familiäres Einkommensniveau 2003/04	Durchschnittsnote in...							
	Deutsch	Mathematik	Sachkunde	Sport	Kunst	Musik	Werken	Religion, Ethik
Armut (< 50 %) (N = 164)	2,9	3,1	2,8	2,1	2,4	2,3	2,3	2,6
Prekärer Wohlstand (50 – 75 %) (N = 164)	2,7	2,7	2,4	2,0	2,2	2,3	2,1	2,3
Sicherer Wohlstand (> 75 %) (N = 179)	2,3	2,3	2,1	2,0	2,1	2,0	1,9	2,1

Lesehilfe: Die Kinder armer Familien erzielen in Mathematik eine Durchschnittsnote von 3,1 und in Religion von 2,6.
 Quelle: „Armut im späten Grundschulalter 2003/04“; Berechnungen des ISS.

Source: Arbeiterwohlfahrt Bundesverband (Hg.) (2005): Zukunftschancen für Kinder. Wirkung von Armut bis zum Ende der Grundschulzeit, Endbericht der 3. AWO-ISS-Studie im Auftrag der Arbeiterwohlfahrt Bundesverband e.V., Bonn, p. 83.

Figure 11: Affected by poverty in elementary and primary school

Abb. 17: Armutserfahrung im Vor- oder Grundschulalter und geplante Schulform der Sekundarstufe I – 1999 bis 2003/04



N = 159 arm, 341 nicht-arm. (Elternangaben). Quellen: "Armut im Vorschulalter 1999", "Armut im späten Grundschulalter 2003/04"; eigene Darstellung.

Source: Arbeiterwohlfahrt Bundesverband (Hg.) (2005): Zukunftschancen für Kinder. Wirkung von Armut bis zum Ende der Grundschulzeit, Endbericht der 3. AWO-ISS-Studie im Auftrag der Arbeiterwohlfahrt Bundesverband e.V., Bonn, page 91.

Figure 12: Proportion of young persons without vocational training 1996 – 2000 – 2003
- Quota in %-

	1996	2000	2003	1996-2003
Germans	10,5	10,3	11,1	0,6
Non-Germans	40,1	37,8	37,0	-3,1
male	12,8	13,3	14,2	1,4
female	16,5	15,5	15,7	-0,8
20 – 24 years	14,8	14,4	14,6	-0,2
25 – 29 years	14,4	14,3	15,2	0,8
total	14,6	14,4	14,9	0,3

Source: Deutscher Bundestag, Drucksache 15/5285 of 12.04.2005: Berufsbildungsbericht p. 96

Figure 13: Handicapped persons in educational schemes for vocational training 2004

Learning place	handicapped persons		
	total	male	female
business (Betrieb)	5.818	4.023	1.795
Without an business (außerbetriebliche Einrichtung)	18.000	11.689	6.311
Berufsbildungswerk	15.989	10.817	5.172
workshop for handicapped	16.067	9.491	6.576
special schemes for rehabilitation	44.634	27.885	16.749
others	1.195	760	435
total	101.703	64.665	37.037

Source: Deutscher Bundestag, Drucksache 15/5285 of 12.04.2005: Berufsbildungsbericht p. 191

Figure 14: Winner and loser with Hartz IV

	Looser	Winner
Single unemployment assistance recipient	56,7 %	43,3 %
Unemployment assistance recipient with a partner in full employment	89,9 %	10,1 %
Unemployment assistance recipient with an unemployed partner	73,2 %	26,8 %
Unemployment assistance recipient with a partner without an employment	53,2 %	46,8 %

Source: Irene Becker, Richard Hauser: Auswirkungen der HartzIV-Reform auf die personelle Einkommensentwicklung, Studie im Auftrag der HansBöckler-Stiftung, 2006, www.becklerimpuls.de

Figure 15: All in all fiscal costs of unemployment in German in 2004

Less income in the social security system	23.6 bill. €	27 %
Less taxes	15.9 bill. €	19 %
Social benefits and housing benefits	4.5 bill. €	5.5 %
Expenditure for unemployment benefits	15.5 bill. €	17 %
Expenditures for social security expenditures for unemployment benefits recipients	10.3 bill. €	12 %
Expenditure for unemployment assistance	12.5 bill. €	15 %
Expenditures for social security expenditures for unemployment assistance recipients	4.4 bill. €	5 %

