

# Poverty Watch Report 2021

## *EAPN 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 grassroots 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 30 years now.

### **2. What do we mean by poverty?**

The nak works with the same set of indicators for measuring various poverty dimensions used by Eurostat and the German Federal Office of Statistics (Statistisches Bundesamt). In this respect, persons are considered to be at risk of (monetary) poverty if their disposable income after social transfers is below 60 percent of the median disposable income. They suffer from (significant) material deprivation if they do not have the financial means to pay for at least four typified categories of expenditure (e.g. rent payments, heating costs, purchase of a car). Persons living in households where persons of working age worked less than 20% of their total (hypothetical) work potential in the previous 12 months are considered to be living in households with very low work intensity.

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

Unfortunately, as of early September 2021, data on the number of people at risk of poverty or social exclusion in 2020 were not yet available for Germany. This also applies to all other indicators listed here.

In 2019, the percentage of people at risk of poverty or social exclusion had fallen significantly compared to the previous year, from 18.7 percent (resp. 15.25 million people) to 17.4 percent (resp. 14.25 million people). Compared to 2008, 2.1 million fewer people were at risk of poverty or social exclusion. The share of people at risk of monetary poverty also fell significantly between 2018 and 2019, from 16 percent (resp. 13.05 million people) to 14.8 percent (resp. 12.12 million people).<sup>1</sup> Compared to 2008 (12.39 million people), the decrease is much less pronounced at 270,000 persons. In 2019, the share of persons suffering from significant material deprivation was also down from the previous year. It fell from 3.1 percent (resp. 2.54 million persons) to 2.6 percent (resp. 2.13 million persons). Compared with 2008, 2.3 million fewer persons suffered from significant material deprivation. Compared with the previous year, the share of persons living in households with very low labour intensity decreased from 8.1 percent (or 4.75 million persons) in 2018 to 7.6 percent (or 4.45

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<sup>1</sup> It should be noted here that the at-risk-of-poverty rate based on the German Microcensus increased from 15.5 percent to 15.9 percent between 2018 and 2019, see <https://www.armuts-und-reichtumsbericht.de/DE/Indikatoren/Armut/Armutsrisikoquote/armutsrisikoquote.html>. The measurement concepts of the Eurostat statistics and the Microcensus statistics differ in various respects, so that comparisons - especially with regard to time series - are basically not possible. For example, in 2018, the at-risk-of-poverty rate based on the Microcensus was lower than the at-risk-of-poverty rate based on Eurostat data; in 2019, the reverse was true. For a critical discussion of the use of the Microcensus for time-comparative poverty analyses, see for example Mara Boehle (2015): Armutsmessung mit dem Mikrozensus: Methodische Aspekte und Umsetzung für Querschnitts- und Trendanalysen, GESIS papers 2015|16, Leibniz-Institut für Sozialwissenschaften, Köln.

million persons) in 2019. Compared with 2008, 2.6 million fewer persons lived in households with very low labour intensity.

In summary, compared to 2008, Germany has made significant progress in reducing material deprivation and expanding (partial) work integration. Progress in reducing the number of people at risk of monetary poverty was much lower during this period; however, between 2018 and 2019, notable progress has been made in this area, which is also reflected in other indicators yet to be reported.

