National Poverty Watch Report

Germany

1. Introduction

The National Poverty Conference - Nationale Armutskonferenz (nak) – is an association of organisations, associations and initiatives being engaged for an active policy for combatting poverty. The conference was founded in autumn 1991 as the German section of EAPN. Beside national associations, people experiencing poverty and self-help organisations are contributing as well in the nak. The two latter integrate their personal experiences and perspectives and their approaches for solutions in combatting poverty and social exclusion. They have been doing this for 25 years now.

A hearted and committed engagement against poverty and social exclusion

Background and challenges for combatting poverty have changed over the years. When nak was founded in 1991 its first task was to bring the term „poverty“ into the public and to politics. It was necessary to foster a societal understanding of poverty. In these days the majority of society had the opinion that poverty didn’t exist in Germany.

Now, more than 25 years later, there are academic studies proving poverty and social exclusion through bold figures. Furthermore wide spread personal stories of life are showing poverty in an obvious manner as well. Now it’s becoming more and more important to bring the reasons on the political agenda why an increasing number of people are experiencing and staying in poverty in Germany. It’s a main task for all stakeholders to change the frame conditions making decrease the growth of poverty of the many and decrease the growth of wealth of the few each year.

During the last 25 years the legislation in social law has changed. Politics wanted to abandon the principle of caring for somebody in need. The new policy became – as a guideline - “enhancing and demanding“. While society wasn’t looking at the poverty of many people in former times, nowadays people are often blamed themselves for their circumstances. Poverty simply becomes an individual issue, it’s taken for a private problem. Both perspectives – not looking at it or putting it in an individual context - intensify poverty. Thus the national conference against poverty is taking another way. In 2006 it organized the first meeting of people experiencing poverty, followed by many more meetings until today and also in the future. This meeting enhances political participation of people living in poverty. Many of them
can and want to stand for themselves and they are backed by the national conference of poverty to fight for their rights.

One of the main tasks of the national conference of poverty is observing and highlighting the conditions in Germany for the European level. The reason for that is communicating the circumstances of people in poverty and its causes being a taboo for the federal government and the associations of economy. Structural poverty also exists in Germany.

2. What do we mean by poverty?

The nak is working with the European definition of poverty and the relevant indicators. The last years, the figures are at the same high level and also the groups being affected by poverty don’t change. During the last years it can to be observed that the definition of poverty and the indicator being linked with income are questioned and combatted. This can be estimated as a certain tendency to continue with individualizing poverty and not being obliged to take any measures against structural poverty.

Wealth as an antipole of poverty is rarely being discussed nor is it an issue of unequal access to education, health, housing, work and societal participation.

3. What is happening to poverty? Who are the groups most affected?

In Germany the development of long-term unemployment is used as the national goal to reduce poverty and social exclusion. The political reason for this may be that long-term unemployment is reduced not only by means of employment but also by the transition of the persons concerned into retirement. Against this background hardly surprising, the goal of a reduction in the number of long-term unemployed to 1.3 million by the year 2020 was clearly exceeded already in the year 2015. This year, only 723,000 long-term unemployed persons were counted.

Germany, on the other hand, was less successful regarding the core indicators for reducing poverty or social exclusion. The total number of people at risk of poverty or social exclusion declined from 16.345 million to 16.083 million between 2008 and 2015, but is still more than one million above the figure in 2005. In 2015, 20 percent of the population is still affected by the risk of poverty or social exclusion, only 0.1 percentage points less than in 2008. The slightly positive development is based on the indicators "Severely materially deprived people" and "People living in households with very low work intensity". The number of severely materially deprived people declined from 4.442 million (5.5 percent of the population) to 3.555 million (4.4 percent of the population) between 2008 and 2015. The number of people living in households with very low work intensity declined from 7.044 million to 5.666 million, or 11.7 percent to 9.8 percent of the population. At the same time, however, monetary poverty
The at-risk-of-poverty rate grew by 1.5 percentage points between 2008 and 2015 from 15.2 percent to 16.7 percent.

