

# **Life Situations in Germany**

The German Federal Government's 3rd Report on Poverty and  
Wealth

## **Executive Summary**

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## **I. What is expected from a socially just policy**

Poverty is a societal phenomenon with many faces. This is why an unambiguous measurement is not possible. The German Federal Government's reports on poverty and wealth use a comprehensive analytical approach as orientation which describes the risks that may lead to poverty and social exclusion in different situations of life. In this third report, the stock-taking of the social situation in Germany which began in 2001 is continued; where the required data are available, it allows for a comparison of the development of social integration over a period of ten years. For the measurement of monetary poverty, the Federal Government uses the relative poverty risk concept agreed between the EU member states. The report outlines the measures the Federal Government is taking in the relevant policy areas with the aim to avoid or overcome poverty and social exclusion.

The core of a socially just policy is to give all members of society opportunities for economic and social participation and fulfillment. Therefore, a policy that wants to help avoid poverty and social exclusion cannot limit itself to securing material basic needs. Permanent dependence on public welfare leads to a consolidation of poverty – sometimes over generations – and must be avoided. The decisive factor for the success of such a policy is an effective activation policy including care, education and further training elements, for example, so as to enable the relevant persons to become independent of the receipt of transfer benefits as far as possible. All must be given the chance to make full use of their individual potential.

An adequate coverage of the big risks of life such as sickness, accident, disability, unemployment, reduced earning capacity, need for long-term care and old age provided by the social insurance systems continues to be an important prerequisite for this. Furthermore, social exclusion and poverty must be avoided by guaranteeing the socio-cultural subsistence level.

Therefore, the report does not only identify and analyse unequal participation results, for example on the labour market or in the distribution of income and assets, but also asks to what extent these differences are attributable to unequal opportunities for participation and fulfillment and which factors have an influence on the different take-up patterns of chances offered. Opportunities that are not taken could indicate that the offers made by society are not sufficiently geared to the needs of the target groups and that they must be reviewed, to see whether they are effective. Nevertheless, it depends last but not least on the individual whether he makes use of an opportunity or not.

## **II. Improved macroeconomic framework conditions: Upswing and more employment**

Basic prerequisites for more opportunities for participation and fulfillment are economic growth and the related employment opportunities. Only a strong and globally competitive economy is able to secure prosperity for all on a permanent basis. Over the last few years, the Federal Government's policy has improved the framework conditions for economic growth by means of structural reforms.

The Federal Government's record on reforms is quite impressive. Approximately in early 2006, the weak phase prevailing in the domestic economy over the preceding years came to an end. The upswing makes itself felt for the people in the form of improved income perspectives and additional jobs. With over 40 million gainfully employed persons, a historic peak was reached in April 2008. Moreover, the process of job creation is more dynamic than in previous phases of upswing. Thus employment subject to social insurance contributions rose by roughly 500,000 persons on an annual average last year alone.

As regards the development of incomes, it is not yet possible to present the effects of positive developments since 2006 due to a lack of current data. In the first half of this decade, the macroeconomic development was characterized by a persistent phase of stagnation. The business climate was unsteady, both investment activity and domestic demand remained at low levels. Growth impulses came only from export but they did not suffice to counteract the decrease of employment and the increase in unemployment. In February 2005, 5.29 million persons were unemployed. This means that with 14.1 per cent, the highest unemployment rate was reached since the reunification of Germany. However, this figure was also a result of the better statistical coverage of unemployment which was intended and related to the merging of unemployment assistance and social assistance for persons capable of working in the subsistence guarantee scheme for job-seekers (Book Two of the Social Code – SGB II).

Many companies react to the global integration of markets and an increasing competition by restructuring their value-added chains. In highly industrialized countries such as Germany, there is an increasing tendency towards more skilled activities involving higher mobility and skill requirements. Companies partly reduce their value-added depth and shift parts of the production processes to other countries. Germany has, in turn, become more attractive for highly productive investments from abroad. These developments have led to considerable structural changes on the German labour market. In particular, the demand for low-skilled labour is on the decline.

The restructuring processes implemented by companies, the moderate wage developments and the labour market reforms helped to put an end to the weak phase of the preceding years in early 2006. The reforms on the labour market have lowered the threshold for new job creation and have supported the economic upswing in leading to higher employment.

For the years 2008 and 2009, the Federal Government and the economic research institutes expect economic growth and a further decrease in unemployment. These are good prerequisites for further reducing poverty risks and improving opportunities for participation. It is of decisive importance to ensure the efficiency of investive, activating and preventive measures to avoid poverty. Due to public debt, there is only limited scope for action. Therefore, budget consolidation remains an unchanged requirement and must be continued.

### III. Key statements

Key to the prevention of poverty is more education and employment. All efforts must be geared to reaching full employment.

#### **Reforms on the labour market and in financial policy support upswing**

The improved economic situation and an activating social and financial policy secure participation in social life for more people. The labour market reforms initiated during the weak phase of the economy and the financial policy measures taken to stabilise public revenues over the last years have been successful. They have provided favourable conditions for the economic upswing and reinforced the positive effects on the labour market. Meanwhile, unemployment is decreasing also for long-term unemployed persons, persons with disabilities, older persons, younger persons, and foreigners.

#### **Flexible forms of employment promote entry into labour market**

As a result of self-employed activities and flexible forms of employment such as minor employment and temporary agency work, the number of people who were previously excluded and are now gainfully active has risen. Flexible forms of employment help with reintegration into the labour market and may also be a bridge to employment that comes close to full-time employment. Fair working conditions and adequate incomes from work are the basis for an appropriate social security. Sector-specific minimum wages may help to enforce adequate minimum working conditions.

#### **Unequal distribution of incomes rose in the years from 2002 to 2005**

The gross wages and salaries per employee went down in real terms from an average of 24,873 EUR to 23,684 EUR and thus decreased by 4.8 per cent. This is also the result of company-level and collective agreements, a high unemployment during these years and a reduction in the number of employers and employees covered by collective agreements in Germany. The unequal distribution of incomes also increased: While the share of higher incomes rose, the share of lower income groups became smaller.

The increase in the share of employees in the low-wage sector has a wide range of causes (part-time work and new forms of employment, among others) and must also be seen in view of the fact that it helped more people find their way out of unemployment. In 2005, the earnings from dependent employment of more than one-third of all employees remained below the low-wage threshold of two-thirds of the median of gross incomes. In the early 90ies, this applied to only slightly more than one-quarter. Contrary to the European trend, this also led to an increasing at-risk-of-poverty-rate of gainfully active persons. Due to the favourable economic development and the collective agreements of the last months, a positive development of incomes from work may be expected.

#### **The social welfare state is working and effective**

Germany belongs to those OECD states in which the inequality of market incomes is most strongly reduced by taxes and social transfers. Social and family policy transfer benefits such as unemployment benefits II, child benefits, child supplements, housing allowances and the former child-raising allowances reduced the risk of income poverty in 2005 from 26 per cent to 13 per cent in general and from 34 per cent to 12 per cent for children. Both figures are lower than the European average. The groups that are particularly at risk of poverty include unemployed persons, persons who have not completed vocational training, single parents and persons with migration backgrounds. To ensure social cohesion, the social welfare state needs the voluntary

work of many. Therefore, more opportunities for access to cultural, social and political activities must be opened up also for disadvantaged groups and groups affected by income poverty.

### **Education is the key to participation**

Good education must start at an early age and is an indispensable prerequisite for good training and employment opportunities. It also leads to a greater awareness of how to lead a healthier life, to a responsible household management and a successful way of coping with everyday life in the family. The educational level of the population has increased continuously over the last decades. However, in Germany, the educational achievements of children still depend too much on their parents' educational level.

### **Women make use of their opportunities**

Women are catching up with men in the educational sector and with regard to labour force participation. This means more opportunities for work that secures one's livelihood and a better prevention of income poverty also for single parents. This benefits children, in particular. Nevertheless, there is still a large number of structural obstacles to an equal participation of women and men in working life which can be measured, for example, by the wage differentials that are very high in Germany by European comparison.

### **If parents are gainfully employed, the poverty risk of children goes down**

The poverty risk of children is strongly dependent on their parents' labour force participation. When one or several household members who are capable of working take up full-time employment, the poverty risk of households with children falls from 48 per cent to below-average rates of 8 per cent and 4 per cent, respectively. Of central importance for parents and their ability to reconcile work and child raising are flexible and high-quality child care facilities. Education that starts at an early age in the context of child care also improves the opportunities for social participation especially of children from low-income families, from families with no or little access to education or from foreign families and makes it possible for them to learn the German language.