Source: IAB-Kurzbericht 10/2003 updated by IAB 2006, Sozialpolitik-aktuell.de

Figure 16: Education and life expectancy

Life expectancy since 16 years
(in years)

School education	with abitur (university entrance qualification)	without abitur
men	60,3	57,0
women	65,5	61,6

Source: Sozio-ökonomisches Panel, Th. Klein (1996), cit.: in: Deutscher Bundestag, Drucksache 15/5670 from 09.06.2005: Gutachten 2005 des Sachverständigenrates zur Begutachtung der Entwicklung im Gesundheitswesen, p. 64

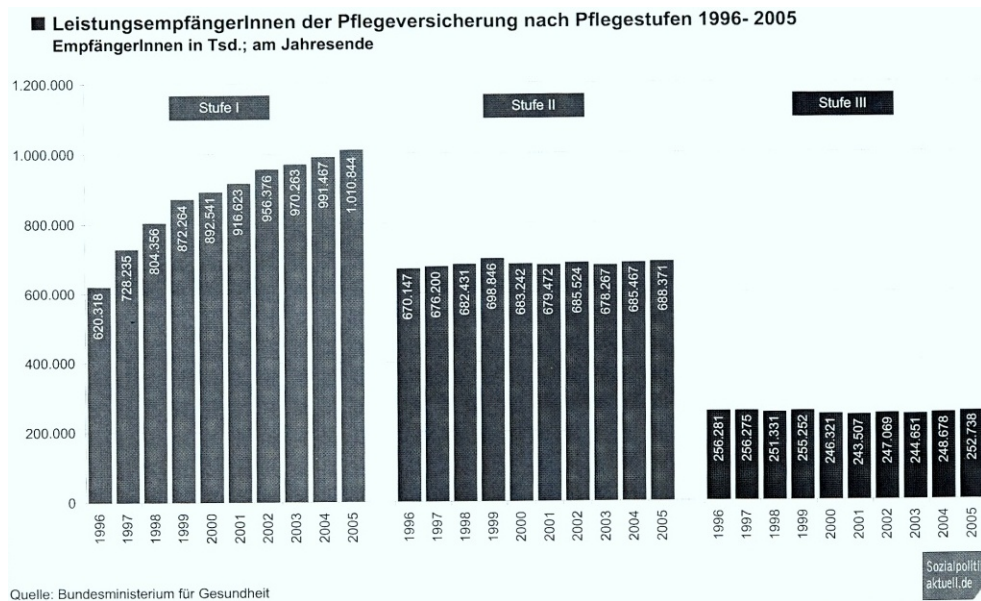
Figure 17: Pensions – income components in relation to income groups Germany, married total in percent

Quintils

	1	2	3	4	5
Brutto - income	100	100	100	100	100
Social pension system	90	94	93	89	70
Additional income	10	6	7	11	30
Taxes and social security contribut.	-8	-8	-8	-9	-16
Netto - income	92	92	92	91	84

Source: Deutscher Bundestag, Drucksache 16/906, Unterrichtung durch die Bundesregierung, Alterssicherungsbericht 2005, 09.03.2006, p.253

Figure 18: Recipients of benefits of the social insurance for nursing



Source: www.sozialpolitik-aktuell.de.

Annex 2 New legislation⁹⁸

- 2006: Gesetz zur Änderung des IV. und VI. Buches des Sozialgesetzbuches Einführung einer neuen Fälligkeitsregelung für die Sozialversicherungsbeiträge
- Steueränderungsgesetze zum 1.01.2006

