

“Germany is turning its back on the fight against poverty and social exclusion”

Statement by the Nationale Armutskonferenz (nak) on the draft for a German National Reform Programme as part of the Europe 2020 strategy
31 May 2011

Author:
Prof. Walter Hanesch,
isasp - Institute for Social Work and Social Policy, Darmstadt University of Applied Sciences

1 Outline

The European Year for Combating Poverty and Social Exclusion had not yet even come to an end when the German government abandoned the goal of effectively reducing and overcoming poverty and social exclusion in Germany. Thus – unnoticed by the German media – the government has relinquished a central social policy goal contained within the German social welfare model. At the same time, the policy on poverty has been trimmed back to its 1998 level.

Until the late 1990s the various governments in the Federal Republic of Germany consistently denied the existence of poverty in the country and declared that a national policy against poverty was superfluous, given the presence of the safety net of social welfare benefits. In 1998, however, the newly formed SPD-Green coalition government put the topic of poverty on the national political agenda for the first time. It introduced a national poverty and wealth reporting system and adopted a programme to combat poverty and social exclusion.

Around the same time, in 2000, the EU member states committed themselves to implementing a national policy to combat poverty and social exclusion when they introduced the Lisbon Strategy. Since then, as part of the open coordination to ensure the goal of cohesion, they have regularly introduced “national action plans for fighting against poverty and social exclusion” and, since 2006, “national strategy reports on social protection and social inclusion” where they report on their goals, programmes and successes. All this means that in Germany, too, there has been a consistent political approach to tackling poverty in the last decade.

Among other things, the European Year for Combating Poverty 2010 served as a means of looking back at the first decade of fighting poverty on a European and a national level. The result is very sobering for both Germany and Europe as a whole. In the same year, the Lisbon Strategy was extended with the new EU Strategy Europe 2020, intended to substantiate and quantify the economic, employment and social policy goals in order to facilitate the future assessment of how well goals have been achieved. The European Council is putting the new EU strategy for “intelligent, sustainable and inclusive growth” into operation in terms of five overarching goals. It has been agreed to further substantiate these goals within seven flagship initiatives.

However, the objective of introducing a less ambiguous, more clearly defined policy against poverty with more manageable consequences thanks to explicitly quantified goals – an

objective closely linked to the revision of the Lisbon Strategy and its further development into Europe 2020 – has not come to fruition. On the contrary, the conditions for introducing an effective policy to combat poverty in Germany and the rest of Europe have considerably deteriorated – not least as a result of German intervention.

2 The watering down of EU objectives for poverty reduction

Formulating the objective of fighting poverty and social marginalisation in specific terms on the EU level proved especially difficult. For one thing, the European Commission proposed adding a further dimension to the previously stated goal of reducing relative income poverty, namely the reduction of material deprivation in the member states. This aspect is of particular importance for the Central and Eastern European member states, which frequently have a relatively egalitarian distribution of incomes and thus relatively low poverty rates measured by national standards, but run the risk of not being able to meet the fundamental material needs of their population due to low general standards of living. In other words, the aim was to incorporate the objective of reducing absolute poverty into the EU's common list of policy objectives alongside the reduction of relative poverty. This is certainly a necessary and reasonable addition to the list of objectives considering the increasing disparity of living standards and conditions in the EU due to the accession of new member states.

But it did not stop there. A further addition to the catalogue of objectives was proposed and pushed through by Germany, in particular: The German federal government flatly refused to commit to any social policy goals aimed at combating poverty in the narrow sense of the term. It rejected both the previous (relative) and the new (absolute) definition of poverty and insisted on the incorporation of an additional dimension into the EU catalogue of objectives, namely that of increasing participation in the labour force. Even if studies have proven – and not only for Germany – that low labour participation or, in other words, high unemployment is one of the primary causes of poverty, decreasing unemployment cannot be equated with reducing poverty per se. Germany's experiences with the introduction of the new Social Security Code (SGB II) in recent years have shown that decreasing long-term unemployment figures does not automatically lead to a decline in the numbers of those affected by income poverty, or even the numbers of those receiving minimum welfare benefits.

And yet the German federal government was able to insist that this dimension, which is strictly speaking an employment policy objective rather than an objective for poverty reduction, was incorporated into the new catalogue of objectives along with the relative and absolute dimensions of poverty. However, employment policy and economic policy goals are already part of the new Europe 2020 Strategy anyway, just as they had been in the Lisbon Strategy. Even the Lisbon Strategy had already been criticised for the fact that labour market and employment objectives was given too much weight in the debate on poverty and social inclusion. The new amalgamation of poverty-policy and employment-policy aspects in defining anti-poverty goals however, has watered down Europe's common poverty-policy objectives significantly and at the same time eased requirements on member states in terms of taking steps to combat poverty.