Last year's development raises the question of whether the observed reduction in monetary poverty is merely a statistical outlier or an explainable trend. In fact, at least in the medium term, this appears to be a trend that is indirectly attributable to the introduction of a general minimum wage in 2015. Admittedly, the minimum wage itself is so low that it does not prevent poverty on its own - it is just 48.2 percent of the median wage and thus in the lower middle range in a European comparison. But the introduction of the minimum wage had the effect that also relatively low wages above the minimum wage increased disproportionately in relation to the median wage. Because what is quite critical in measuring monetary poverty risk is how the incomes of individuals who previously earned less than 60 percent of the median income change in relation to that same median income, the change in the wage structure has resulted in a larger number of individuals exceeding the "60 percent threshold" between 2018 and 2019 and consequently are no longer part of the at-risk-of-poverty group. Hopefully, German policy makers will learn from this. For many years, the preferred policy has been to integrate as many people as possible into the labour market while ignoring the steady growth of the low-wage sector. The consequence was that while employment kept growing, the risk of poverty remained the same or even increased. But since the introduction of the minimum wage, the low-wage sector has shrunk by 4 percentage points, almost  $\frac{1}{3}$  of it between 2018 and 2019. This explains the recent significant decline in the at-risk-of-poverty rate, and one hopes that this fact will also lead to a shift in political attitudes. With a significant increase of the minimum wage, the process described here could be further strengthened and the strange coexistence of a high employment rate and a simultaneously high at-risk-of-poverty rate could be eliminated.

But there is also a downside to recent developments. It is true that income growth in the low-wage sector exceeded the growth of the median wage, thus allowing a larger number of workers to cross the "at-risk-of-poverty" line. But the median wage has also grown and its growth has been higher than the growth of government benefits in recent years, leaving people who are not in the labour force and living on benefits even further behind. The already very high risk of the unemployed of being affected by poverty or social exclusion increased from 79.8 percent to the all-time peak of 85.2 percent between 2018 and 2019. For pensioners, the risk of being affected by poverty or social exclusion decreased slightly overall - from 18.9 percent to 18.6 percent. However, it stagnated at the already high level of 20.8 percent for female pensioners. The same developments can be seen in the area of monetary poverty. While the at-risk-of-poverty rate declined for just about every group between 2018 and 2019, the rate increased for unemployed persons from 69.4 percent to 73.6 percent. An increase can also be observed among female retirees during this period, from 19 percent to 20.2 percent. In addition, an increase could be observed among early retirees, where the poverty risk rate rose from 24.1 percent to 25.4 percent. Another group of people whose risk of being affected by poverty or social exclusion has increased consists of non-EU foreigners. Between 2018 and 2019, their risk of being affected by poverty or social exclusion rose from 26.2 to 28.4 percent. For EU foreigners, on the other hand, the risk decreased significantly, from 18.6 percent to 13.9 percent. It is thus considerably lower than the risk of German citizens being affected by poverty or social exclusion. That risk stood at 17.8 percent in 2019 but was still considerably lower than in the previous year (18.9 percent).

Also worrying is that the trend towards a hardening of poverty continues unabated. Whereas 10.5 percent of the population lived below the at-risk-of-poverty threshold in two of the last three years in 2018, the figure was 10.6 percent in 2019. Most notable here is the group of young adults. In 2018, 9.2 percent of 18- to 24-year-olds were persistently poor; in 2019, the figure was 14.3 percent. A significant increase in the proportion of people meeting the criterion of persistent poverty can be observed among people with low education. While 26.9 percent of this group of persons were considered permanently poor in 2018, in 2019 the figure was 32.4 percent. Poverty can be considered to be extremely persistent if individuals have been consistently at risk of poverty over the past 4 years. The share of these persons is also largely constant; it was 7.2 percent in 2018 and 7.1 percent in 2019.

One group whose members have had extremely high at-risk-of-poverty rates for decades are single parents. At 27.1 percent, this group's poverty risk rate is still exceptionally high. However, this risk was significantly higher at 33.8 percent in 2018.

Given the developments of the German labour market described above, it is not surprising that the in-work-poverty rate has decreased – from 9 percent (2018) to 7.9 percent (2019). The in-work-poverty rate decreased between 2018 and 2019 for all but one group. The exception is the group working past the age of 65. Their in-work-poverty rate increased from 13.8 to 15.4 percent. A significantly overproportioned in-work-poverty rate can in 2019 be observed among persons with low education (18.3 percent), persons with fixed-term employment contracts (15.8 percent) and part-time employees (12.8 percent). For full-time employees, the in-work-poverty rate stood at 5.7 percent in 2019, lower than the previous year's figure (6.3 percent). Female employees, presumably due in part to a larger share of part-time workers, have a higher-than-average in-work-poverty rate in 2019 at 9.1 percent (in 2018, the figure was 10.1 percent), while the reverse is true for male employees, whose in-work-poverty rate was 6.9 percent in 2019 (in 2018, the figure was 8 percent).