Poverty and social exclusion

- 2005: Inkrafttreten des Vierten Gesetzes für moderne Dienstleistungen am Arbeitsmarkt (Hartz IV) (Einführung des ALG II/Sozialgeldes), mit begleitendem Kommunalen Optionsgesetz
- 2005: 4. Gesetz zur Änderung des SGB III und anderer Gesetze
- 2005: Gesetz zur Einordnung des Sozialhilferechts (BSHG und GSichG) in das Sozialgesetzbuch (SGB XII)
- 2005: Einführung eines bedürftigkeitsgeprüften Kinderzuschlages zum Kindergeld, wenn damit ALG II-Bezug verhindert werden kann
- 2005: Gesetzliche Änderungen zu den Zuverdienstgrenzen im SGB II
- 2005: 1. SGB II-Änderungsgesetz
- 2006: Anhebung des Regelsatzes für Ostdeutschland auf Westniveau im SGB II
- 2006: 5. Gesetz zur Änderung des SGB III und anderer Gesetze (zu den Details vgl. Teil B dieses Berichtes)
- 2005 / 2006 / in Vorbereitung: Gesetze zur Einführung von Studiengebühren in mehreren Bundesländern
- 2005 / 2006 / in Vorbereitung: Gesetze zur Abschaffung oder Einschränkung der Lehrmittelfreiheit in mehreren Bundesländern
- in Vorbereitung: Abbau des Kündigungsschutzes und Streichung der sachgrundlosen Befristung von Beschäftigungsverhältnissen
- in Vorbereitung: Hartz IV Optimierungsgesetz (SGB II)
- in Vorbereitung: Anpassung des Regelsatzes im SGB XII
- in Vorbereitung: Weiterentwicklung des Kinderzuschlags
- in Vorbereitung: Umbau des Erziehungsgeldes in ein einkommensabhängiges Elterngeld

Pensions

- 2005 RV-Nachhaltigkeitsgesetz
- 2005: Alterseinkünftegesetz
- 2005: Gesetz zur Organisationsreform der gesetzlichen Rentenversicherung (RVOrgG) (Zusammenführung der Landes- und Bundesversicherungsanstalten zur Deutschen Rentenversicherung)

⁹⁸ Einen etliche Jahre umfassenden Überblick über gesetzliche Änderungen im Sozialrecht bietet: Steffen, Johannes (2006): Sozialpolitische Chronik, Stand Januar 2006, Bremen, www.arbeitnehmerkammer-bremen.de/Sozialpolitik/

- 2006: Gesetz zur Änderung des IV. und VI. Buches Sozialgesetzbuch
- 2006: Gesetz zur Verhinderung von Rentenkürzungen in 2006
- in Vorbereitung: Rente mit 67

Health and long term care

- Änderung von SGB V: Preiseinfrieren bei Pharmaprodukten
- 2005: Kinder-Berücksichtigungsgesetz (KiBG) (beitragsmäßige Schlechterstellung kinderloser Versicherter in der Sozialen Pflegeversicherung)
- 2005: Verwaltungsvereinfachungsgesetz (u.a. Ausdehnung der Familienversicherung auf die Kinder familienversicherter Kinder in der Sozialen Pflegeversicherung)
- 2005: Gesetz zur Anpassung der Finanzierung von Zahnersatz in der Gesetzlichen Krankenversicherung
- 2005: Verwaltungsvereinfachungsgesetz (u.a. Ausdehnung der Familienversicherung auf die Kinder familienversicherter Kinder; Regelung des Beitragssatzes für ALG II-Bezieher in der Gesetzlichen Krankenversicherung)
- 2006: 5. Gesetz zur Änderung des SGB III und anderer Gesetze (Verschärfte Zugangsregelung zur GKV bei unrechtmäßigem ALG II-Bezug)
- in Vorbereitung: systemändernde Umgestaltung der Krankenversicherung
- in Vorbereitung: systemändernde Umgestaltung der Pflegeversicherung

Annex 3 Key documents

- Bundesregierung (2005): Lebenslagen in Deutschland. Zweiter Armuts- und Reichtumsbericht, Bundestagsdrucksache 15/5015, Berlin.
- Bundesministerium für Gesundheit und Soziale Sicherung (2005): Sozialbericht 2005, Berlin.
- CDU / CSU / SPD (2005): Gemeinsam für Deutschland. Mit Mut und Menschlichkeit. Koalitionsvertrag von CDU, CSU und SPD vom 11. November 2005, Berlin.
- Bundesregierung (2005): Innovation forcieren – Sicherheit im Wandel fördern – Deutsche Einheit vollenden. Nationales Reformprogramm Deutschland, Berlin.
- Bundesministerium der Finanzen (2006): Deutsches Stabilitätsprogramm. Aktualisierung Februar 2006, Berlin.