As a result, it was agreed on a European level that common objectives for poverty reduction should refer to three dimensions of poverty:

- relative income poverty (on the basis of the so-called at-risk-of-poverty rate)
- material poverty (on the basis of the material deprivation index)

- low labour participation (on the basis of the percentage of people living in households with very low work intensity)

According to the data of the European Union Statistics on Income and Living Conditions (EU-SILC), 80 million Europeans lived below the relative poverty line in 2008. If we take all three indicators into consideration, the number of people living in precarious circumstances was even higher, namely 116 million. The European Council passed a resolution to reduce the number of those living in conditions falling under this extended definition of poverty by 20 million by the end of the decade. Thus the old target of 20 million – which originally referred only to those affected by relative poverty – was retained rather than adjusted, so that the goal is now only to reduce poverty by one sixth rather than by one quarter. This poverty target, along with the employment target (increasing labour participation in the 20-to-64 age group to at least 75%) and the education target (lowering the rate of early school leavers from 15% to under 10%) make up the social objectives of the new Europe 2020 Strategy.

In its Communication “The European Platform against Poverty and Social Exclusion : A European framework for social and territorial cohesion” (COM(2010) 758) of 16 December 2010 the European Commission presented its proposals on how to achieve the reduction of poverty as one of the five overarching objectives of the European Strategy: In order to decrease the number of poor Europeans by at least 20 million, the member states – represented by their national governments – are to define national targets in regard to social inclusion that would contribute to this total number. In doing so, they can decide whether they wish to focus on one, two, or all three of the indicators.

The German federal government has thus reverted to a hard-line position of blocking any initiatives to fight poverty on a European level. This is no longer as easy as it was in the 1980s and 1990s, however, since the poverty target has meanwhile been firmly anchored in the EU Treaties. But the German government has succeeded in watering down the objectives on poverty reduction. Since each member state can decide for itself which target dimensions its policy goals refer to, the German federal government is at liberty to ignore the issue of relative and absolute poverty when defining its national policy goals and refer exclusively to the dimension that it introduced into the equation itself, namely that of increasing labour participation. It has thus laid the path for abandoning national poverty reduction policy in Germany altogether.

At the same time, poverty reduction policy is being critically weakened at a European level. Leaving it up to the individual countries which dimensions and indicators they choose to apply in their national poverty reduction policy will make it virtually impossible to compare poverty reduction policies of member states and their effectiveness. The more disparate the targets and target dimensions are, the less clear and transparent our picture of poverty and poverty reduction policy will become in the future.

3 The one-dimensional target definition in the federal government’s National Reform Programme

The German federal government has converted the five core objectives of the Europe 2020 Strategy into national goals by incorporating them into its National Reform Programme (NRP). As was to be expected, it exclusively referred to the third dimension of poverty, or rather, the third indicator of poverty in determining its objectives for poverty reduction. However, all three objectives relating to social policy in a broader sense are important if we are to truly tackle poverty:

(Headline target 1) Promoting employment

It is a core objective of the European Union to raise the employment rate of the population aged 20-64 to at least 75% by the year 2020, in particular by increasing the participation of young people, older workers and low-skilled workers in the labour market and by improving the integration of legal migrants. The national targets for Germany set by the federal government are to increase the employment rate for men and women between the ages of 20 and 64 to 77%, achieving an employment rate of 60% for older workers [aged 55-64], and raising the employment rate for women to 73% by the year 2020.

(Headline target 4) Raising the level of education

It is a core objective of the European Union to reduce the rate of those leaving school early to under 10% and to raise the percentage of those aged 30-34 holding a university degree or equivalent qualification to at least 40%. The German federal and state governments established a national target of reducing the percentage of early school leavers without an upper secondary qualification who are not undergoing education or training and have not attended any non-formal educational events within the last four weeks to less than 10% of 18- to 24-year-olds. A further target is increasing the percentage of those between the ages of 30 and 34 with a tertiary qualification to 42%.

(Headline target 5) Promoting social inclusion

It is a core objective of the European Union to promote social inclusion, in particular by reducing poverty, with the goal of protecting at least 20 million people from the risk of poverty and exclusion. Germany's national poverty target refers exclusively to the dimension of increasing participation in the labour force: Since long-term unemployment is a major cause of poverty and social exclusion, the number of the long-term unemployed (those who have been out of work for longer than a year) is to be reduced by 20% (compared to the average for the year 2008) by the year 2020. According to EUROSTAT, there were 1.63 million long-term unemployed in Germany on average for the year 2008 as a whole. Reducing that number by 20% would thus mean around 330,000 fewer long-term unemployed. In terms of people living in jobless households, if we apply a conservative estimate of two people per jobless household that would mean reducing the number of people living in such households by 660,000.