A major issue in Germany is the sharp rise in rental costs and the associated burden on residential tenants. Overall, 13.9 percent of Germans said in 2019 that they were overburdened with housing costs. In 2018, the corresponding figure was 14.2 percent. The share of people with a disposable income below the poverty risk threshold who reported being overburdened with housing costs was 48.3 percent in 2019, slightly down from 49.5 percent in 2018. The overburdening of many renters with housing costs is also reflected in their at-risk-of-poverty rate. It reached 22.6 percent in 2019. In contrast, the poverty risk rate for homeowners amounted to 7.9 percent in 2019.

Statistics on the extent of homelessness are only available up to 2018. It is estimated that 678,000 people were homeless or at risk of homelessness in 2018. This figure exceeds the previous year's figure (651,000). Many of those homeless or at risk of homelessness are refugees (441,000).

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

1. Even though the introduction of the minimum wage in 2015 has led to positive effects throughout the low-wage sector, it is still far too low. As mentioned above, the minimum wage is just 48.2 percent of the median wage. The minimum wage should be poverty-preventing at least for full-time employees and should be raised accordingly to 60 percent of the median wage. In addition, there are many indications that the minimum wage is often not paid. A significant expansion of controls and sanctions for violations of the obligation to pay the minimum wage is necessary here.

2. Even though the share of employees in the low-wage sector has fallen significantly recently, nearly one-fifth of the workforce - or 7.2 million people - still work for wages lower than 66 percent of the median wage. Presumably, a significant increase in the minimum wage, if compliance is adequately monitored, would help further shrink the low-wage sector. Another measure to reduce low-wage employment would be to abolish the privileged treatment of so-called marginal employment with

regard to the amount of social security contributions or to extend the privileged treatment to higher wage groups so that employees are not immediately burdened with significantly higher social security contributions when they increase the number of hours worked or slide into higher wage groups. In the current system, employees in the low-wage-sector have little incentive to actively demand higher wages and an extension of working hours, because substantially higher social security contributions would have to be paid for the additional income generated. A third starting point for reducing low-wage employment would be further reform of the Temporary Employment Act. Adjusted for structural factors, temporary workers still earn just under 20 percent less than comparable employees in the permanent workforce. It is therefore necessary to significantly limit the deviations from the equal pay principle that are possible under collective agreements. If, however, low-wage employment falls significantly, this development must be accompanied by the provision of vocational training for those who have been employed in this sector up to now. Up to now, employees in the low-wage sector have been participating to a significantly under-proportional extent in vocational training.

3. There is still a lack of social protection in the basic security system. In addition to receiving a cash allowance, 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. In addition, in many households that receive social benefits, people also have to pay for housing costs out of their standard benefit, even though these benefits are not intended for this purpose. This means that these people are entitled to even less money and thus fall even below the subsistence level provided for by law. In some municipalities, they have only half of the allocated social benefit at their disposal. In the area of basic social assistance, the principle still prevails that too high benefits and ordinary housing conditions will result in a situation in which benefit recipients have no incentive to take up employment. Apart from the fact that the empirical basis for this principle is lacking, the real tragedy of this system is that the non-poverty-avoiding benefits and precarious housing conditions also affect economically inactive persons and, in this respect, mainly children. In 2019, 65.6 percent of children under 18 of parents with low education were affected by poverty or social exclusion. These children do not have nearly the same educational opportunities as their more privileged peers, and their situation is likely to have worsened significantly as a result of school closures during the Corona pandemic. In addition to an independent basic child allowance, a government education offensive targeting the most disadvantaged children is needed in the coming years.