Mindestsicherung

- Bundesregierung (2004): Bericht über die Höhe des Existenzminimums von Erwachsenen und Kindern für das Jahr 2005 (Fünfter Existenzminimumbericht), Berlin.
- Bundesministerium für Wirtschaft und Arbeit (2005): Vorrang für die Anständigen. Gegen Missbrauch, „Abzocke“ und Selbstbedienung im Sozialstaat. Ein Report vom Arbeitsmarkt im Sommer 2005, Berlin.

Alterssicherung

- Bundesministerium für Arbeit und Soziales (2006): Bericht der Bundesregierung über die gesetzliche Rentenversicherung, insbesondere über die Entwicklung der Einnahmen und Ausgaben, der Nachhaltigkeitsrücklage sowie des jeweils erforderlichen Beitragssatzes in den künftigen 15 Kalenderjahren gemäß § 154 SGB VI (Rentenversicherungsbericht 2005), Berlin.
- Bundesministerium für Arbeit und Soziales (2006): Ergänzender Bericht der Bundesregierung zum Rentenversicherungsbericht 2005 gemäß § 154 Abs. 2 SGB VI (Alterssicherungsbericht 2005), Berlin.
- Sozialbeirat (2006): Gutachten des Sozialbeirats zum Rentenversicherungsbericht 2005 und zum Alterssicherungsbericht 2005, Berlin.

Gesundheit und Langzeitpflege

- Sachverständigenrat zur Begutachtung der Entwicklung im Gesundheitswesen (2005): Koordination und Qualität im Gesundheitswesen, Bonn

Annex 4 European Structural Funds in Germany⁹⁹

The structure, scope and objectives of the European Social Fund (ESF) and the European Regional Development Fund (ERDF) will be reorganised for the period 2007 to 2013. Some negotiations on this topics are ongoing until now. Therefore we can only describe some developments and estimated outcomes of programmes within the current period of both European instruments.

Through the four Structural Funds (ERDF, ESF, EAGGF-A, FIAF) the Union promotes before all disadvantaged regions in the member states, with part of the assistance explicitly intended to reduce the economic and social differences within the European Union. The European Structural Funds are orientated to three target areas:

- Structural adjustment of regions with a development lag
- Economic and social conversion in the structural change
- Modernisation of education and training systems

For the period 2000 - 2006, one third of the Community budget (Euro 213 Bn.) is made available in these funds.

In context with the NAPincl-part of the National and Joint Report on Social Protection and Social Inclusion, it is before all the ESF which - apart from the ERDF aiming at the support of regional infrastructure policy and economic promotion - plays an important role as central financing instrument of the EU with regard to implementing its strategic employment targets. The areas of promotion of the ESF include the active promotion of the labour market, equality of opportunities, training and further education, enterprise and specifically the integration of women into gainful employment. Their implementation is based as a rule on National or Regional Action Plans designed for several years. In addition, four smaller special programmes (URBAN II, EQUAL, INTERREG III, LEADER+) exist.

Due to the different economic and social outline conditions, there are a number of different accesses and individual projects on the level of implementation of the structural funds. With regard to the ESF, it is to be noted that federal framework planning 2000 - 2006 puts the main emphasis of promotion on the areas "Active and preventive labour policy" (focus: prevention of youth and long-term unemployment) and "Society without exclusion" (focus: integration of older unemployed persons) and thus on labour market and employment policy.¹⁰⁰

In spite of different promotion subjects, one can see here a parallelism in content to the use of ERDF funds which are "used to their full extent for the promotion of a sustainable development and the creation of permanent jobs".¹⁰¹ Considering that exclusion from the labour market and particularly long-term unemployment run like a thread for the explanation of specific individual social exclusion risks through the 2004 update of the NAPincl 2003 - 2005, it is obvious that the implementation of the four structural funds, and before all the ERDF and ESF, not only makes a contribution to the implementation of the European Employment Strategy, but thus also has special importance with regard to the promotion of social inclusion according to the spirit of the NAPincl. The further focus of ESF and the evaluation of the existing programs within ESF have to strengthen the point that it will not be possible to solve all problems of social exclusion by integration in labour market. The new Lisbon strategy too asks