### **Poverty in old age is not a current problem – supplementary retirement provision becomes increasingly important**

Despite difficult economic conditions, the poverty risk of older people has not risen. At the end of 2006, only 2.6 per cent of women and 1.8 per cent of men and thus a total of 2.3 per cent of all persons aged 65 and over were in receipt of benefits under the scheme for basic protection in old age and in the case of reduced earning capacity. However, groups of persons whose job histories include longer periods of self-employment with low incomes, minor employment, unemployment or career interruptions for family reasons have to reckon with low retirement incomes. Good training, a job history without interruptions, if possible, and adequate earnings improve the possibilities to make the necessary additional provision for old age.

#### IV. To open up opportunities for fulfillment – to ensure minimum security

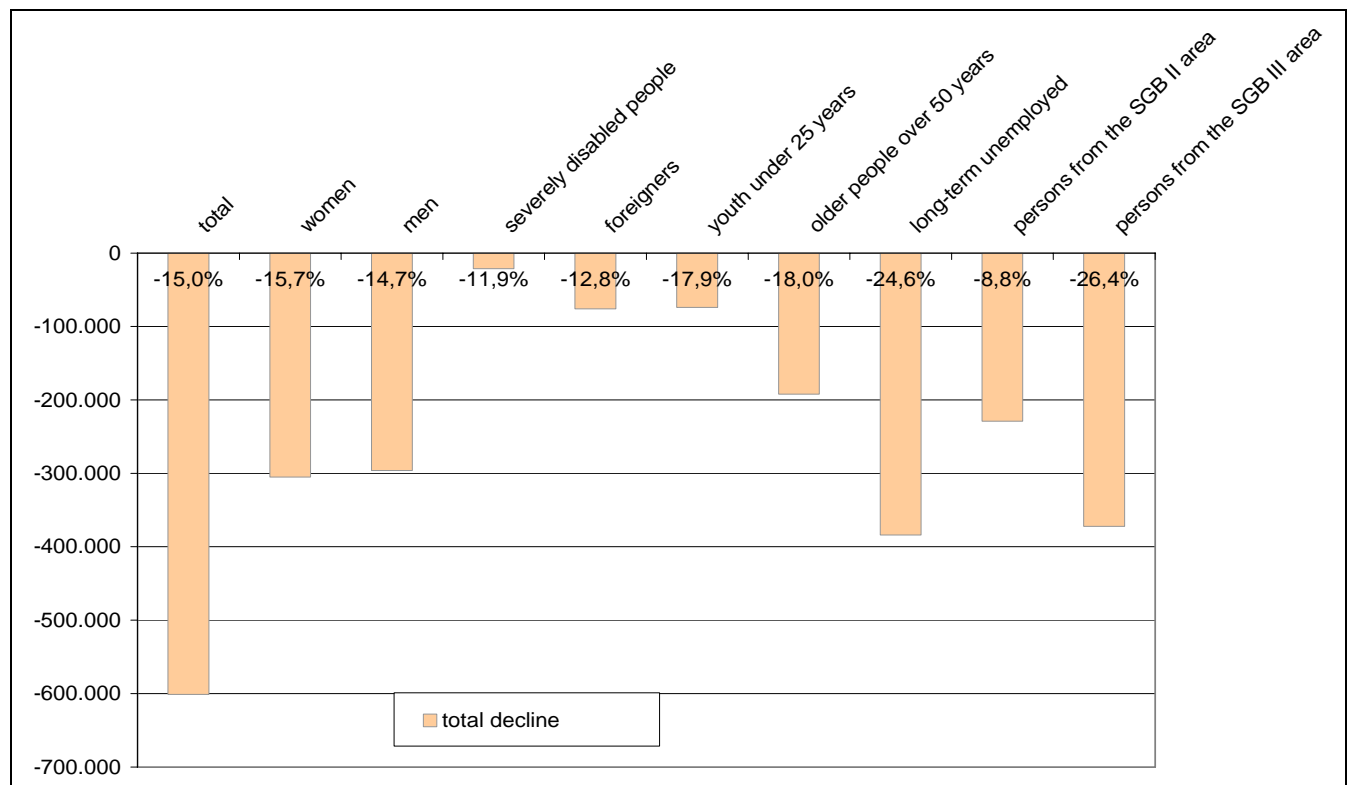
In the following, the central results from the analysis of the social situation are treated together with the political measures and the successes of a socially just policy of the Federal Government and existing challenges are identified. In this context, the essential core areas for social integration are being considered. The presentation of the participation of persons with disabilities, persons with migration backgrounds and homeless persons has been integrated into the key priorities.

##### IV.1 Employment upswing reaches all

Unemployment has gone down markedly since 2006. The increase in gainful employment benefits both the group of long-term unemployed persons and the – partially overlapping – groups of young people, older people and foreigners as well as the recipients of benefits under Book Two/Book Three of the Social Code (SGB II/SGB III) and people with disabilities. Especially long-term unemployment went down by one quarter in 2007 alone. Compared to former economic cycles, this is a new and positive development. In March 2008, the number of severely disabled job seekers had fallen by 13.5 per cent compared to March 2007.

Graph 1

Decrease of unemployment in December 2007 compared to December 2006



Source: Statistics of the Federal Employment Agency



According to the most recent data available, the number of gainfully active persons amounted to 40.1 million in April 2008 and was thus as high as never before in the month of April. The employment objectives agreed between the EU member states for 2010 of 60 per cent for the labour force participation of women (2007: 64.0 per cent) and 50 per cent for older persons (2007: 51.5 per cent) have thus been achieved already now. The share of women in part-time work has risen considerably since 1998. For the population as a whole, the objective of 70 per cent is within reach given a labour force participation of 69.4 per cent (2007). Most experts expect the positive development to continue in 2008.

Over the ten-year comparison period, the increase in employment has gone together with an increase in flexible forms of employment such as self-employment, minor and fixed-term employment. Legally changed framework conditions offered the business community flexible possibilities to bring more people into work.

This has helped many people, especially women, to re-enter into working life. To this end, the new two-tier system of labour market policy including instruments from Book Three of the Social Code (SGB III) and Book Two of the Social Code (SGB II) provides incentives for work and offers support for an integration into the mainstream labour market. Labour force participation is the key to opening up opportunities for participation and fulfillment for all household members. Prerequisite is, however, that people who enter the labour market via a flexible employment relationship are given the possibility for further development so that in the end, they hold a permanent job which comes close to full-time employment. First evaluations partly indicate that temporary employment and so-called midi-jobs (400 to under 800 EUR gross earnings/month) have a bridging function – in contrast to mini-jobs (under 400 EUR). As far as temporary employment is concerned, however, attention has to be paid to undesirable developments.

The increase of low wages also for full-time employment goes together with an increased poverty risk for gainfully active persons (income data available only up until and including 2005). A positive trend is that compulsorily insurable employment has risen again markedly since 2006 although the level of 26.85 million reached in June 2007 is still below the 1998 level. At the same time, however, new forms of employment have offered more people a way out of unemployment and thus improved their opportunities for participation. Adequately paid and insured work does not only enable people to earn their livelihoods but also gives them social recognition and the possibility to lead a self-determined life.

**Measures:**

- **"JobPerspective"**: The aim of the "JobPerspective" is to give a permanent vocational perspective to up to 100,000 persons who are distant from the labour market and suffer from multiple obstacles to placement. This is also the target group of the Federal programme **"Kommunal-Kombi"**.
- **"Perspective 50plus – job alliances for older workers in the regions"**: The Federal programme aims at activating over 200,000 older long-term unemployed persons up until the end of 2010 and at integrating 50,000 of them into the general labour market.
- **Employment obligation and initiatives "job – jobs without barriers" and "Job4000"**: With the newly started programme "Job4000" at least 4,000 particularly affected severely disabled persons are to be integrated into jobs and training places up until the end of 2013.
- **Migration-specific employment promotion measures**: Measures to improve the occupation-related promotion of language skills and the nationwide counselling and information network "IQ – integration by qualification" help to support the vocational integration of persons with migration backgrounds. The Federal Government's special programme for pre-vocational training is successfully used especially by persons with migration backgrounds.
- **The "Initiative 50plus"** is meant to improve the employment opportunities of older persons and at the same time stimulate a change in attitudes in society towards the employment of older persons. The framework conditions for vocational further training are improved.
- **The Act on the Posting of Workers and the Act on Minimum Working Conditions** are further developed so that minimum wages may be fixed in certain branches.

## IV.2 Social transfers reduce poverty risks

The market incomes between 2002 and 2005 were characterized by the weak economic situation prevailing during these years. The economic upswing since 2006 has led to positive employment effects and increasing gross wages and salaries. The latter went up by only 0.3 per cent in 2005, by 0.9 per cent in 2006 and by 1.5 per cent already in 2007 (national accounts). In the most recent data available on income distribution which are from the year 2005 (SOEP 2006 and the official statistics EU-SILC 2006) this positive development is not yet reflected, however.