The reason for these opposing developments becomes clear when one considers the development of the in-work poverty rate. Overall, the in-work poverty rate increased between 2008 and 2015 from 8.4 percent to 10.7 percent. Since not all households that leave the status of very low labor intensity are changing to high labor intensity, it is of particular interest how the in-work poverty rate has developed with lower than high labor intensity. The increase of in-work poverty is very large here: with medium labor intensity, the in-work poverty rate increased from 12.5 percent in 2008 to 18.6 percent in 2015, with low – but not very low – labor intensity an increase from 27.9 per cent (2008) to 36.8 per cent (2015) was observed. But even in the case of high working intensity, the in-work poverty rate has increased, from 7.9 percent (2008) to 9.8 percent (2015). These developments are strongly linked to the increase in precarious employment, which will be addressed in the answer to question 4.

Considering different age groups, the number of people at risk of poverty or social exclusion has decreased for all age groups except for those who are 65 years or older. For members of this age group the risk of poverty or social exclusion increased between 2008 and 2015 from 15.5 percent to 17.2 percent. This is a sign that the German pension system is increasingly unable to guarantee pensions above the poverty level.

The risk of poverty and social exclusion is still far higher for people who were not born in Germany or another EU country. No positive development was observed for members of this group. In 2015, as in 2008, 30.3 percent of this population group is affected by the risk of poverty or social exclusion.

There is a positive development in the group of singles with dependent children, which has traditionally been particularly affected by poverty or social exclusion, although the number of those affected remains very high. In 2008, 51.5 per cent of those in this group were affected by poverty or social exclusion. In 2015 the proportion fell to 43 per cent. In line with the population as a whole, however, this development is not reflected in a decline in monetary poverty. In 2008, 18.1% of the singles with dependent children were exposed to a persistent risk of poverty, while in 2015 the proportion had grown to 25.7%.

A big issue in Germany is the overburdening of many households with rental costs, especially in urban areas. Looking at the total population, the Eurostat housing cost overburden indicator shows an increase from 14.5 percent to 15.6 percent between 2010 and 2015. Looking only households at risk of poverty, the proportion of overburdened households rose from 42.2 percent to 51.9 percent.

The number of homeless persons in Germany has been estimated by the Federal Government’s current report on poverty and wealth (5. Armuts- und Reichtumsbericht der Bundesregierung) to be 335,000 in 2014. Since 2008, according to this estimate, the number
of homeless persons has risen by 112,000. Another 172,000 persons are threatened by homelessness, an increase since 2008 of 69,000.

The number of food banks (“Tafeln”) in Germany is estimated to be 925 in 2016, according to data from the Bundesverband Deutsche Tafel (a German association of food banks). 135 food banks have been added since 2008. It is estimated that 1.5 million people regularly use food banks. Since 2005, 1 million people have been added.

Children and young adults who are entitled to benefits from the state minimum allowance system are granted subsidies for joint lunch in care centers for very young children (“Kindertagesstätten”), kindergartens and schools. In 2013, 3.132 million children and young adults were entitled to receive those grants. According to an evaluation commissioned by the Federal Ministry of Labor and Social Affairs, 29.5 per cent of all children and young adults entitled to grants used the subsidies for joint lunch.

Due to the high number of asylum seekers in recent years, it is not unlikely that the number of people affected by poverty and social exclusion will increase again in the coming years. According to the Federal Government’s current report on poverty and wealth, as early as 2015 the number of beneficiaries of government minimum benefits rose by almost 600,000 persons compared to the previous year. The number of recipients of asylum seeker benefits also increased by 600,000, while the number of other recipients of minimum benefits remained almost constant.

The extent to which the number of asylum seekers affects the number of people affected by poverty and social exclusion will ultimately depend on how strong and effective the political strategies for the integration of refugees will be. So far, however, there are signs that the integration policy is insufficient. For example, there were not enough places in language and integration courses and there was a lack of social agencies and appropriate teachers who could carry out such courses. Although a special program of the Federal Agency for Work quickly created entry-level courses for refugees, the quality requirements of course providers were very low. In 2017 the “Bundesrechnungshof”, a fiscal watchdog in Germany, criticized the fact that “a large part of the funds used by course providers evaporated because the courses were characterized by negligibly small numbers of participants.” In addition, the learning groups were often not adapted to specific needs of refugees. Courses where refugees and EU migrants with very different prerequisites and objectives participated were not uncommon. Teachers were not only poorly paid, they were often not adequately qualified to work with fugitives.