4. During the Corona pandemic, it became particularly clear that it is a mistake not to include the self-employed in the social security system. On the one hand, including the self-employed would help prevent the exploitation of pseudo self-employed workers. During the pandemic, however, it was also revealed that "regular" self-employed persons often do not have adequate private provision either and slip directly into the basic social security system when the basis of their business ceases to exist. Including the self-employed in the social security system would therefore not only protect pseudo self-employed workers from exploitation by others but would also protect other self-employed persons from exploitation by themselves.

5. The Corona pandemic has additionally exposed quite harshly that, despite various legal measures in recent years, contracts for work and services are still being used under the pretext of the European Posting of Workers Directive to employ citizens of poorer EU countries in Germany at extremely low wages and often without social protection, and to house them in inhumane conditions. In Germany, they are mainly used in slaughterhouses, as harvest workers and in the construction industry. The reformed EU Posting of Workers Directive, which has also been incorporated into German law since July 2020, was supposed to provide a remedy for unacceptable conditions. However, even in 2021,

there are still mass corona outbreaks in slaughterhouses caused by extremely poor working conditions and the accommodation of workers in mass housing. It remains to be seen what practical improvements the implementation of the new EU Directive into German law will bring in the long term. So far, the affected industries have always managed to find loopholes in new regulations. In addition, the penalties for breaching the rules and the control density are so low that, on the basis of probability, it remains worthwhile for many companies not to comply with the regulations. If future developments confirm past experience, only deterrent sanctions and a high level of control intensity will be successful where rules have so far not been sufficient to prevent the exploitation of mobile EU workers, the extent of which has so far been unparalleled in the German labour market.

6. As part of the Corona relief effort, the federal government determined that rent arrears from April to June 2020 would not entitle the landlord to terminate the rent agreement for a period of 24 months if the arrears were due to the effects of the Corona pandemic. The regulations expired July 1, 2020 and were not renewed. If tenants have still not paid the arrears after June 30, 2022, the corresponding rental agreements can be terminated. Particularly for tenants already affected by poverty, there is thus a risk of losing their rented homes in July 2022. In view of the already high and rising number of homeless people and people at risk of homelessness, an unbureaucratic solution should be found here for tenants affected by poverty, especially since the Corona pandemic has had a negative impact on the employment opportunities of vulnerable groups - e.g. young adults and the long-term unemployed - even into spring 2021. In cases of hardship, the state should either take over rent payments directly or at least enable rent payments by granting interest-free loans.

## **5. Are there good /promising practices in your country/area?**

1. On January 1, 2019, the so-called Teilhabechancengesetz ("Participation Opportunities Act") came into force. The aim of the Act is to promote the taking up of an employment covered by social insurance for (a) persons who have been receiving basic social security benefits for 6 years or longer and are over 25 years of age ("Teilhabe am Arbeitsmarkt" = participation in the labour market) and for (b) persons who have been unemployed for at least 2 years ("Eingliederung von Langzeitarbeitslosen" = integration of the long-term unemployed). Employers who hire members of these groups receive wage subsidies of up to 100 percent (labour market participation) and 75 percent (integration of the long-term unemployed). As of June 2021, 62,000 people had benefited from the "participation in the labour market" instrument and 20,100 from the "integration of the long-term unemployed" instrument, despite the difficult labour situation during the Corona pandemic. It is still too early to evaluate these two instruments, but so far, they appear to have enabled a relatively large number of otherwise difficult-to-place jobless persons to enter descent employment subject to social insurance coverage.

2. As already mentioned in section 3, single parents have been facing an extremely high poverty risk rate for decades. On the one hand, this is due to the fact that they have particular difficulties in combining child rearing with full-time employment, so that they are often only employed on a part-time basis or unemployed. Another reason is that raising children alone leads to special financial burdens. Single parents therefore receive a special tax allowance, the so-called "Entlastungsbetrag" or "relief amount". The relief amount was doubled from 2020 on for the first child and increased for further children. This will enable at least some single parents to achieve a net income above the at-risk-of-poverty threshold.