According to analyses made by the Socio-Economic Panel (SOEP), the gross wages and salaries per employee went down in real terms from an average of 24,873 EUR to 23,684 EUR between 2002 and 2005 and thus decreased by 4.8 per cent. This is also the result of company-level and collective agreements, a high unemployment rate during these years and a reduction in the number of employers and employees covered by collective agreements in Germany. The inequality in the distribution of the needs-weighted equivalised disposable income also rose.

Here, only the highest income decile benefitted from a slight increase in the period from 2002 to 2005 compared to stagnating shares in the middle and decreasing shares in the lower five income deciles. However, when these figures are interpreted, account has to be taken of the fact that the average household size has decreased considerably over the last few years. According to OECD, the share of single parents, for example, rose four times as quickly from 1995 to 2005 as it did on average in the EU. This group has incomes which are lower than those of all other household types.

Germany belongs to those OECD states, however, in which the inequality of market incomes is most strongly reduced by taxes and social transfers although the extent of the monetary redistribution effected by the social state slightly decreased between 2002 and 2005. An effective instrument to attenuate the inequality of market incomes is the progressive income tax scale. The regressive effect of increased excise duties weakens the progressive effect of the income tax, however. But the additional revenues were in large parts used to reduce the contributions to the unemployment insurance and thus to relieve both employees and employers and to strengthen the labour market.

Of the persons liable to pay income tax, 10 per cent who belong to the highest income category raise 52 per cent of the total income tax revenue whereas 50 per cent in the lower-income groups contribute about 6 per cent.

**Measures:**

- **Tax reform 2000:** In several steps, the tax-exempt subsistence minimum was raised from 6,322 EUR (1998) to 7,664 EUR (2004) and the entry tax rate was lowered from 25.9 per cent (1998) to 15.0 per cent (2005). The simultaneous reduction of the top income tax rate to 42 per cent went together with the abolition and/or restriction of a large number of tax reliefs and exemption regulations. For taxable incomes exceeding 250,000 EUR the top tax rate amounts to 45 per cent since 2007.
- **The consistent prosecution of tax evasion** contributes to more fairness for taxpayers in Germany.
- The **2008 reform of corporate taxation** and the **introduction of a flat-rate tax on capital yields as from 2009** are meant to reduce incentives to transfer profits abroad before taxation and not to pay taxes on invested money.

When considering the distribution of incomes, the definition of the relative poverty risk as agreed between the EU member states is used; it is primarily depicted by the indicator of the at-risk-of-poverty rate. It is defined as the share of persons in households whose needs-weighted equivalised disposable income is less than 60 per cent of the median of all persons. The me-

dian is the income value which divides the incomes of the population in exactly two halves. Consequently, the median income position is the reference value. Persons are subject to the risk of income poverty if their incomes remain below a certain threshold that is set in relation to the median of society. This indicator was named at-risk-of-poverty rate in order to make clear that it describes the possibility of a poverty risk – especially if persons are on such low incomes for longer periods of time. There are two types of subsistence minima – the socio-cultural subsistence minimum which uses consumption of the lower income group as orientation and the physical subsistence minimum which defines absolute poverty.

### **On the methodology of data collection**

On the issues of income distribution, at-risk-of-poverty rate and asset distribution, the report presents results from the Community Statistics on Income and Living Conditions LIVING IN EUROPE (EU-SILC) which are collected on a European-wide scale, from the Income and Consumption Survey (EVS) and from the microcensus. In addition to these three official statistics which are collected by the Federal Statistical Office, the Socio-Economic Panel (SOEP) of the German Institute for Economic Research (DIW) is also used. All four data sources are based on sample surveys of the population. According to its own specific concept, each of them has its advantages. Moreover, the surveys focus on different key issues which is why it makes sense to use results from all samples.

**EU-SILC** is a statistic annually collected since 2005 and comparable on an EU-wide scale. The national strategy reports on social protection and social integration of all EU member states are compiled on this basis as well as the reports of the EU Commission on the development of the fight against poverty. In the medium term, longitudinal analyses from EU-SILC may be used.

**The Income and Consumption Survey (EVS)** is a large-scale and detailed collection of data on incomes, expenditures and assets. It is conducted every five years, and the last survey dates from 2003. The 2008 survey is currently under way.

The statements on the poverty risk of persons with migration backgrounds are based on the 2005 **microcensus** data because this group of persons cannot be covered in a representative way by EU-SILC and EVS. In contrast to EU-SILC and EVS, the microcensus does not collect data on the precise amounts of incomes but uses income brackets.

The **Socio-Economic Panel (SOEP)** of the German Institute for Economic Research has been conducted on an annual basis since 1984 and thus allows for continuous time series comparisons. Longitudinal analyses are also possible since the panel always asks the same households about their incomes. These data are not internationally comparable, however.

**At-risk-of-poverty thresholds, at-risk-of-poverty rates  
and size of samples broken down by data sources**

Data basis	At-risk-of-poverty threshold (60% of the median equivalised disposable income)	At-risk-of-poverty rate	Size of sample (households covered)
EU-SILC 2006	781 Euro	13%	13,800
EVS 2003	980 Euro	14%	53,400
Microcensus 2005	736 Euro	15%	322,700
SOEP 2006	880 Euro	18%	11,500

**The major reasons** for the different levels of the median income value and of the at-risk-of-poverty threshold and the at-risk-of-poverty rate derived from it are the following:

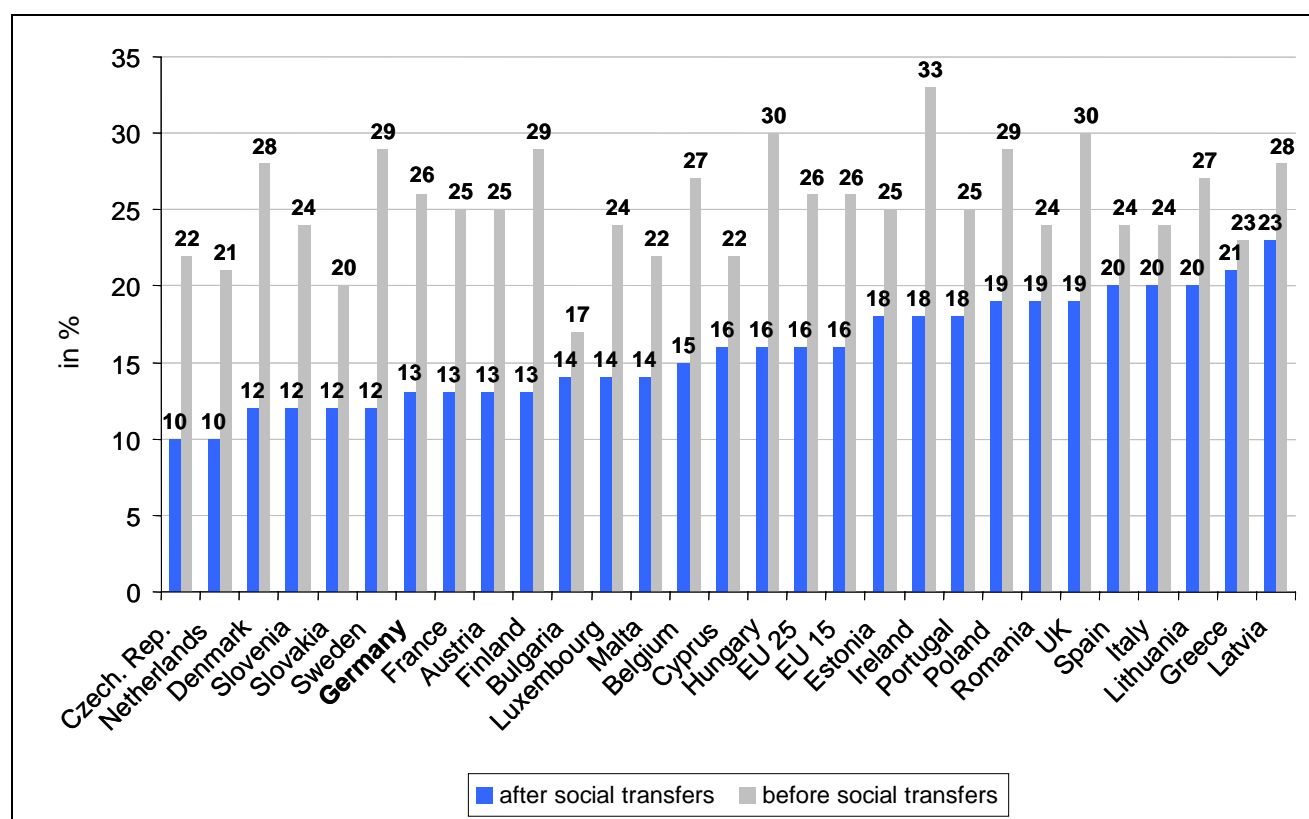
- the (always existing) sample-to-sample fluctuations,
- different income concepts, here above all the different ways in which the rental value of owner-occupied housing is taken into account as income component. EVS and SOEP take this value into account; in EU-SILC this approach is envisaged for the future while it is disregarded in the microcensus,
- the representativeness of the data collections,
- the different treatment of lacking or implausible information.