This narrower definition of the objectives for poverty reduction has both a national and a European dimension:

(a) The national dimension: The policy objectives of the federal government do not only represent a continuation of its neoliberal strategy but mark a radicalisation thereof. They render the old theory that any work is better than unemployment absolute, so that it is no longer even questioned to what extent employment actually improves the quality of life of the former long-term unemployed. The federal government's intention only to report on the development of long-term unemployment figures to the EU in future means that the material situation of this group of people will be completely disregarded.

The danger here is that the federal government will focus even more strongly on programmes geared to the rapid and short-term inclusion of Hartz IV welfare recipients in the labour market rather than seeking to integrate them sustainably in gainful employment. And these programmes will not be targeted support and inclusion measures based on labour market policy. In its adoption of the federal budget for 2011, the federal government already made massive cuts in the inclusion budget for the jobseekers' allowance set down in the new Social Security Code (SGB II). Further cuts are planned for the next few years. If at all,

support will therefore increasingly be focused on short-term measures for those groups of people that have the best chances of inclusion.

Short-term training and employment measures will reduce long-term unemployment figures as those participating in these measures will no longer be included in the unemployment statistics and will also interrupt their term of unemployment. However, in the best case, long-term unemployment will thus only be turned into perforated employment or precarious employment. The danger in both cases is that the standard of living of those affected will hardly change for the better. The evaluation of the German Institute for Employment Research (IAB) has shown that the re-entry of the long-term unemployed into the labour market through precarious employment is much less a stepping stone or a transitional labour market but rather an employment trap for most of the unemployed which very few can then get out of. The anticipated creaming effects should also be viewed with scepticism: The more the meagre inclusion funds are/must be deployed where the effects of inclusion are biggest and most certain, the greater is the danger that especially those groups of persons are bypassed that have the greatest need for support and inclusion because they face the greatest acceptance problems on the labour market and will not gain access to the labour market by their own efforts.

However, in its target definition and policy formulation, the federal government is placing less weight on labour market inclusion policies than on the continuation of the economic upturn. It hopes and expects that in parallel to the rising demand for workers in the course of sustained economic growth, long-term unemployment figures will gradually decrease. Based on the current official labour market statistics of the Federal Employment Agency, although these do not correspond to EU-SILC based data, the target could be met before the end of 2011. Yet this does not give any indication as to how sustainable this reduction in long-term unemployment will actually be. On the basis of this data, the federal government might well assume that its poverty reduction target will fulfil itself and might stop its efforts in the further course of the decade. As the poverty reduction target does not refer to the material situation of the former long-term unemployed, indeed explicitly ignores it, the federal government will not even be forced to submit reliable data on this aspect. Only supplementary evaluations – such as those from SOEP and EU-SILC – will show to what extent the reduction in long-term unemployment figures stems from statistical effects or from an actual increase in employment, and to what extent the entry to employment leads on to secure and sustainable gainful employment and how this affects the income of these people.

The former relative definition of objectives on poverty reduction was and is closely connected to the development of the distribution of resources and living conditions in the population. All empirical studies show that inequality in the distribution of income has steadily increased in the last ten years. The growing number of those affected by relative income poverty is therefore only one aspect, though a particularly significant one, of the increasing polarisation in the distribution of resources and living conditions. This development is, on the one hand, the result of accelerated economic and social transformation. Yet it is equally a result of the dismantling of the social security systems in Germany. The decision by the federal government to ignore this aspect in its national inclusion policy in future by neither formulating objectives, nor implementing programmes or measures relating to it and reporting on their effects, the topic of poverty will once again be tabooed in future. As poverty will therefore no longer be an issue for the federal government, we will have to wait and see whether and in what way reporting on national poverty and wealth will continue at all in this legislative period.

(b) The European dimension: If Germany focuses solely on reducing long-term unemployment figures in future, the number of poor people according to the new EU measurement concept would only be reduced by around 660,000 persons. Germany would therefore make a negligible contribution to reducing poverty in Europe, in proportion to the scope of the poverty problem in Germany. This also reveals that the social policy target dimension of the EU Strategy 2020 has a very low priority for Germany. Economic growth and employment, yes, social and poverty reduction policy, no – that is the neoliberal credo that the federal government is supporting in Europe.

Furthermore, with its low target for reducing poverty Germany setting a negative example for other EU member states. The other member states are already asking how the Community target can be met if Germany, as its biggest member state, is only prepared to make a minimal contribution. It also makes other member states question why they should align their national targets and programmes to the common EU target given Germany's demonstrative resistance on this issue. Germany's negative stance on this issue is seen as all the more unreasonable as Germany has recently vehemently called for a stronger harmonisation of national policies in economic and financial policy in order to stabilise the euro.