Another obstacle to integration is that, since March 2016, refugees who have been granted only subsidiary protection have been excluded from the right to family reunion for two years. As a result of this exclusion, refugees in a much larger number than before were granted only subsidiary protection by the Federal Office for Migration and Refugees. According to the Federal Office for Migration and Refugees, in 2015 only 1707 refugees were granted subsidiary protection. In 2016, the figure rose to 153,700. In August 2017, the Federal
Minister of the Interior de Maizière announced that the suspension of family reunion should be continued beyond the expiry of the scheme in March 2018. For affected refugees, this regulation and the declarations of intent by the Federal Minister of the Interior mean that they must remain separate from their families for a completely uncertain period of time. This approach is diametrically opposed to the stated intention to integrate refugees - which, among other things, should mean that they can build up a normal life with their families in Germany.

4. What are the key challenges and priorities? What do people in poverty think?

Since January 1, 2015 a legal minimum wage exists in Germany. The minimum wage was initially set at € 8.50 per working hour and was increased to € 8.84 as of January 1, 2017. The two-yearly increases are to follow the development of collective bargained wage increases, but the time-delayed adjustment process of the minimum wage to the overall wage development has the consequence that it falls behind the general wage development over time. The initial level of the minimum wage was the result of a compromise between policy makers, employers and trade unions. The ultimate level was criticized from the outset. The minimum wage is only 48 percent of the median hourly wage and 43 percent of the average hourly wage of all full-time employees. In this way, the impact of the minimum wage on the extent of low wage employment was low. The low wage threshold (two thirds of the median hourly wage) was € 10.22 in 2015. After the introduction of the minimum wage, employers also actively prevented that persons concerned actually received higher monthly wages by reducing the weekly working hours of workers with minimum wages to such an extent that the monthly wage was as low as before the introduction of the minimum wage. On average, the weekly working time of full-time employees employed at the minimum wage was reduced by nearly 10 percent from 40.1 hours to 36.2 hours.

A further point of criticism is that full-time employees employed at the minimum wage for 45 years earn pension entitlements that are below the basic state pension (“Grundsicherung im Alter”). The minimum wage alone therefore does not prevent old-age poverty even if the persons concerned had never been unemployed during their working life.

There is also a lack of social protection in the basic security system. In addition to receiving a cash allowance (“Regelbedarfssatz”), beneficiaries receive reimbursement of their housing costs – if appropriate. If both components are added, the amount of basic security is below the poverty threshold for most household constellations. The at-poverty risk threshold of a single person was € 969 in 2016, while the basic benefits, including reimbursement of housing costs, amounted to € 722. A couple with two children under 14 received basic benefits including reimbursement of housing costs of 1882 €, the at-poverty risk threshold was 2035 € in 2016.
There is also a lack of social protection for so-called solo self-employed persons. They themselves have to provide for their old-age security, but many, because of their often low income, do not buy such protection.

The increase in in-work poverty has already been shown (Question 3). The increase in in-work poverty is largely due to the growth of the low-wage sector. Between 1995 and 2015, the number of low-wage workers in Germany increased from 16.8 percent to 22.6 per cent of the total workforce, although a slight decrease of 1.5 percentage points was recorded in the last four years as a result of the relatively good economic situation. Low-wage employment is particularly widespread in eastern Germany, where in 2015, 36.3 percent of the workforce worked in the low-wage sector. It is also worrying that employees in the lower income segments have not participated in the growth of economic prosperity for decades. According to the current poverty and wealth report of the Federal Government, members of the lowest 40 percent of the income distribution had to accept real income losses between 4 and 7 percent over the last 20 years. Because the real median income has risen during this period, even if only by 1 percent, it is quite clear why the in-work poverty rate in Germany has risen.

Atypical employment has also increased, although atypical employment can’t always be equated with precarious employment. Since 1991, the share of full-time employees in all employees in Germany has decreased from 68.4 percent to 52.8 percent. On the other hand, the shares of agency workers, workers with fixed-term employment contracts, marginally employed workers, part-time workers and solo self-employed have increased sharply. According to the current poverty and wealth report of the Federal Government, the at-poverty risk of normal (not atypical) employees is 5.6 per cent. For atypical workers it is 19.2 percent.

**Housing:** The fact that an increasing proportion of households - and particularly those at risk of poverty - is overburdened with rental costs has already been discussed (Question 3).

