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## Germany

### STATUTORY SICKNESS INSURANCE

The structural changes in health care provision, which started a few years ago, continued. They take into account the demographic changes and progress in medicine, which will probably lead to further financial burdens on the health system, even though these are not readily quantifiable. With the Act on *Strengthening competition in the Statutory Sickness Insurance (GKV-WSG)*, most of those provisions came into force on 1 April 2007. The Act contained the following elements:

- safeguards to ensure all citizens have insurance protection;
- targeted expansion of other necessary provisions in terms of palliative medicine, rehabilitation and home health care for those requiring care and people with disabilities;
- increasing competition between the health insurance funds by introduction of a health fund with income-related contributions by the insured, but with standard flat-rate funding allocations to individual health insurance funds;
- introduction of new, simplified scale of fees for panel doctors and replacement of budgeting;
- increased quality and efficiency of medical care through intensified competition at insurance fund and service provider level;
- reorganisation of the health care institutions;
- increased choice for the insured in private sickness insurance schemes.

### SOCIAL LONG-TERM CARE INSURANCE

Based on the long-term care reform announced in the coalition agreement of 11 November 2005 and in line with the principles of the agreement of the government coalition of 19 June 2007, the government bill for the *Structural Enhancements of Long-term Care Insurance Act (Long-term Care Enhancements Act)* was put forward on 17 October 2007. The bill contains important structural changes in the long-term care insurance, which takes greater account of the concept of "out-patient rather than in-patient" than before. The new approach in long-term care insurance focuses on maintaining personal dignity, aims at providing the most independent living possible, and contributes to making it possible for beneficiaries to participate freely in the life of society. This reform is part of the federal government's overall concept for improving care and long-term care of those who need it, the disabled and the elderly. In particular, we should mention the diversification of benefits, particularly in the field of care at home, and care of people suffering from dementia, the introduction of an entitlement to comprehensive care advice and creation of care support points to set up or expand care infrastructures close to home or in residential areas.

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The reform will bring about many improvements, which are demonstrated by the following examples:

- people in need of long-term care will receive higher benefits in future in outpatient care. Most people want to receive care at home, and if possible, in their family circle;
- according to the bill, those in need of long-term care will be able to go to "care support points" in their part of town or in their local authority area. They will have an individual entitlement to advice and support from a care adviser;
- elderly people who are confused or have dementia will be looked after better. An additional amount of up to 2,400 Euro per year will be allocated in future for the care of people whose everyday life skills are restricted;
- relatives who are carers or volunteers will receive greater support;
- with the introduction of a "care period" of up to six months, relatives should be put in a position where they can either care for the patient themselves, or arrange good quality care and support;
- the quality assurance of out-patient and in-patient services will be further improved. The inspection reports by the Medical Service for Sickness Insurance (MDK) will be written in comprehensible language, and for example, published on the Internet. This will give members of the public transparency about the quality and efficiency of the institutions inspected.

The Act is due to come into effect by 1 July 2008.

## OLD AGE PENSION

### **Statutory pension insurance (first pillar)**

Statutory pension insurance has proven its value ever since it came into existence, and in the long term it will remain the most important pillar of pension insurance in Germany. Statutory pension insurance contributes successfully to providing a reasonable standard of living in retirement, and preventing pensioners from poverty. In 2004, only 1.9 % of the entire population from the age of 65 had to claim the basic old age pension (needs-related). The Federal Government's target in the current legislative term is to avoid cuts in pensions and thus maintain a stable level of pension benefits, even if wages and employment grow sluggishly.

In order to ensure the long-term sustainability of benefit levels, and in order to maintain the current contribution rates to the statutory pension insurance, the age at which people can receive a pension is raised. This was done in an Act (*Pension Insurance Retirement Ages Act*) which came into force on 1st January 2008.

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The retirement age will be increased gradually starting with those born in 1947 to 67 years of age, from 2012 to 2029. The stages in this increase will be initially one month per birth year (from age 65 to 66) and from birth year 1959 two months per year (from 66 to 67 years). The first birth year to be affected by the increase will be 1947, and for all those born from 1963 onward, retirement age will be 67. Insured persons with at least 45 years-worth of statutory contributions from employment and caring as well as child-raising until 10 years of age will be able to continue to take their pension free of deductions at the age of 65.

### **Supplementary old age pensions (second and third pillar)**

In order to safeguard living standards in retirement it is necessary to expand supplementary pensions as well as occupational and/or personal pensions, in addition to the statutory pensions insurance. This expansion is to be encouraged by state particularly for people on low and middle incomes.

The use of state-promoted supplementary pensions is growing all the time. About 65% of all employees who are covered by the statutory pension insurance, make provision for their retirement through the second pillar (occupational pensions). In the context of the third pillar (private pensions), in 2006 alone, about 2.5 new Riester pensions were concluded. This positive trend continued in 2007. By the end of September 2007, the total number of Riester pensions taken out in Germany rose to 9.7 million.

## **ACCIDENT INSURANCE IN THE AGRICULTURAL SECTOR**

With regard to the accelerating structural changes in agriculture, and in the overall context of reforms in the social security systems, the agricultural social security system, which is part of the statutory accident insurance arrangements (Seventh Volume of the Social Security Code) could not be excluded from the reforms. On 8 November 2007, the Parliament adopted the Modernisation of the Law on Agricultural Social Security Act (LSVMG). The measures taken under this law are intended to stabilise or even lower the social contributions for farmers to the agricultural accident insurance scheme in the next few years.