3. Due to pension reforms over the past 29 years, which have led to a significant reduction in pension levels, and an increase in interrupted employment biographies, old-age poverty in Germany has been on the rise for years. In 2021, a so-called "Grundrente" (basic pension) was therefore introduced. Pensioners who have paid contributions for at least 33 years and whose average contribution is

between 30 percent and 80 percent of the overall average contribution will receive a supplement to their pension of currently up to 223 euros - but only after an examination of their other income. In addition, the conditions for pensioners to receive housing cost assistance ("Wohngeld") have been eased. Although the original basic pension plans have been watered down considerably, this will at least enable some pensioners who were previously at risk of poverty to cross the poverty risk threshold.

4. In August 2019, the benefits of the so-called "Bildungs- und Teilhabepaket" (education and participation package) have been improved. Under this package, children in poor households receive benefits for participation in education, sports, and culture. Among other things, the state now covers travel costs to school and the entire cost of lunch without any previously applicable restrictions. In addition, benefits that allow children to buy appropriate school materials have been increased by 50 percent. Other benefits that were previously only provided in form of vouchers can now also be claimed as cash benefits. In addition, each benefit no longer has to be applied for individually. Even though true equality of opportunity in the German education system is still far from realized despite these measures, at least a baby step is being taken in this direction.

5. Previously, in the area of marginal employment, employees earning between 450 and 800 euros paid reduced rates of social security contributions. The upper limit of this range was raised to 1300 euros. For marginally employed persons, this increases the incentive to work more hours. Secondly, it is now more worthwhile for them to increase the pressure on employers to pay higher wages. For affected employees, this is a significant improvement. However, a preferable solution would have been to end the privileged treatment of marginal employment, which is de facto a subsidy for the low-wage sector.

## **6. Are EU and national governments helping?**

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 whitewashes/embellishes 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 still not clear in the NRP.

Only the very small German EHAP program is focused on people with multiple handicaps that have no access to the labour market.

The German Recovery and Resilience Plan has a whole section called "Stärkung der Sozialen Teilhabe" (Strengthening social participation). However, there are no measures that directly affect people at risk of poverty, and few components of the plan are aimed at reducing the emergence of future poverty risks. For example, a further expansion of the childcare infrastructure is planned and is justified, among other things, by the fact that attendance at a daycare center is of particular benefit to socially disadvantaged children. However, if that is the goal, then childcare infrastructure (and the quality of staff) should be specifically promoted in areas where socially disadvantaged children live. The second part of the plan is titled "Social Guarantee 2021 and Other Federal Aid to the Social Security Branches." The aim is to stabilize the contribution rates to the various social security systems with the help of subsidies. This is good for employees and employers but has no meaning for people experiencing poverty or are at risk of poverty. The third part of the plan has the goal of securing apprenticeships. The planned measures are aimed in particular at young people who are now unable to find an apprenticeship position due to the economic difficulties of companies caused by the pandemic or who are therefore unable to continue their training. Hereby, at least, a

contribution is made in preventing the emergence of poverty in the future. The fourth program is called "Supporting School Children with Pandemic Related Learning Lags". The goal is to offer learning support to up to 25% of the approximately eleven million school children in Germany. Hopefully, the program will actually help the most disadvantaged school children in practice. The program is designed to achieve this by measuring learning levels. The fifth and final program aims to digitize the administration of the pension insurance system and, in this respect, has no reference points to people experiencing poverty or those at risk of poverty.

## **7. What is EAPN doing? Are you having an impact?**

On July 15, 2021, the fourth meeting of people experiencing poverty could take place in Cologne. One of the main topics was digital participation, especially in view of the challenges posed by the Corona pandemic. The results of this meeting are outlined in section 2.1 of the thematic focus of this year's Poverty Report.