**Health:** The close connection between material poverty and health status was discussed in detail in the current poverty and wealth report of the Federal Government. Just to mention a few examples: While, according to parents with high social status, 3 per cent of their children have a very poor health status, poverty-stricken parents report that 11 per cent of their male and 10 per cent of their female children show a very poor health status. There are also great differences in adults. Only 2.4 percent of over 18-year-olds with high incomes report very poor individual health, while 13 percent of over 18-year-olds with low incomes report a very poor health status. These differences have significantly increased in recent years. In 2006, the corresponding figures were 4 percent (high income) and 10.4 percent (low income). While some of these differences may be attributed to a different behavior, other factors exist. It is also important that in Germany high-income persons are often insured in private health insurance and enjoy better health care than those insured in statutory health insurance. In addition, people who are at risk of poverty are exposed to higher psychosocial burdens, are
living in residential areas with a higher level of environmental and noise pollution, and - if they are employed - are more exposed to health-threatening working conditions.

**Education:** Although there are no formal differences in the use of educational opportunities in Germany, social mobility is, on the international scale, very low. The German education system does not manage to compensate for the initial differences in education among children, which are caused by the level of education and the financial resources of their parents. For example, only 23 percent of children from poverty-stricken households visit the highest German school form (Gymnasium). Children from non-poverty-stricken households attend the Gymnasium at 48 per cent. This is not just due to different school achievements. In Germany, a school recommendation for a specific school form is given by teachers after elementary school. The current poverty and wealth report of the Federal Government points out that "taking into account the achievements of the fourth graders, it is possible to observe different chances of a Gymnasium recommendation by the teachers depending on the social situation of the children". In other words, a conscious or unconscious discrimination against children from households with low social status can be identified.

As already mentioned (Question 3), single-parent families are particularly affected by poverty and social exclusion. The same applies to persons who are not born in Germany or another EU state.

**Discrimination:** As in most European countries, an increase in discrimination on the basis of individual characteristics, which differ from characteristics of the “majority society”, is observed in Germany. According to a recent study by the Federal Government's Anti-Discrimination Agency, 23.2 percent of respondents with an immigration background claim to have been discriminated against for racist reasons or because of their ethnic origin. Also, 10.1 percent of respondents with a low socio-economic status claim to be discriminated against because of their social situation. A study published in 2016 by the Friedrich Ebert Foundation investigated discriminatory attitudes towards certain population groups. 34.7 percent of all respondents find that too many foreigners live in Germany. Likewise, 34.7 percent of the interviewees "feel like foreigners in their own country because of the many Muslims in Germany". 31.6 percent of all respondents believe that begging people should be removed from the pedestrian zones. It is particularly worrying that derogatory attitudes towards the long-term unemployed receive the highest approval values. 60.6 percent of all respondents "find it outrageous that the long-term unemployed make a comfortable life at the expense of society."

As part of the drafting of the current poverty and wealth report of the Federal Government, the Federal Ministry of Labor and Social Affairs, together with the National Poverty Conference (the German section of EAPN), organized a workshop with around 30 people experiencing poverty. Discussions were held on the causes of poverty, the impact of poverty on the lives of those affected and on policy measures that could contribute to a better
situation. On the three subject complexes, people experiencing poverty expressed the following:

**Causes of poverty**

- Poverty is never the result of a single cause.
- On the one hand, political and economic developments are responsible, for example the expansion of the low-wage sector, the undercutting of collective labour agreements and the problematic development of the housing market.
- On the other hand, personal and family problems such as divorces or separations, illnesses and other life crises play a role.
- In the case of prolonged poverty, the lack of experience to be able to act or to act independently renders it as increasingly difficult to overcome poverty.
- The state aid system is perceived as rather problem-prone. State authorities rarely allow for a real "second chance".

**How does poverty affect life?**

- Poverty is associated with a sense of exclusion and a lack of social participation. Experiences of exclusion, stigmatization and incapacitation influence life management and life planning.
- Stigmatization, for example in the case of housing searches, is a very heavy burden. Contact with state authorities is perceived as incapacitating if individual decisions cannot be made as to whether a specific measure or a specific form of job-training is appropriate. Experienced incitement leads to demotivation, inactivity and even lower self-esteem.
- Poverty is perceived as a lack of freedom. People experiencing poverty can decide far less than other population groups about leisure activities, participation in cultural events or consumption.
- There are also restrictions in the health sector, whether it is the purchase of new glasses, dental prostheses or health treatments which are not financed by health insurance but can be and are bought on the health market by many people.
- Frequently, many of the aforementioned restrictions occur simultaneously. The sum of the restrictions leads to the fear of social exclusion and the loss of human dignity.