Differences in the data bases used for the calculations must be taken into account, therefore, when the results are interpreted. This is also why the absolute levels of the at-risk-of-poverty rates are less significant, for example, than clear trends over time and differences between socio-economic groups which remain visible and show the same tendency even if different methodological definitions and data sources are used. The results of the calculations made by Prognos AG for the Centre of Expertise for Family-related Benefits by order of the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth on the basis of SOEP 2006 clearly show – these results were published in May 2008 – that the at-risk-of-poverty rates can differ even in cases where the same data collection is used but where different parameters are used for the measurement concept.

Measured on the basis of the official statistics LIVING IN EUROPE (EU-SILC 2006) the at-risk-of-income poverty rate of the total population amounted to 26 per cent in 2005 before consideration of social transfers. After social transfers, this risk went down to 13 per cent and was thus below average in the European comparison. This means that along with the Scandinavian states, Germany belongs to those countries where social transfers have a big impact on the at-risk-of-poverty rate.

## Graph 2

### Reduction of the poverty risk of the total population by means of social transfers (2005)



Source: EU-SILC 2006

The Federal Government's approach to combat poverty risks and social exclusion is focussed on gainful employment that should first and foremost secure people's livelihoods. In addition, there are targeted transfer benefits, especially for families, that help to cover basic needs.

### To build up supplementary retirement provision

In the coalition agreement of 11 November 2005, the Federal Government was given the task to close research gaps in the reporting of poverty and wealth in relation to the future income and asset situation in old age. Information on future trends in the development of retirement incomes is provided by the results of the second study "Retirement provision in Germany" (AVID 2005)

which were evaluated in 2007. While the trend-related statements on the future asset situation of old people are very positive, on the whole, low retirement incomes are foreseeable for groups of persons whose job histories include longer periods of low-paid self-employment, minor employment and unemployment. In the statutory pension insurance (principle of equivalence) – and also in capital-based retirement schemes – the payment of relatively low contributions naturally leads to relatively low benefits.

Neither the AVID study nor other sources may serve as basis for reliable estimates of the number of persons who will depend on public support in old age in future. To be entitled to benefits under the scheme for basic protection in old age, a person must be in need for assistance. This factor depends above all on the development of the economic and employment situation and on the level of the future need for basic protection in relation to the development of retirement incomes. Other personal income and assets and the retirement income and assets of a person's spouse or partner are also taken into account.

**Measures:**

- **Riester pension:** Since the 2001 pension reform, the Federal Government's approach is focussed on incentives to make private provision for old age, also and especially for persons with low incomes. The child supplement is raised to 300 EUR for children born as from 2008. In addition to the payment of supplements, it is also possible to deduct the savings deposits as special expenses for income tax purposes up to an amount of 2,100 EUR.
- **Draft legislation on the treatment of owner-occupied housing in the Riester pension scheme:** The financing of owner-occupied housing is to be integrated into the range of publicly supported options under the Riester pension scheme.
- **Riester pension:** The scope of eligible persons is to be extended to recipients of pensions on account of a total reduction of earning capacity and of comparable social benefits. It is planned to introduce a one-time bonus of 100 EUR for new entrants to the labour market for all persons under 21.
- **Occupational pension schemes:** The further development of occupational retirement provision is promoted by the permanently existing possibility of deferred compensation which is exempt from taxes and social levies.
- **Information on retirement provision:** Over 500 adult education centres offer courses in which experts from the Deutsche Rentenversicherung (German Pension Insurance) supply sound and neutral information on individual retirement provision.

**To support heavily indebted households**

Heavily indebted households do not appear in the statistics on households suffering from income poverty if their income exceeds the at-risk-of-poverty threshold. As a result of attempts to

redeem debts, the factually disposable income may fall below the at-risk-of-poverty threshold, however. A private household is heavily indebted if, over a longer period of time and despite a reduction of the living standard, the incomes and assets of all household members do not suffice to satisfy claims fallen due. While an expert opinion based on SOEP data reveals that the number of privately indebted households with credit liabilities (excluding mortgage loans) went down from 2.9 million in 2003 to roughly 1.6 million in 2006, the services of debtors' counselling centres remain in constantly high demand. Therefore, the federal states are called upon to ensure a successful debtors' counselling in such a way that publicly recognized counselling centres are available to the persons concerned in sufficient numbers. Apart from debts in the form of credit liabilities, there are various other forms of debts (e.g. rent debts, debts repayable to public bodies, to utility companies or mail order houses) that were not covered here.

Empirically, the most significant cause for heavy indebtedness is unemployment if it involves drastic income losses. Separation/divorce or the partner's death and self-employment that failed to succeed are further reasons. A lack of financial knowledge may lead to a situation in which the risk of borrowing is not adequately assessed, people are highly susceptible to the insistent advertising of dubious providers and/or the credits taken up are disproportionate to the income.

**Measures:**

- **Private consumer insolvency proceedings:** Up until the end of 2007, over 600,000 persons had applied for proceedings to free them from their remaining debts, a fact which confirms that consumer insolvency proceedings are accepted.
- **Act to simplify insolvency proceedings:** To further simplify proceedings, debtors without usable assets and incomes should leapfrog the stage of opened-up insolvency proceedings and move directly into proceedings to free them from their remaining debts.
- **The reform of regulations governing the exemption from attachment of bank accounts** is part of a package of measures to improve the unsatisfactory situation of citizens without bank accounts.
- **In future, lenders will be legally obliged** to assess a consumer's credit worthiness before they grant even smallest credits starting at a minimum amount of 200 EUR.

### **IV.3 To continue to ensure minimum security**

The socio-cultural subsistence minimum differs from the statistical definition of the relative poverty risk insofar as it is based on factual consumer expenditure. The fact that these minimum benefits are claimed reveals the extent to which parts of the population reach a guaranteed minimum standard only with support from the social security system. In Germany, this minimum standard includes not only preservation of an individual's physical existence but also their participation in social life in line with human dignity.



By virtue of the Fourth Act for Modern Services on the Labour Market and the Municipal Options Act, two welfare benefits (social assistance and unemployment assistance), which coexisted and sometimes were also in conflict with each other, have been merged into one single benefit system with one provider for employable persons in need of help – the subsistence guarantee scheme for job-seekers (Book Two of the Social Code). Employable persons in need of help and their family members receive benefits to secure their livelihoods. In addition, the socio-cultural subsistence minimum is still secured by subsistence assistance in accordance with Book Twelve of the Social Code.

The social assistance standard rates are also reference figures for other tax-financed welfare benefits, especially the standard benefits under Book Two of the Social Code. Apart from a few exceptions, the standard rate now also includes previous non-recurring benefits in a standardised form. After the reform of the minimum security systems, subsistence assistance is no longer very important in terms of numbers outside institutions. At the end of 2004, 1.46 million households with 2.9 million persons were still in receipt of subsistence assistance outside institutions; these figures had fallen to 73,000 households with 82,000 persons at the end of 2006.

The scheme for basic protection in old age and in the case of reduced earning capacity was introduced in 2003. The core element of the basic protection scheme is that – in contrast to subsistence assistance – the incomes of a claimant's children or parents are, as a rule, not taken into account, i.e. there is no recourse against them. Since the introduction of the scheme for basic protection in old age and in the case of reduced earning capacity, the number of benefit recipients rose by 439,000 persons to roughly 682,000 persons at the end of 2006, a development which was above all due to the uncovering of hidden poverty in old age and an information campaign targeted at this problem. In addition, the scope of eligible persons has been extended to parents of adults with a reduced earning capacity following the abolition of the so-called assumption of assistance, i.e. the assumption that these adults receive financial support from their parents. Among foreign men aged 65 and over, more than one in ten received basic protection benefits (Germans 1.4 per cent), among foreign women aged 65 and over slightly more than one in six (Germans 2.2 per cent). These figures are the result of lower incomes of foreign citizens during working life and shorter periods of coverage in the statutory pension insurance.