⁹⁹ Update of Annex 1, in: Huster, Ernst-Ulrich / Benz, Benjamin / Boeckh, Jürgen (2005): Assessment of the NAP implementation Report 2003 – 2005. Report 2005 of the German non-governmental experts in the field of poverty and social exclusion on the German NAPincl 2005, Bochum.

¹⁰⁰ vgl. Bundesrepublik Deutschland (Hg.) (2000): Strukturfondsperiode 2000 - 2006. Einheitliches Programmplanungsdokument zur Entwicklung des Arbeitsmarktes und der Humanressourcen, 156, Berlin, page 150.

¹⁰¹ vgl. Bundesrepublik Deutschland (Hg.) (2003): Nationaler Beschäftigungspolitischer Aktionsplan 2003, Berlin, page 37.

how to integrate the most vulnerable in society, not only in labour market. The schemes within ESF have to combine labour market – integration with other important points of a self determinate living.

But it should be noted in this context that the role of the structural funds varies between the individual levels. For example, the ESF makes up a relatively low proportion of only approximately 3 % of the overall funds being available for active labour policy in Germany. However, the NAPeml 2003 points out that "the ESF funds of the Länder, relating to their independent labour policy, have a relatively much larger importance than the ESF federal funds relating to the active labour policy of the Federation and the Federal Agency for Employment".¹⁰² For the Central state, the importance of the ESF funds lies before all on the qualitative level in the support and testing of related measures. Insofar, it does not come as a surprise that the federal Government welcomes a concentration of the "structural funds after 2006 to the neediest regions and member states" in the update to the NAPincl 2003 - 2005 (page 37). Here is indeed a source of conflict with the federal states in which before all the ERDF funds, but also the ESF funds have a larger structural importance.¹⁰³

Berlin is the only city and region in the EU in which all three targets of the structural funds are implemented. During the promotion period 2000 - 2006, the city thus receives € 762 Mill. from ERDF, € 446 Mill. from ESF, ca. € 7 Mill. from EAGGF-A and additional funds from the four special programmes; they are increased by complementary own funds. Thus, a considerable investment volume for infrastructure and labour policies is available to the city. For example, more than 33,500 inhabitants of Berlin participated in employment and qualification projects of the EFS in 2001.¹⁰⁴

In Saxony as target 1 Area, ca. € 5.1 Bn. from the structural funds will be available until 2006. Together with the co-financing from private, public, state and federal funds, ca. € 10 Bn. can be activated. The largest part of the support from the EU, making up € 3.3 Bn., falls to ERDF in Saxony as well. Within the framework of the Community initiative "Improvement of the Regional Economic Structure", promotion funds amounting to € 420 Mill. (ERDF proportion € 190 Mill.), activating an overall investment volume of € 3,776 Mill., were appropriated in Saxony in 2004. About 22,000 jobs were secured and ca. 6,200 new jobs created with these funds. As regards the ESF, Saxony can record a promotion volume, including co-financing, of € 88.3 Mill. in 2004. 3,740 grants to finance the establishment of small firms before all in the service sector, 1,688 grants for the hiring of juveniles under the age of 25, single parents, welfare recipients, women and disabled persons as well as 993 qualification measures for a total of 17,023 persons were financed with this money.¹⁰⁵

North Rhine-Westphalia may serve as example which innovative structural effects the use of structural funds can have. For in the most populous federal state facing a variety of structural problems, the ESF before all has not only a high quantitative importance (until 2006: ca. € 1.5 Bn, share of ESF funds € 770 Mill.), but also a special qualitative importance. The Head of the Section Employment and Qualification in the Ministry of Economics and Employment NRW, Dr. Wilhelm Schäffer, points out that through the "ESF, and particularly the inter-national co-operations underlying many programmes and project approaches, a large number of ideas with regard to content" have been put forward. Insofar, the ESF was "the basis on which the labour policy of North Rhine-Westphalia, seen also in comparison with the other federal states, has been founded". On the implementation level of the ESF, labour market conferences were called state-wide in the spirit of "open co-ordination" which suggested main themes of action to fight special complexes of problems in the regions. The labour policy of Land NRW regards itself in this connection as subsidiary to the federal level in so far as it concentrates before all on the participation-oriented development of pilot programmes and projects to close gaps of the standard benefits, incorporating the process of transnational learning.