On August 6, 2021, the National Poverty Conference (nak) published a statement on the setting of German targets for the implementation of the EU-2030 goals.<sup>2</sup> It referred to the three EU core targets set in Porto on March 4, 2021. These include an employment target, a (vocational) training target, and a poverty reduction target. Regarding the employment target, the nak demanded that the German government considers the quality of employment in its targets in addition to a quantitative employment target. In addition, barriers to the labor market, e.g. for the long-term unemployed, people with child-rearing or care responsibilities, older people and immigrants, must be removed. The "social labour market" introduced by the Participation Opportunities Act must be expanded and made permanent. With regard to the goal of vocational training, the nak calls for an individual right to participate in such training for groups of people who have so far been largely excluded from training opportunities. This includes, for example, people experiencing poverty, the long-term unemployed, precariously employed, refugees, people with little or no schooling, the functionally illiterate and the homeless. With regard to the poverty target, nak calls for the reduction of persistent poverty, an expansion of poverty prevention and target-group-specific programs for particularly disadvantaged groups, as well as a systematic fight against child poverty by further developing and bundling family related benefits and assistance. Across the board, nak calls for the active participation of people experiencing poverty in specifying objectives, in the development of corresponding measures and in the measurement of success.

## **8. Set out your Key 2020/2021 messages and Recommendations**

See Section 4.

## **9. References and Bibliography**

In addition to statistics from Eurostat and the German Federal Statistical Office, the following sources were used:

*Bundesagentur für Arbeit (2021):* Teilhabechancen auf dem allgemeinen und sozialen Arbeitsmarkt nach §§ 16e und 16i SGB II, Berichte: Arbeitsmarkt kompakt, Juni 2021, Nürnberg.

*Bundesministerium der Finanzen (2021):* Deutscher Aufbau- und Resilienzplan (DARF), <https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Europa/DARF/deutscher-aufbau-und-resilienzplan.html>

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<sup>2</sup> For the full statement (in German) see <https://www.nationale-armutskonferenz.de/2021/08/06/nak-stellungnahme-zur-festlegung-nationaler-ziele-zur-umsetzung-der-eu2030-strategie/>

*Grabka, Markus M. (2021): Einkommensungleichheit stagniert langfristig, sinkt aber während der Corona-Pandemie leicht, DIW Wochenbericht 18/2021, S.308-315.*

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*Steffen Johannes (2020): Sozialpolitische Chronik, Stand: Dezember 2020, Arbeitnehmerkammer Bremen.*

## **THEMATIC FOCUS 2021: LONG-TERM IMPACT OF COVID-19 & Government Action on people facing poverty**

### **1. 2021: Overall Poverty Trends: A section on current trends/realities on poverty prior to and during COVID-19**

Developments immediately prior to the pandemic have already been reported above in Section 3. It was also mentioned there that no data is currently available for Germany on developments in 2020 and 2021.

### **2. The impact of COVID-19 and government policy on people experiencing poverty**

#### **2.1. What are the main difficulties/challenges for specific groups that are hardest hit?**

##### *Health related Impacts*

Although access to health services is basically equal in Germany, evidence exists that the risk of disease and mortality associated with Covid-19 is socially unequally distributed.<sup>3</sup> There are (at least) three possible explanations for this: First, social differences in terms of previous illnesses and chronic diseases. Second, the socially different housing situation. Third, social differences in the risk of contracting Covid-19 due to the occupational activities performed. All three explanations are likely to have played a role. In Germany, however, this topic is hardly discussed.