**Measures:**

- **Standard rate setting for Germany as a whole:** Since 2007, the standard rate setting has been based for the first time on a consumption structure for Germany as a whole, namely the results of the Income and Consumption Survey 2003. With effect from 1 July 2007, it has been set at a uniform rate of 347 EUR in all federal states.
- **Standard rate adjustment:** Standard rates and standard benefits increase in line with the 2008 pension adjustment which means that social assistance and basic protection benefit recipients participate in the positive income development.

#### **IV.4 Wealth-related aspects: To consider incomes and assets together**

In the coalition agreement of 11 November 2005, the Federal Government was given the task to close research gaps in the reporting of poverty and wealth also in relation to wealth. To fulfill this task, several research projects have been carried out whose results have been incorporated in this report. The focus of these projects was on an integrated analysis of the income and assets distribution and the correlation between the profit situation of companies, the incomes achieved by management staff and the mechanisms for the recruitment of top business leaders.

Moreover, the ongoing research project of the Federal Ministry of Labour and Social Affairs "Attitudes towards the social state" provided analyses on the attitudes prevailing in the population towards wealth, prosperity and inequalities which were also included. When it comes to the question as to what is perceived as wealth, the citizens' opinions in Germany are divided. Accordingly, wealth is not only seen in relation to financial potential but it is rather the term health which is mentioned most often in this regard. For many respondents, educational opportunities also play an important part.

The first integrated consideration of income and assets on the basis of the 2003 Income and Consumption Survey provides a more comprehensive picture of financial wealth. According to the most common academic definition of relative wealth as an equivalised disposable income which is at least twice as high as the median income, 6.4 per cent of the total population are wealthy when the mere distribution of incomes is considered (share of persons with more than 3,268 EUR net/month). If the more comprehensive integrated income and assets perspective is applied (share of persons with more than 3,418 EUR net/month), this share amounts to 8.8 per cent. This person-related equivalised income applies to single persons and has to be multiplied by the relevant equivalence weights for larger households (household of a couple with two children under 14 years of age 6,863 EUR net/month). Differences in the general state of health and the probability of an earlier death (mortality risk) are also related to the income level.

In 2006, households with an above-average income (15 per cent of all households with net incomes of over 3,200 EUR/month) were also of an above-average size with 2.9 persons per household. About 69 per cent of them lived in owner-occupied housing; this applied to only 42 per cent of all households in Germany. As regards political and social participation, there is still a strong correlation between the income position and engagement in political life and civil society. A membership analysis of political parties reveals, for example, that especially members of the upper income brackets and university graduates are engaged in political parties.

#### **IV.5 Educational levels have improved and must improve further**

The education level of the population has increased continuously over the last years. This increase is due to the fact that a growing part of the population has completed high levels of education. This is a positive development as even higher qualification levels will be required in future. The demand for unskilled or semi-skilled persons is decreasing so that education must increasingly start at pre-school age in order to improve access to the labour market for everybody.

At the same time the share of 18 to 24-year-olds with low formal qualifications remained almost unaltered in the years 1996 to 2006. This group of drop-outs consists of young persons aged 18 to 24 who have not completed secondary school, and who have neither achieved the entry qualification for a university of applied sciences nor a university proper and who have not enrolled in vocational or further training courses either. While this group has been slightly decreasing from 15.1 per cent to 14.6 per cent in West Germany, this share increased by approx. 6 per cent to 11 per cent in East Germany.

The share of 18 to 24-year-olds who have neither completed secondary school (basic secondary school or intermediate secondary school – Haupt- or Realschule) nor any other general education or vocational training and are currently not participating in any training course has increased slightly by 0.4 percentage points to 2.4 per cent in 2006. The share of young people leaving school without any secondary school leaving certificate (so-called early school leavers) is however drastically higher and was 7.9 per cent in 2006. This proves that a clear majority of school drop-outs seize their "second chance" successfully later in their lives and make use of opportunities for post-school education in order to achieve graduation and complete vocational training which they missed in the past. However, the aim should be to provide for education in early childhood and youth so as to reduce the number of persons who only by this late qualification find their way into training and/or working life. It is a priority to acquire as early as possible the necessary skills and knowledge required to be successful in training, occupational life and the realisation of one's own plans for life. Thus, the corresponding levels of formal education can be achieved.

Vocational training certificates impact employment and income opportunities decisively. While the active labour force participation rate of 25 to 65 year-olds was approx. 85 per cent for persons with degrees from universities of applied sciences and/or universities in 2006, only 53.5 per cent of all unskilled persons in that age-group had a job. 18.1 per cent of the population aged 15 to 65 years do not participate in vocational training and have not graduated from vocational school. While the share of women without completed vocational training fortunately decreased by 1.8 per cent in the period 1996 to 2006 this share rose by 2.5 per cent for men, in particular on account of the development in eastern Germany. Assuming that vocational training is normally completed at age 35, 15 per cent of the overall population continue to be unskilled workers and have thus drastically limited chances of becoming integrated into the labour market.

Persons at risk of remaining low-skilled workers need support and encouragement in order to make better use of their potential. Education programmes must be provided to accommodate for such people and they must then be activated in order to participate successfully in such programmes. School and vocational training which are equally important, are also relevant elements in order to improve participation and development opportunities for people with a disability in Germany. An officially recognised disability is reported 3.5 resp. 1.9 times more often by men and women with low occupational status than by those with a high occupational status.

The Federal Government continues to make efforts to win over more young people to take up university studies. People who complete university studies have better occupational and remuneration opportunities while the unemployment and income poverty risk are decreasing. And more university graduates are needed in order to counteract a future lack of highly skilled workers. In a ten year comparison the share of university graduates in the group of 15 to 65-year-olds increased from 10.3 per cent in 1996 to 12.6 per cent in 2006. This development is particularly marked in respect of young women (aged 30 to 35 years). In West Germany in 2006 16.8 per cent of them had graduated from university. In 1996 this share was still 11.5 per cent only. Thus young women have almost caught up with young men in terms of university degrees and in East Germany they have already outnumbered male graduates.

There is a clear correlation between the educational achievements of parents and their children which is illustrated by the different participation in education by children of academics and non-academics. 83 per cent of the children of fathers with a university degree are also studying at a university, while this only applies to 23 per cent of the children of non-academics. This correlation is particularly marked in the population group with a migration background. Children from low-skilled immigrant families often only obtain a basic secondary school leaving certificate

while children from highly skilled immigrant families attend university to the same extent as their German counterparts. A comparable development can be observed with regard to labour participation rates. People with low skills have traditionally lower participation rates, this applies in particular to the group of women with a migration background. Even though the causes for social injustice are manifold, one could expect educational institutions to contribute more effectively to a reduction of social imbalances than hitherto. An optimum activation of the potential of children, youth and adults is the decisive key to this development.

Lifelong learning is becoming more and more important in order to ensure participation in society and the labour market on an ongoing basis. In highly industrialized countries such as Germany, there is an increasing tendency towards more skilled jobs involving higher mobility and qualification requirements. This is why a too low participation in further training in Germany is problematic by international standards. In particular persons with low skills do not participate in further training programmes often enough. In order to ensure labour market participation opportunities in the long run and to promote persons with low skills as well as older workers, vocational further training continues to be a core element of the labour market policy of the Federal Government and the Federal Employment Agency. Participation of the age group 25 to 65 is to be increased from currently 43 per cent to 50 per cent by 2015.

**Measures:**

- **German Qualification Initiative:** In January 2008 the Federal Government adopted a programme package including activities on lifelong promotion and support – from early childhood education to further training on the job. In cooperation with the federal states (Laender), businesses, social partners and other players the **conditions for education and qualification in all educational areas are to be improved** – true to the motto "Promotion through Education".
- The **establishment and further development of all-day schools by 2009** is subsidised by the Federal Government in the framework of the capital investment programme "Future Education and Care" by an amount of four billion Euro. The aim is to provide better individual support to all children and youth, irrespective of their social origin, which would pave the way for the way their participation in higher education and upskilling programmes and it would equally further a better reconciliation of family and work.
- **Programme "School absenteeism – a second chance":** With the support of the European Social Fund (ESF) and local co-financing so-called hardcore truants are successfully reintegrated into regular schools (mainly basic secondary schools) again in 73 places since 2006. Thus their chances of completing school and subsequently becoming successfully integrated into the world of work are considerably higher.