¹⁰² a.a.O.: page 41.

¹⁰³ see DGB Bezirk Niedersachsen-Bremen-Sachsen-Anhalt (Hg.) (2005): Jahresbericht 2004, page 35 f.

¹⁰⁴ vgl. www.berlin.de

¹⁰⁵ see Freistaat Sachsen (Hg.) (2005): Strukturfonds aktuell, Ausgabe Mai 2005, page 4 ff.

The structural funds follow the principles

- concentration on the neediest regions
- distribution of funds by the region, member state and EU on the basis of co-operation
- binding programme planning and
- complementary assistance.

No final evaluation with regard to these principles can be presented within the limits of this annex. In particular, no statement can be made on the quality of the supported projects. The accompanying evaluation of the projects and the EU is to be referred to in this connection. It might be useful to ask for the added value in terms of social integration within the evaluations designs of the ESF. But the methodological difficulties in evaluating outputs, outcomes and impacts should also be kept in mind by raising such questions. In the final analysis, it also remains unclear in how far the projects which were carried out are in fact of a complementary nature despite the co-financing. Doubts are certainly justified here in the individual case, although it needs to be noted that the demarcation between a compulsory task and a pilot project is difficult to draw, before all in the field of active labour policy.

The example North Rhine-Westphalia shows how the promotion philosophy of the EU on the local level of action serves as impetus for the further development of methods of social work and the provision of services in addition to the national, regional and local social and employment policies. For the orientation towards the formation of networks and the use of effect-oriented evaluation instruments encourage the shift in thinking in the direction of the provision of reliable and precisely fitting services. In order to secure social participation, the principles of activation (help for self-help) and (self-)competence of socially disadvantaged groups of persons are increasingly backed (Lisbon Strategy, Agenda 2010, orientation towards social environments, lifelong learning etc.). What is demanded and promoted, are decentralised approaches of an orientation towards living and social environments which are to guarantee a grass-roots supply with public and private services and a better integration of social problem groups within and beside the labour market. These schemes have to strengthen skills for a living even if there will not be a possibility to get a job, but nevertheless there have to be activities which make a sense! As for implementation, this requires new forms of co-operation of the relevant actors from the practice of social work on all levels of action. An essential feature is to be seen in this connection in the mobilisation of neighbourly and civic involvement and the promotion of socio-physical services integrated regardless of particular fields. This could be e.g.:

- Organisation of networks between working parents with children and people in special schemes for child – care
- Organisation of networks between elderly or chronicle ill persons without social contact and those who are mobile, organisation of mobilisation
- Activities in the ecological environment and the social environment
- Help by training self-organised living with young people

Although the new Lisbon strategy strengthen the labour market orientation and although this revision of the old Lisbon strategy will convince with the actual German philosophy of social integration, the gap between this approach and those who have now and at least in the next future no chance of the labour market, even if the schemes will become better and better, will arise. The ESF could get an important role for a wide-spread integration strategy within the Lisbon strategy but not only within a labour market policy.

But nevertheless some work could be done to strengthen the ESF in terms of a more multidimensional understanding of fighting social inclusion. By taking a short look on the activities for example in the

scope of EQUAL one can say, that the first steps towards a more multidimensional approach already has been done. No project will be accepted without a networking and multidimensional approach. This is very important to strengthen a philosophy of fighting poverty not only by promoting employment. Projects like OPEN PATHS - New ways to integrate disabled persons in Berlin, or Counselling, Company, Training and Employment of disadvantaged Youngsters in Saxony or Training and Integration of Migrants in Saxony-Anhalt are showing that the social service providers know that already and are trying to provide more multidimensional services. But for sure we cannot asses to what extent this influenced by the OMC and the NAP inclusion.