**What is to be done from the perspective of people experiencing poverty?**

- Less stigmatization and exclusion.
- Greater willingness of the whole of society to grant a second or third chance.
- Some people experiencing poverty consider an unconditional basic income a good way to reduce stigma and exclusion.
- Labor agents and consultants in the state social services should be significantly better qualified and be responsible for fewer “clients”.

- The financial benefits of social assistance systems must be increased and hardship rules for necessary health care tools (e.g., spectacles) should be introduced.

- Enabling nationwide mobility, for example, through highly discounted social tickets for buses and railways.

- Expansion of social housing.

- More funds for poverty reduction should be generated through stronger redistribution of wealth.

5. **What is the role of EU and national governments?**

After the federal elections on 24th of September, a new German Government has to be formed. At the moment, the conservatives (CDU/CSU), the pro-business FDP, and the green party are in exploratory talks. So it is not clear yet, what the main topics addressed by a new government will be.

The European Commission’s country reports and country-specific recommendations have a high quality, the analysis is detailed and the recommendations do help NGOs to address the government in issues of poverty reduction. But the government reports and programmes to the European Commission whitewash/embellish the situation in Germany in reference to poverty and exclusion. The extent of poverty and its significance for the individual as well as the society is not clear in the NRP.

Although the overall situation on the labour market in Germany is good, the risk of poverty rate has risen. Especially alarming is the increase of the risk of in-work poverty. Unemployment is declining, risk of poverty is increasing – the federal government has to address far more fields of action to reduce poverty than reducing (long-term) unemployment. The “Fifth Report on Poverty and Wealth” of the Federal German Government has shown immense problematic developments on that topic.

The monthly regular amount that people get as minimum income is still far too low (around 150 Euros for an adult) and does not guarantee the socio-cultural minimum income. In addition, the minimum income can be reduced or completely cancelled, although from human rights perspective everyone has a right to economic, social and cultural participation. In June 2016, six million people were dependent on minimum income. Of which half had already been in dependent for at least four years.

The programs launched by the Federal Government have not led to any improvement in the fight against long-term unemployment. The policies addressing (long-term) unemployment are mostly short-term measures to integrate people into the labour-market. The amount of
money provided for counselling and measures for active labour market policy for unemployed is still at a low level.

Because the only indicator for poverty is long-term-unemployment and nothing else there are no real measures of the Structural Funds to fight poverty. Only projects in the context of training and reintegration into labour market are being offered. Some of these projects focus especially on the promotion of women. Only the very small German EHAP programme is focused on people with multiple handicaps that have no access to the labour market.

6. What is EAPN doing?

Every year EAPN Germany (nak) is organizing the Meeting of people experiencing poverty. This year it was the twelfth time according to the motto “Flagge zeigen - Soziale Rechte, Beteiligung, Menschenrecht” (engl. “nail one's colours to the mast. Social rights, participation, human rights“). Over 150 people participated.

Another focus lies on child poverty. We started a campaign to raise awareness to the political officials and demand that every child should have the same value to the state. We wrote open letters, started a petition and spoke to representatives of the different political parties.

Then we published two different position papiers: 1) Poverty and Health 2) Poverty and Women. Furthermore we are a member of an alliance which is dedicated to redistribution: introduction of property tax / increasing inheritance tax etc. We succeeded in placing an extra chapter in the official national poverty and wealth report of the BRD which regards the subjective perspective of people experiencing poverty. However, despite diverse and continuous work, no sustainable results (yet).

Advocating for people experiencing poverty and social exclusion is our main purpose for which we will remain persistent.

7. Key Recommendations

* National Level:*
  - Containment of precarious working conditions and the low-wage-sector.
  - Increase of minimum wage
  - Raise the standard payment in all minimum income systems
  - Abolishment of sanctions in the minimum income systems and replacement with an incentive system.
  - Implementation of better options of combining work and family life
  - Introduction of an uniform benefit payment for children
EU-Level:

- Germany has to consider further factors (the at-risk-of-poverty rate, material deprivation etc.) than only the number of long-term unemployed people in the NRP.
- Human rights have to be preserved.
- Social aspects have to get higher priority in the cohesion policy. Social and human interests should be more prioritized than economic interests.