- **National Pact for Career Training and Skilled Manpower:** The Pact guarantees (30,000 new vocational training places and 25,000 places for introductory training per Pact year) have been clearly surpassed. In March 2007 the Pact was extended for another three years and further developed (60,000 new training places and 40,000 places for introductory training, as well as 30,000 new companies providing vocational training).
- **Vocational training bonus:** In the framework of the "**Youth – training and work**" concept approximately 100,000 additional training places are to be created by 2010 for young people who have been looking for a vocational training place in vain for quite some time. Employers creating additional training places for applicants in need of support receive a one-off "vocational training bonus" in the amount of 4,000 to 6,000 Euro per trainee.
- **Modernising the dual system:** The innovation work group "Vocational training" has adopted 10 guidelines on modernisation and structural improvements in vocational training which aim i.a. at improving transition from school to vocational training, at contributing on a short-term basis towards guaranteeing and increasing vocational training with the help of tailor-made measures and to improve the possibilities for moving from vocational training to university studies.
- **University pact with the Laender:** By 2010 approximately 90,000 additional students are to be enrolled at universities.
- **University grants for journeymen:** As of 2008 career scholarships will be granted to gifted young people who have completed their dual vocational training and wish to go to university.
- **Improving training assistance:** From autumn 2008 onwards training assistance rates and the free amounts for parents from the Federal Education Assistance Act will be increased, the additional earnings limits will be raised to 400 Euro per month for all trainees. Trainees with children will be better supported in that they will receive a lump-sum payment towards childcare. Migrants' children will get better access to benefits payable under the Federal Education Assistance Act.
- **Further training for low-skilled workers and older workers in employment in companies – WeGebAU:** With this 200 million Euro investment programme the Federal Employment Agency improves the employability and the participation in further training of these groups of persons.
- **Education premium:** With the help of an education premium of up to 154 Euro per year and further education loans people shall be motivated to assume more responsibility for their own employability by attending vocational further training programmes. Moreover, it shall be possible in future to withdraw money from the savings made pursuant to the Capital Formation Act in order to pay for vocational further training already before the end of the period by which he would normally be bound

- **The research and development focus "Basic education for adults"** shall contribute to include as many people as possible from the approx. 4 million persons with functional illiteracy into lifelong learning.

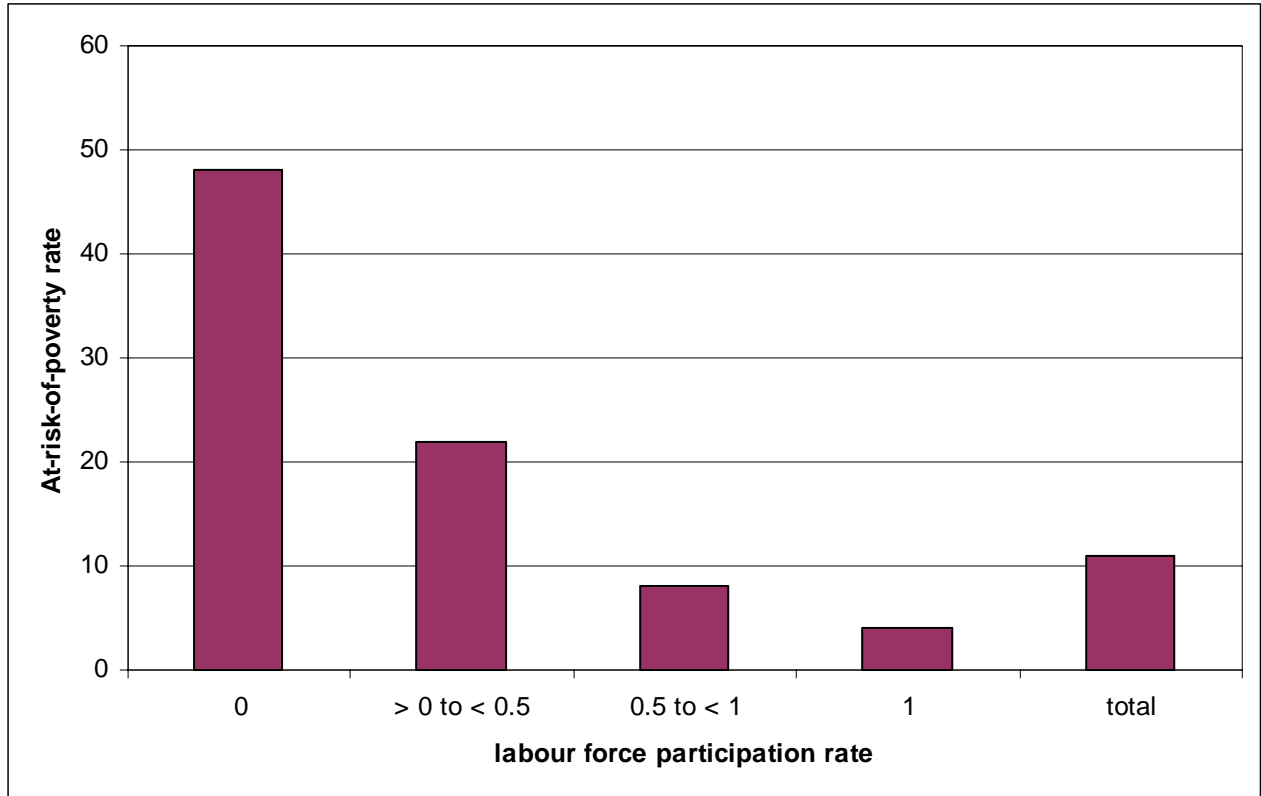
#### **IV.6 Improving the work life balance – supporting disadvantaged children**

Family structures continue to change. The number of single households is increasing, in particular among the under 65-year-olds. Besides the traditional family patterns new varieties of family life are emerging. The number of children living in single parent households and the number of non-marital unions is increasing. Currently about 16 per cent of all minors are raised by single parents, as compared to about 12 per cent in 1996.

A huge majority of families master their lives autonomously and their financial situation is sound. The analysis shows a clear correlation between inactive parents and the poverty risk of families and children. When one or several household members who are capable of working take up full-time employment, the poverty risk of households with children drops from 48 per cent to 8 per cent, respectively 4 per cent.

**Graph 3**

**At-risk-of-poverty rates of households with children pursuant to their labour participation rate<sup>1)</sup> 2005 in per cent**



1) Full-time employment of all household members of active age equals factor 1. Where labour force participation is 0, no household member of active age has a job. The figure 0.5 means that e.g. one of two household members of active age works full-time or both work part-time.

Source: Eurostat 2008, EU-SILC 2006

Social and family policy transfer benefits clearly reduce the relative income poverty of families. In this way the payment of public transfer benefits reduces the poverty risk rate of children by almost two-thirds from 34 per cent to only 12 per cent – a low figure by European comparison. It is thus – according to EU-SILC 2006 – one percentage point below the share of the overall population, but must be further reduced.

The monetary poverty risk describes the limited participation chances of children only partly. Children and young people have particular development deficits, social disadvantages, may even be underprovided with the consequence of potential health problems. In socially disadvantaged families children are often obese, display socially challenging behaviour more frequently than in other families and participate less in active leisure time activities, e.g. sports. The federal government understands the fight against child poverty in its different varieties including child poverty consequences a joint task for the Laender and the municipalities across all political levels. Where families do not have the necessary resources at their disposal it is the task of gov-



ernment and society to provide for child care and education institutions and to provide everyday, family and education skills. Early childhood education and care is of great importance in a two-fold sense. For parents because they can reconcile work and raising their children and for children with regard to their educational opportunities, in particular if they come from families that have no or little access to education and are poor. The Federal Government thus focuses on a coordinated approach, combining financial support, a family-friendly world of work and a comprehensive childcare infrastructure.

**Measures:**

- **Day Care Extension Act / Children Support Act:** The Federal Government, the federal states (Laender) and the municipalities have agreed on creating nursery places for – on national average – 35 per cent of all children under three years of age in day nurseries and with child minders by 2013, which exceeds the targeted 2010 aim, i.e. providing places for 20 per cent of all children under three. By the end of 2008 a legal entitlement to access to childcare for children aged 1 to 3 years as of the start of the kindergarten year 2013/2014 is to be guaranteed by law. As of 2013 parents who either do not wish to have their children aged 1 to 3 years placed at a day nursery or who have no option to do so, shall receive a monthly payment (e.g. child-raising money – Betreuungsgeld).
- **Parental allowance as of 2007:** The parental allowance ensures a financial subsistence level for the family following the birth of a child. It amounts to 67 per cent of the average income from gainful employment available before the birth of the child; the max. amount being 1,800 Euro, the minimum amount 300 Euro. For low-income earners with a net income of less than 1,000 Euro the (wage) replacement rate will be topped up to a max. of 100 per cent. About 20 per cent of all families will benefit from the low-income earners' component.
- **More money for families with children:** By the autumn of 2008 the Federal Government will publish its Seventh Report on the amount of the tax-free subsistence level for adults and children. The results will be decisive for the tax-free subsistence level and the fiscal treatment of children. In this context the German Bundestag decided already in 1995 that child benefit has to be adjusted "accordingly" in the event of a higher tax-free allowance for children. The coalition is in agreement that families with children are to receive more money as of 1 January 2009. The Federal Government will make the necessary provisions in the next federal budget. The amounts and the concrete method chosen in order to relieve families with children taxwise will still have to be discussed. In this context the findings on poverty reduction effects shall be taken into account.
- **Child supplement:** As of 2009 the group of entitled persons will be extended and the application procedure simplified by introducing uniform limits for minimum incomes. In addition the threshold for income from gainful employment to be taken into account will be reduced from 70 to 50 per cent. Together with the planned benefit improvements regarding

housing benefit and the increased child benefit for poor families a total of approximately 106,000 families and thus 250,000 children will become independent of unemployment benefit II.