To find ways to strengthen the ties between the ESF and the NAP inclusion we might learn by looking at EQUAL. A first step to open this program would be to change the name of topic 1 B into 'Employability and Social Integration'. This would give a chance for projects working with target groups being far away from employability. And it would also be a possibility to finance projects which a trying to find new forms of participation and social integration for persons who will definitely never again being integrated in the regular labour market.

Secondly it should be discussed between the EU-Commission and national actors how ESF and national programmes can be better coordinated. For example: the new SGB II contains a mandatory agreements between the unemployed person and the job centre agent about an integration strategy back into labour market. Why shouldn't it be possible to finance projects by ESF/EQUAL to find new ways to integrate problematic target groups not in labour market but in civil society activities.

To analyse how the OMC and the NAP inclusion could be an instrument to promote a wider understanding of integration and to learn more about possibilities to make social inclusion as strong as employability it might be useful to organise a round table with experts from European, Federal, Regional and Local level as well from social service providers. This might be a place to discuss current experiences, expectations and needs for the further development of programs fighting poverty and social inclusion and not only joblessness.

Annex 5 Recent research

AWO/ISS-Abschluss-Studie

- Zukunftschancen für Kinder. Wirkung von Armut bis zum Ende der Grundschulzeit (Endbericht einer Langzeitstudie 1997-2004 im Auftrag des AWO-Bundesverbandes)

Forschungsberichte im Kontext 2. Armuts- und Reichtumsbericht¹⁰⁶

Hier sind im Kontext der Berichterstattung vor allem die folgenden Gutachten von besonderem Interesse:

- Armut und Lebensstandard (Prof. Dr. Hans-Jürgen Andreß)
- Armut, soziale Ausgrenzung und Teilhabe an Politik und Gesellschaft (Dr. Dietrich Engels, Institut für Sozialforschung und Gesellschaftspolitik e.V.)
- Lebensstandarddefizite bei Erwerbstätigenhaushalten (Dr. John Haisken-De New, Rheinisch-Westfälisches Institut für Wirtschaftsforschung)
- Nicht-Inanspruchnahme zustehender Sozialhilfeleistungen (Dunkelzifferstudie), (Prof. Dr. em. Richard Hauser, Dr. Irene Becker)
- Überschuldungssituation in Deutschland im Jahr 2002 (Dr. Dieter Korczak, Institut für Grundlagen- und Programmforschung)
- Armut, soziale Ungleichheit und Gesundheit (Thomas Lampert, Thomas Ziese, Robert-Koch-Institut)
- Menschen in extremer Armut (Dr. Udo Neumann, Institut für Sozialberichterstattung und Lebenslagenforschung)
- Einkommenssituation von Familien (Dr. Hermann Quinke, Fraunhofer Institut für Angewandte Informationstechnik)
- Auswertung des NIEP im Hinblick auf mehrdimensionale Aspekte von Armut (Prof. Dr. Johannes Schwarze)
- Sozialhilfeabhängigkeit von allein Erziehenden (Prof. Dr. Klaus Peter Strohmeier, Prof. Dr. Notburga Ott)
- Bildung und Lebenslagen in Deutschland (Prof. Dr. Gernot D. Weißhuhn)

¹⁰⁶ Die Gutachten sind über die Homepage des Bundesministeriums für Arbeit und Soziales (<http://www.bmas.bund.de/BMAS/Navigation/Service/publikationen.html?suchSubQuery=9>) abrufbar.

Annex 6 Statements by the Stakeholder

Die Stakeholder werden in Deutschland über Anhörungsverfahren, Bitten um Stellungnahme u.ä. systematisch in Gesetzgebungsprozesse eingebunden. Im Folgenden kann lediglich eine Auswahl an Beispielen hierzu wiedergegeben werden.

Stellungnahmen zum 2. Armuts- und Reichtumsbericht

- Deutscher Gewerkschaftsbund (www.dgb.de)
- Wohlfahrtsverbände (www.bagfw.de)
- Nationale Armutskonferenz (www.nationale-armutskonferenz.de)