There are also significant social differences in vaccination rates, although access to vaccination is now basically the same for everybody. For example, according to a study by the German Institute of Economic and Social Research (WSI) in June 2021, 49 percent of respondents from the lowest income quantile said they had received at least one vaccination, compared with 71% in the highest quantile.<sup>4</sup> The study does not provide an explanation. Since everyone in Germany can now make an appointment for vaccination, and since there was even a prioritization of vaccination for some groups of low-income earners - e.g. employees in sales occupations - but vaccination rates are low

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<sup>3</sup> Cf. e.g. Robert Koch Institut: Soziale Unterschiede in der COVID-19-Sterblichkeit während der zweiten Infektionswelle in Deutschland, [https://www.rki.de/DE/Content/GesundAZ/S/Sozialer\\_Status\\_Ungleichheit/Faktenblatt\\_COVID-19-Sterblichkeit.html](https://www.rki.de/DE/Content/GesundAZ/S/Sozialer_Status_Ungleichheit/Faktenblatt_COVID-19-Sterblichkeit.html)

<sup>4</sup> WSI (2021): Geringverdienende geraten bei Impfungen ins Hintertreffen – Impfungen am Arbeitsplatz wichtiger Baustein für die Impfkampagne, <https://www.boeckler.de/de/pressemitteilungen-2675-geringverdienende-geraten-bei-impfungen-ins-hintertreffen-34122.htm>



there as well, the reason in some cases does seem to be a lower willingness to vaccinate. On the other hand, the largely digitized registration process for arranging a vaccination appointment, as well as often long distances to the nearest vaccination centre, constitutes an obstacle for disadvantaged groups, e.g. people with experience of poverty, senior citizens or people with disabilities.

### *Economic Impacts*

Whereas in the first pandemic wave, not only service sectors but also the manufacturing sector were hit hard economically, the subsequent pandemic waves mainly affected service sectors with a high level of social contact. In all pandemic waves, sectors with a high proportion of low-income earners were hit hard, namely the hospitality and retail sectors. This is a major reason why the jobs lost during the pandemic were heavily concentrated on marginal employment, which is particularly prevalent in the above-mentioned sectors.

Fears that the pandemic will lead to an increase in social inequality because of this have so far not materialized. On the contrary, social inequality has even slightly decreased.<sup>5</sup> In addition to the political measures during the pandemic described in the next section as well as the redistribution within the framework of the social and tax system, this is also due to the fact that the pandemic and the state's infection protection measures hit an employee group particularly hard, which in normal times is on average one of the higher earners: the self-employed. Since these are not included in the social security system in Germany and especially in unemployment insurance, many self-employed persons were dependent on basic security and suffered considerable losses of disposable income in 2020/2021.

It may be assumed that the decrease in social inequality, which was observed in the short term, will not be a permanent phenomenon. Many aid measures were only one-off, have already expired or will expire in the coming months. However, it is not yet possible to assess how quickly the labour market will recover overall and sectoral.

### *How did the longer duration of the crisis impact people experiencing poverty?*

Due to the Covid 19 pandemic, many structures of people with experience of poverty collapsed. This has made it almost impossible to keep in touch with each other. Loneliness has become a characteristic of many people. The long lockdowns have created a situation that has left no person experiencing poverty untouched. Digital literacy was and is often very sparse among many people experiencing poverty. There are resources for digitalization but unfortunately there are still too many hurdles, for example complicated applications. Through digital participation, the electricity costs were also very high and hardly affordable. Also, by arising rent costs the danger was and is large to lose one's home. Previously available side jobs were no longer possible. During the pandemic there was a possibility of a suspension of rent payments. But this means that more money is needed later due to the back payment of omitted rent payments. Many eviction cases have arisen as a result, despite the existing legal regulations, and many people have lost their homes.

The conversion of many public authorities to a purely digital service turned out to be another major problem. This problem was a major subject of the 4th meeting of people experiencing poverty, which

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<sup>5</sup> See for example Beznoska, Martin/Judith Niehues/Maximilian Stockhausen (2021): Verteilungsfolgen der Corona-Pandemie: Staatliche Sicherungssysteme und Hilfsmaßnahmen stabilisieren soziales Gefüge, in: Wirtschaftsdienst, Nr.1/2021, S.17-21 and Grabka, Markus M. (2021): Einkommensungleichheit stagniert langfristig, sinkt aber während der Corona-Pandemie leicht, DIW Wochenbericht 18/2021, S.308-315.