- **Capital investment programme for corporate nurseries:** From 2008 to 2011 subsidies in the amount of a maximum of 6,000 Euro per place will be provided towards the creation of corporate nurseries for children of employees in SMEs with the help of the ESF.
- **The improved fiscal deductibility of childcare costs** and other family supporting services has been contributing to a better reconciliation of family and work too, in particular for working parents and single parents.
- **Improving child protection:** At the children's summit in December 2007 the federal government and the Laender governments agreed to improve preventative medical check ups and make them more binding, to closely intertwine youth assistance programmes and the health system as well as to facilitate family court measures. The campaign "Ich geh zur U! Und Du?" ["I am going to the preventative medical check up for teens – and you?"] organised by the Federal Ministries and the Centre for Health Education motivates young people to to to the check-up.

#### **IV.7 Developing sustainable health and long-term care policies**

Even in a highly developed social state like the Federal Republic of Germany an interaction between the social and the health situation is noticeable. On the one hand, health chances and disease risks are influenced by the education level, the living and working environment and the earned income status. Health impairments and diseases, especially if they are of a permanent nature, can on the other hand have a detrimental effect on educational, labour and income opportunities and may adversely affect social inclusion.

As described above with regard to the development of children there is a correlation between low education levels and the health attitude of adults. Taking into account age differentials, the health of men from the lowest occupational status group as compared to the highest occupational status group is almost three times as often affected and women's health is almost five times more often affected. Studies about the correlation between income and health demonstrate that while taking age differentials within the composition of income groups into account, an existing monetary poverty risk halves the chance for a very good or a good health condition. Men and women with migration background are also more often exposed to disadvantageous living and working conditions which lead to identifiable differences in their health condition.

**Measures:**

- **Health Reform 2007:** With the Act on the strengthening of competition in the statutory health insurance the way into a statutory or private health insurance scheme was paved for more than 120,000 people who were not covered in the past.
- **Protective clauses with regard to patients' co-payments** protect social assistance or unemployment benefit II recipients from unacceptable financial burdens. Only the regular rate benefit paid to the breadwinner of the family is taken into account in order to calculate the maximum level for co-payments of the total community of need.
- **Federal Government Strategy to promote child health:** The strategy is to be adopted by the cabinet by the summer of 2008. It aims at comprehensive health promotion and brings the government's central activities together. An early strengthening of skills for health, of personal, family and social resources is a focal activity in this context.
- **Health Education:** So-called "Regional nodes" have been established in all federal States with the regional associations for health promotion and/or other regional players whose task it is to identify and disseminate excellent projects on a nationwide basis, if possible.
- **Mother/Father - and-child cures are included as a compulsory service payable by the statutory health insurance:** As of 1 April 2007 all mothers and fathers are entitled to residential programmes for preventative care and rehabilitation with a focus on health treatments. The health insurance funds must assume the costs of any medically necessary cures.

1.4 million persons in need of long term care out of the total group of 2.1 million drawing benefits from the long-term care insurance were nursed at home. About 700,000 persons are living in long-term care homes, approx. 69,000 of whom in fully residential homes providing for people with disabilities. Due to the changing family structures in recent years the share of residential patients in need of long-term care continues to increase by 0.5 per cent year after year. Persons in need of care, who live at home, are also using more nursing services delivered at their homes. After the introduction of the long-term care insurance the number of recipients of social assistance dropped by 40 per cent to 273,063 persons (position: end of 2006).

**Measure:**

- **Act to extend long-term nursing care of March 2008:** Benefits are even better adjusted to the needs of persons in need of long-term care and their family members and strengthened by the principle "out-patient treatment before in-patient treatment". In addition to a rise in the benefits payable in the area of home care the right to nursing counselling (case-management) and a better support towards persons suffering from dementia was introduced, as well as the possibility of making use of nursing leave for family members including a

workplace guarantee. The federal states can initiate the establishment and/or extension of community nursing centres.

#### **IV.8 Further improvements in housing situation – homelessness reduced**

The long-term positive trend in the provision of housing to low-income households continues. 59 per cent of tenants' households surveyed – according to SOEP – considered the physical condition of their rented housing good – as compared to only 50 per cent in 1996; this can be explained above all by the improvement of existing housing in East Germany. The average living space of tenants (principal tenants) drawing housing benefit has decreased in East and in West Germany alike by three square metres between 2005 and 2006 while the living space of households with several persons has remained constant resp. increased slightly.

With an annual increase by an average 1.1 per cent, rents developed moderately between 1998 and 2006. However, due to the markedly increased energy prices by an annual average of 7.2 per cent between 2002 and 2006 the additional rental costs (for heating) became a real financial burden, in particular for low-income households.

Low-income households are exposed to worse conditions by road traffic, noise and traffic-related air-borne toxic substances in their residential environment. In many German cities quarters have developed out of a concentration of urban planning, economic and social problems. Therefore it is a central housing and social policy challenge to stop the social segregation of areas in cities. An appropriately fitted and affordable apartment and a living environment which guarantees the health of its citizens and their development opportunities, in particular of its children, are elementary prerequisites for social inclusion.

With the housing benefit reform to apply as of 1 January 2009, housing benefits for low-income households will be clearly improved and thus the attractiveness of housing benefit will rise again.

**Measures:**

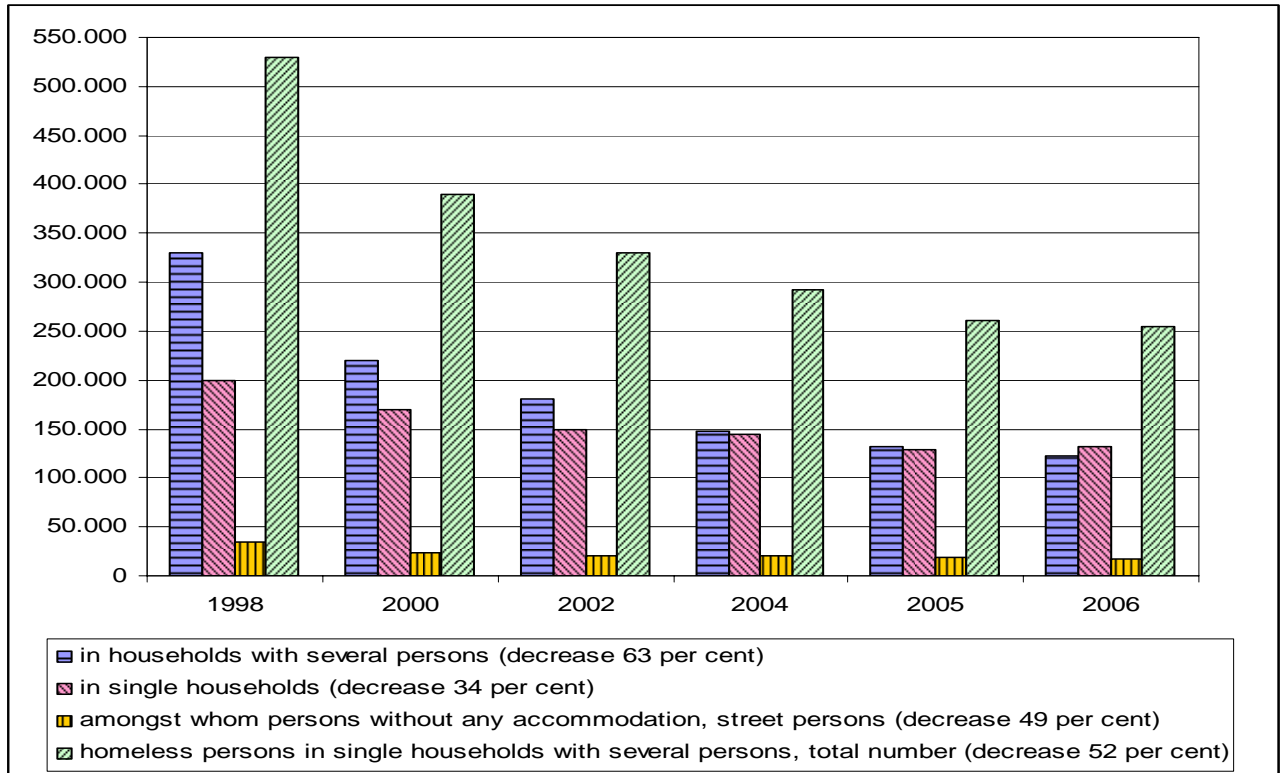
- **Adequate housing costs for recipients of transfer benefits:** Since 2005 recipients of benefits according to Social Code Book II and XII receive benefits for adequate housing including heating instead of the previously paid housing benefit.
- **Housing Benefit Reform Bill to enter into force on 1 January 2009:** The housing benefit rates will be increased by 8 per cent and the maximum rent levels by 10 per cent. A total of 520 million Euro have been set aside for this programme. In future heating costs will be covered by lump sum payments. Housing benefit will in conjunction with the child supplement reform bring about a sizeable relief for about 70,000 low income households outside the Social Code.
- **Promotion of residential housing for low income families:** The federalism reform resulted in a shift of the responsibility for social housing promotion from the federal to the Land level. This step reflects the increasing differences on the residential housing markets.
- **Federal-Land-Programme: "Social City":** Since 2006 federal subsidies have been raised from 70 to 110 million Euro and at the same time support measures will be extended to pilot projects in the area of the local economy and employment policy, youth and education policy as well as social integration – also the integration of migrants.