4 Revocation of the national coordination process

The social policy debate in Germany has so far not acknowledged the outlined course on poverty reduction policy at European and national level. A public discourse has not taken place to this day. This is due, not least, to the fact that this process is for now taking place on a European level. Traditionally in Germany not much attention is paid to political processes that take place at EU level (except by a small group of experts in government and in associations), even if these processes are of considerable significance in setting the course for social policy, as is the case here. The national debate on poverty reduction policy in Germany in the last twelve months was focused on the implementation of the Federal Constitutional Court's decision on the standard benefits set down in the Social Security Code II and XII (SGB II and XII) by the federal government. The new course for combating poverty at EU and national level was subordinate in comparison.

The open method of coordination on the Lisbon Strategy was designed to embed the development and implementation of the member states' national strategies on poverty in a broad coordination process involving all relevant stakeholders. All relevant groups of stakeholders – not just on a national level – were supposed to be involved in this process. In Germany an internal coordination procedure between the different departments of the federal government was introduced for this purpose as well as external consultation and coordination with the federal states in particular, the central municipal associations, the social partners, churches and civil society organisations. Yet this does not represent an ongoing process of exchange and coordination on national poverty reduction policy in an institutionalised form. Instead, coordination prior to the passing of national action plans to combat poverty and social exclusion and, later, the newly introduced strategy reports on social protection and social inclusion took place at very short notice in each case. Nonetheless, non-governmental stakeholders were given the opportunity to participate in the process of defining targets and evaluating results and to incorporate their own perspectives.

With the European Strategy 2020 this coordination process is intended to become even more intensive. In Germany however, the trend has so far been in the opposite direction: The draft on the National Reform Programme only mentioned that coordination should take place with the federal states and the social partners. There was no mention of local authorities,

churches or civil society organisations. It is therefore hardly surprising that all the mentioned groups of stakeholders have not been systematically included and consulted.

Nor should it therefore be surprising that there have been so few statements on the procedure, on the poverty targets of the European Strategy 2020, or on the draft National Reform Programme for Germany. There have so far been statements from the Conference of the Work and Social Ministers of the federal states, the Paritätische Wohlfahrtsverband (DPWV), Confederation of German Trade Unions (DGB), the German Catholic Bishops Council and the social welfare organisation of the Protestant Church in Germany (EKD), Caritas Germany and the Diaconia and the Deutsche Verein. The Nationale Armutskonferenz (nak) also published and commented on the draft NRP in March 2011. All these statements criticise, to a greater or lesser extent, the poverty targets of the European Strategy and the new course of German poverty reduction policy, but without any consequences being drawn so far. These statements have not reached a broad public. The opposition parties in the German Bundestag have so far hardly published any critical statements either.

On the whole, no public debate has taken place on the part of the specified parties and organisations neither on the German targets for combating poverty nor on the intended restriction, which is already in place, of the national coordination process. The available statements were submitted to the federal government and the European Commission, but a public outcry by individual associations, or, for example, a joint initiative by the civil society associations directed towards the government and the public media has not yet occurred. So it seems that the strategy of the federal government is working out...

5 Outlook

The national level is still the decisive level for poverty reduction and social policy. This is where policy to combat poverty is decided upon. Although the recent European initiatives and resolutions on poverty reduction have given positive impetus for German poverty reduction policy, they have only taken effect to the extent that the federal governments and other stakeholders have taken them on board and brought them to life. The National Reform Programmes of the European Strategy 2020 can therefore be regarded as a more or less insignificant process between the federal government, the German Bundestag and the Bundesrat on the one hand and the EU on the other. It will ultimately be decisive whether and how the meaningless poverty target can be expanded and implemented in the next few years.

In this context it should be emphasised that the watering down and revocation of the policy targets to combat poverty have already set a course that will have a long-term negative impact on the poverty debate in Germany and in Europe. If we allow poverty targets to be defined by the federal government which ignore the key dimensions of poverty and let them pass thus through the Bundestag and the Bundesrat, we will have a hard time debating poverty and the combat of poverty in Germany in future and criticising the policies practised by the government. We must therefore have a debate on this subject immediately and in a fully public way. The debate must be held by all parties and organisations that believe that poverty and social exclusion are a central topic of our ever more polarised society. Further, the EU requirement that coordination on national policy to combat poverty needs to take place among all relevant stakeholders must be implemented in Germany too. Any



organisation that does not protest against being excluded from this coordination process today will not be able to demand broad participation in future.