took place in Cologne on July 15, 2021. In this section, we will describe some of the results, which show that this is an extremely important topic, but one that is hardly acknowledged:

In the various working groups, which were made up of full-time staff and people experiencing poverty, the challenges of the increasingly digital world were elaborated for people who have no financial means or opportunities to acquire digital skills. In light of the closures of many authorities and counselling centres over a longer period of time during the pandemic, the explosive nature with regard to the exclusion of people with low incomes was named very clearly and emphatically. An increase in the regular cash benefits of the basic security system to finance the expenses for personal computers, printers and print cartridges as well as access to WLAN were stated as demands, as well as free and easy accessibility to training and further education in the use of computers, social media, etc.

Those who are not digitized cannot, for example, take part in Corona tests or make an appointment for vaccinations if this is only possible via the Internet. To register for free Corona tests, you need the appropriate equipment, digital access and an up-to-date phone number (i.e., appropriate contracts), including for retrieving the results. And there are also numerous innovations in healthcare that people without digital literacy cannot comprehend and also therefore do not take advantage of.

It also became apparent that it must always be possible to receive applications and assistance in the normal way, i.e. face-to-face. Some applications are complex or difficult to understand and present applicants with major challenges. Many things are easier and faster to explain in a conversation than digitally. In order to make the benefits of the digital world accessible to people with low incomes, there must be a mandatory development of low-barrier digital offerings in which different target groups such as senior citizens, people with disabilities, the financially poor, etc. are included in the corresponding development. In addition, there is also a need for practical support for people who have to claim their right to digital participation. They need legal, professional, financial and emotional support.

Digital participation in public spaces also includes accessible cell phone charging points / USB ports in public buildings that are freely accessible and free of charge. There needs to be free wifi for everyone in such places.

### *Long-term consequences*

The currently poor data situation does not yet allow us to estimate the long-term consequences of the pandemic, especially since it has not yet ended. In Germany, a special feature is that a new government will be elected in September 2021 and it is currently still completely open whether the new government will be more centre-left or centre-right. Depending on the election results, the future economic and social policies may therefore be very different.

## **2.2. Do government actions help? What's missing?**

In March 2020 and March 2021, the German government passed three "social protection packages" aimed at mitigating social and economic consequences due to the Corona pandemic.

The first two social protection packages included, among other things, an improvement in the conditions for receiving "Kurzarbeitergeld" (e.g. extension of the period of entitlement, increase in benefits after a longer period of entitlement), an extension of the period of entitlement to unemployment benefits, simplifications in access to basic security benefits and other benefits that secure a person's livelihood, and a compensation entitlement for a loss of earnings in the event of official closures of schools and daycare centres, if, due to the closure, parents have to look after their

children themselves and are therefore unable to work. The third social protection package extended many of the measures initiated previously. In addition, it was arranged that adult beneficiaries of the basic social security system who were entitled to benefits in May 2021 receive a one-off financial support of 150 euros.

In addition to the social protection packages, some complementary measures related to the COVID-19 pandemic were adopted. In 2020 and 2021, parents received a "child bonus" of 300 euros (2020) and 150 euros (2021) for each child eligible for child benefit. The "child bonus" was offset against regular child benefits, so that the net amount was significantly lower for recipients of higher incomes. In particular, the child bonus was not offset against other social benefits, but paid out in addition, so that recipients of basic benefits received it in full.

To ensure that children from families in need of assistance do not suffer any disadvantages in distance learning during the pandemic, families whose children do not have digital devices to participate in distance learning can apply to their social benefits agency for a subsidy of up to 350 euros to purchase digital equipment.

### **2.3. What action has your network/organization taken? What results?**

The German National Poverty Conference is currently in a restructuring phase that ties up personnel resources. For this reason, actions and their results are currently not systematically documented. At this stage, we expect that an overview of the various actions taken will be possible next year.

### **2.4 Any examples of promising practices**

See Section 2.3.