**Homeless persons**

According to estimates by the Federal Association for Homeless Persons (BAG W) in 2006 the number of homeless persons amounted to 254,000 and was thus about half the 1998 figures (530,000). Especially families have benefited from the most recent decrease in homelessness. Compared to 2003 estimates the number of homeless children and youth has been halved in the meantime. The intensified efforts of the municipalities to prevent that people have to abandon their home and the integration efforts by the support mechanisms towards homeless persons are thus proving effective.

Graph 4

Estimated number of homeless persons<sup>1)</sup>



1) Annual total figures excluding homeless ethnic Germans

Source: Federal Association for Homeless Persons and ISG calculations

Social exclusion can coincide with self-chosen segregation and these two problems can reinforce one another. 71 per cent of homeless men were according to a BAG W survey indebted and 75 per cent had been unemployed for more than a year, while 60 per cent had only been homeless for a limited period of under a year. As for women the most important causes for homelessness were stated to be separation or divorce (23 per cent), leaving their parents' home (17 per cent), and experiences of violence (16 per cent). Women who have experienced violence are particularly dependent on social transfer payments. A major share of women (46 per cent) who have fled their partners' violent attacks and live at a women's shelter, depend on benefits pursuant to the Second Book of the Social Code.

Good success has been achieved wherever municipalities, joint agencies pursuant to the Second Book of the Social Code and independent charities cooperate. The overwhelming majority of homeless persons is able to work, as defined in the Second Book of the Social Code. Moreover, support towards overcoming special social difficulties can be granted pursuant to the Twelfth Book of the Social Code.

**Measures:**

- **Preventing homelessness:** So as to prevent homelessness, social assistance funds and providers of services of basic provision for job seekers can pay the costs for accommodation and heating directly to the landlord.
- **Action Plan II of the Federal Government to Combat Violence against Women:** Targeted help towards protection and strengthening of women affected by violence shall be provided via a broadly based support system of women shelters, safe apartments, emergency help lines, women counselling services.
- **Street workers** (mobile social workers) and municipal contact points for basic provision shall make it possible to provide medical services and psycho social guidance for street children and youth.

#### **IV.9 Strengthening civic commitment and integration**

In many social areas and politics it is now gradually becoming common understanding that a future oriented organisation of our society and sustainable social cohesion can only be guaranteed provided that all citizens are involved in the design and development of society and become actively involved on a voluntary basis.

The integration into society is in particular realised by civic commitment. This sort of activity extends to manifold areas, as e.g. in associations striving to preserve the local and cultural heritage, town quarter grass root initiatives, self-help groups, sports clubs, social and cultural institutions and traditional volunteer tasks, caucuses, boards, trade unions and politics. Approximately two thirds of the population are involved into civil society structures in this way. But here, too, a correlation with monetary poverty becomes visible: Persons with an income below the at-risk-of-poverty level are generally less active than persons with higher incomes. Political participation also continues to be strongly influenced by education level, income status and the fact that they are foreigners. Targeted offers to low-income population groups and low-level offers in the immediate environment of the target groups continue to be a challenge. Access of income-poor persons to mobility and culture is improved more successfully where municipalities grant recipients of basic provision or families with several children privileges when using public transport, public swimming pools and services in the areas of culture and education.

Almost one fifth of the resident population in Germany are persons with migration background. In 2005 this figure included about 7.3 million inhabitants of foreign nationality, naturalised ethnic Germans and their offspring and thus German nationals. In the age group of children under six years of age already more than 30 per cent had a migration background in 2005. These figures

illustrate the changes in the German society and underline the necessity of a sustainable integration policy which makes good use of and promotes the potential of immigrants and of people with migration background who were born in Germany.

The Immigration Act which entered into force on 1 January 2005, guarantees all new entrants (provided they reside lawfully and permanently in Germany) a uniform integration programme governed by a federal law. With the help of migrant organisations the political representation of the interests of migrants and people with a migration background is equally ensured. The direct participation of organisations of persons with a migration background in drafting the National Integration Plan is but one example for the publication and recognition of their interests, resources and matters by the majority society.

Self-determination and participation as a prerequisite for equal opportunities of disabled persons have always been the focus of the Federal Government's disability policy. The "Personal Budget" (a specific new benefit) has clearly reflected this shift of paradigm in disability policy – i.e. abandoning the idea of "welfare" – since 2001. As experts in their own affairs they can manage the purchase of services they need themselves. Personal budgets help to promote active participation in society and to prevent prejudice and discrimination.



**Measures:**

- **"Volunteer services make competent people":** Since the autumn of 2007 this programme has aimed at the aspect of civil society activities as a means of social integration. The participation of disadvantaged youth who are clearly underrepresented in volunteer services is to be increased in this way.
- **"For a child-friendly Germany 2005 – 2010":** The National Action Plan (NAP) also covers political education for children and youth.
- **National Integration Plan (NIP) since July 2007:** It bundles 400 programmes and voluntary commitments of **all government levels and of representatives of the civil society and of migrants**. The federal voluntary commitments target equal participation guarantees for persons with a migration background and their organisations in the framework of federal programmes, infrastructure and network projects, tenders and with respect to the membership in advisory and technical committees.
- **Promoting mutual recognition:** With up to 500 community oriented projects per year the coexistence of immigrants and natives is improved with the help of numerous organisations, e.g. migrant organisations, foundations, grass-root initiatives as well as authorities at federal, regional and municipal level. As women are often the driving force behind integration of their families, any support focuses on projects that strengthen their self-help forces.
- **Act to further enhance citizens' engagement:** This Act which entered retroactively into force on 1 January 2007 makes rules governing charities and donations more generous. Donors, foundations, associations, sports instructors and the preparedness to make donations are all going to be facilitated in a targeted manner.
- **Legal entitlement to a personal budget:** Since 1 January 2008 disabled persons are legally entitled to a personal budget to pay for services from any provider they choose. A parallel structural back-up programme for certain types of the personal budget (participation in working life, participation of disabled children) helps that the personal budget is really made use of.
- **Target agreements on barrier-free access:** Associations and companies shall be supported in the conclusion of target agreements by the bundling of resources and counselling skills in order to ensure barrier-free access also in areas outside the public sector.
- The **ratification of the UN convention on the rights of persons with disabilities** in cooperation with the federal states and the organisations representing disabled persons is envisaged for the end of 2008.

## **V. Conclusion for a concerted poverty elimination policy**

With its poverty and wealth reports the Federal Government has since 2001 clearly improved and intensified the awareness for the necessity of social cohesion and activities to combat poverty and social exclusion. Due to Germany's federal structure the sustainable prevention of poverty and the objective of social integration can however only be achieved jointly and with all players from civil society.

In past years progress has been achieved at the various levels as is proven by the social reporting of the Laender and the municipalities. However, these efforts need to be further strengthened, better interlinked and harmonised.

An overarching strategy, cutting across technical responsibilities and the federal structure alike in order to prevent poverty in the various fields of participation, could help to overcome the functional distribution of tasks among the various players and could make use of synergy effects. Fields of action and the contribution of the involved levels and players of civil society should be determined on the basis of the National Integration Plan.