On 1st January 2008, the following changes were made to the law on benefits:

- family members of retirement age, who only help out on farms as a favour, will be excluded from the insurance coverage;
- an injury insurance for farmers, their spouse or partner and family members working on the farm will only be paid in the case of new claims if the reduction in ability to work is at least 30% (previously 20%);
- extension of the qualifying period for payment of a pension to farmers from 13 to 26 weeks.

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## LABOUR MARKET POLICY

Reducing high unemployment levels continues to be a key socio-political challenge. Labour market policy in Germany in recent years was completely re-designed regarding both content and organisation, (two-stage system with unemployment insurance financed by contributions and tax financed basic security benefits for jobseekers). The Federal Government took legislative measures in this context too in 2007, intending to promote the long-term integration of the unemployed into the labour market, and to improve the performance of the system. Furthermore, the legislator has announced for 2008 an extension of the entitlement to unemployment benefit for older unemployed people.

The ongoing labour market policy programmes include the following:

- to boost the employment among older workers, the subsidy for further training of employees from 50 years of age upwards has been extended until 2010 and the protection of the pay of employees from 50 years of age upwards until 2011.
- Up to 31 December 2006, the Federal programme "30,000 extra jobs for older people from 58 years of age" created job opportunities for a period of up to 3 years for the long-term unemployed from 58 years old upwards, and this has now been extended up to the end of 2009.
- In the context of the Federal programme "Outlook 50 plus – Employment pact for older workers in the regions" long-term unemployed people were brought back into work and integrated into the general labour market. Throughout the country, 62 employment pacts were subsidised with 275 million euro up to the end of 2010. By the end of 2007, the employment pacts put more than 22,500 people back into jobs.
- Training and job prospects for young people have been greatly enhanced by the "National Pact for Training and New Skilled Workers in Germany", which was extended for three years in March 2007. The number of new training contracts signed, at 626,000, was the second-highest figure since reunification. Youth unemployment is now at its lowest level since reunification.
- Since October 2007, training grants and integration grants for younger workers have been opening up new prospects for young people who have already been unemployed for a long time. Entry training has proven that it can open doors to in-company/formal vocational training courses for young people with poorer employment prospects. It was included as a special fixed-term programme in the Job Creation Act.

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## PARENTAL ALLOWANCES

The Federal Government set out its new family-oriented benefits policy in the Federal Act on Parental Allowance and Parental Leave (BEEG), which came into effect on 1 January 2007. Parental allowances support parents during the first 12 to 14 months of parenthood, so that families can acclimatise to family life without major financial hardship. Workers who stop work for the birth of a child, or reduce their work to a maximum of 30 hours per week,

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receive a replacement income of 67% of the income that they have lost from their gainful employment, up to a maximum of 1,800 EUR. Parental allowances amount to at least 300 EUR, even if there is no loss of income. If they are on a low income of less than 1,000 EUR net per month, the replacement rate is raised to 100%. Large families can receive an additional sibling bonus of 10%, with a minimum of 75 EUR, if the time between two births was too short to return to work between them.

In October 2008, the Federal Government will submit a detailed report to the German parliament on parental allowances, summarise the findings to date with parental allowances, and make an initial evaluation of the benefit.

#### REHABILITATION AND INTEGRATION OF PEOPLE WITH DISABILITIES - THE PERSONAL BUDGET COVERING SERVICES FROM DIFFERENT PROVIDERS

The benefit known as the "Personal Budget" was introduced in the Ninth Volume of the Social Code (SGB IX) in 1st July 2001. This means that beneficiaries can choose to have a budget instead of services or benefits in kind from the rehabilitation institution. From this budget, they can pay the cost of their personal assistance needs. This turns people with disabilities into budget holders, who can take responsibility for "buying" their own services, and deciding for themselves; they become purchasers, customers or employers. As experts in their own affairs, they decide for themselves what help is best for them, which service they want and which person should provide a service at the time they choose. This freedom of choice promotes the self-determination of people with disabilities.

The "Personal Budget" abolishes the previous predominance of the triangle of institutions, service recipients and service providers; benefit in kind is replaced by cash benefits or credits.

The "Personal Budgets" covering services from different providers for complex services are particularly important for the further development of (re)integration services. This is the case when several service providers supply different integration and rehabilitation services under a single budget. Since 1 July 2004, there have been regulations that cover not only all these services from different providers, but also other benefits from statutory sickness insurance funds, social long-term care insurance benefits, accident insurance benefits where there is a need for long-term care as well as social assistance care services should be allowed to be incorporated into the "Personal Budgets" covering services from different providers.

People with disabilities need to make the relevant application to their service provider for a personal budget. Until 31 December 2007, approval was a matter for the service provider's discretion. This was known as an "optional allowance". Since 1st January 2008 there has been a legal entitlement to an allowance in the form of a personal budget. That means that the wishes and choices of the potential budget holder should be taken fully into account, and if

the legal requirements are met, all applications for the allocation of a personal budget should be approved.