

**National Strategy Report**  
**Social Protection and Social Inclusion 2008 - 2010**

**Berlin, 30 July 2008**



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**Common Objectives of the OMC for Social Protection and Social Inclusion**  
**in the version adopted by the European Council in March 2006**

**The overarching objectives of the OMC for social protection and social inclusion are to promote:**

- (a) social cohesion, equality between men and women and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies;
- (b) effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the EU's Sustainable Development Strategy;
- (c) good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy.

**The following objectives apply to the different strands of work:**

**A decisive impact on the eradication of poverty and social exclusion by ensuring:**

- (d) access for all to the resources, rights and services needed for participation in society, preventing and addressing exclusion, and fighting all forms of discrimination leading to exclusion;
- (e) fighting poverty and exclusion;
- (f) that social inclusion policies are well-coordinated and involve all levels of government and relevant actors, including people experiencing poverty, that they are efficient and effective and mainstreamed into all relevant public policies, including economic, budgetary, education and training policies and structural fund (notably ESF) programmes.

**Adequate and sustainable pensions by ensuring:**

- (g) adequate retirement incomes for all and access to pensions which allow people to maintain, to a reasonable degree, their living standard after retirement, in the spirit of solidarity and fairness between and within generations;
- (h) the financial sustainability of public and private pension schemes, bearing in mind pressures on public finances and the ageing of populations, and in the context of the three-pronged strategy for tackling the budgetary implications of ageing, notably by supporting longer working lives and active ageing; by balancing contributions and benefits in an appropriate and socially fair manner; and by promoting the affordability and the security of funded and private schemes;
- (i) that pension systems are transparent, well adapted to the needs and aspirations of women and men and the requirements of modern societies, demographic ageing and structural change; that people receive the information they need to plan their retirement and that reforms are conducted on the basis of the broadest possible consensus.

**Accessible, high-quality and sustainable healthcare and long-term care by ensuring:**

- (j) access for all to adequate health and long-term care and that the need for care does not lead to poverty and financial dependency; and that inequities in access to care and in health outcomes are addressed;
- (k) quality in health and long-term care and by adapting care, including developing preventive care, to the changing needs and preferences of society and individuals, notably by developing quality standards reflecting best international practice and by strengthening the responsibility of health professionals and of patients and care recipients;
- (l) that adequate and high quality health and long-term care remains affordable and financially sustainable by promoting a rational use of resources, notably through appropriate incentives for users and providers, good governance and coordination between care systems and public and private institutions. Long-term sustainability and quality require the promotion of healthy and active life styles and good human resources for the care sector.

## I. General Overview

The 2008-2010 National Strategy Report in the field of Social Protection and Social Inclusion outlines the strategy that Germany is pursuing with regard to the common objectives affirmed by the European Council in March 2006: fighting poverty and social exclusion, adequate and sustainable old-age pensions and accessible, high-quality health provision and care.

The National Strategy Report is part of the Open Method of Coordination (OMC). Implementation of the common objectives is the responsibility of the Member States of the European Union, who can take their respective traditions and particular characteristics into account in implementing those objectives. The Member States are identifying their most effective policies and strategies in order to bring about mutual learning. Progress in comparison with the previous 2006-2008 National Strategy Report is therefore being charted and outlined.

The OMC for Social Protection and Social Inclusion is part of Europe's comprehensive strategy to achieve sustainable economic growth, more and better jobs and greater social cohesion. The policy cannot achieve the social objectives bound up with it without both sides of industry and all relevant agents of civil society, who are therefore expressly called upon to cooperate.

### 1. General Economic, Social and Demographic Conditions

The improved economic situation and a more active social policy are ensuring that more people are participating in society. Since 2005, Germany has been experiencing an **economic revival**. While gross domestic product increased in real terms in 2005 by only 0.8%, it rose in 2006 by 2.9% and in 2007 by 2.5%. The revival is also expected to continue, albeit at a lower level, in 2008.

The **reduction in non-wage costs** has had a positive effect on the development of the whole economy. The social security contribution rate financed on an equal basis by employers and employees is now clearly below 40%.

However, **price rises** resulting from worldwide increases in energy and food prices have been somewhat greater compared with the previous year. In 2007, the 2.3% price inflation meant that prices rose by more than 2% for the first time in 14 years. In 2008, the sustained energy and food price increases have so far resulted in a discernible increase in consumer prices (+2.8% in the period January to May 2008 compared with the previous year).

The **at-risk-of-poverty rate** in Germany for the population as a whole according to EU-SILC is 13% and is therefore somewhat higher than the 2004 rate of 12%. The at-risk-of-poverty rate for children up to fifteen years of age is 12%, which is likewise somewhat higher than the 2004 rate of 11%.<sup>1</sup> Germany is therefore clearly below the EU average.

Germany is pursuing a **mobilisation and skills strategy**. By combining social assistance for employable people and unemployment assistance as basic security benefits for jobseekers (SGB II), the hitherto separate approaches to assistance for the integration in particular of long-term unemployed people were brought together. Under the “supporting and demanding” principle, benefit recipients are required to actively participate in the measures designed to integrate them into working life and to do all in their power to reduce or end their reliance on benefits. At the same time, suitable measures must be offered to support their integration into the employment market, having regard to individual skills and preferences.

These labour market reforms of the previous years, which were introduced in the weak phase of the economic cycle, have assisted the economic revival and have **reinforced the positive effects on the employment market**. Unemployment is falling even among the long-term unemployed, the disabled and immigrants as well as among older and younger people. The number employed is rising and exceeded 40 million in April 2008. There is also a positive trend among employed people subject to national insurance. Whereas the number of people so employed fell by 346,00 in 2005 compared with the previous year, it rose by 176,000 in 2006 and even by 500,000 in 2007. In March 2008, 27.22 million people were in employment subject to national insurance. If one considers all employed people, the objective agreed in Lisbon for 2010 of a 70% employment rate<sup>2</sup> was achieved in the fourth quarter of 2007. The annual average figure of 69.4% meant that it was almost achieved for 2007 as a whole. What is more, it is expected that this upward trend will continue, albeit at a slower rate. The trend in the employment market in the first quarter of 2008 confirms this expectation.

The **number of unemployed fell** as an annual average to 3.77 million in 2007. This corresponds to the position in 1994. The number of unemployed rose by 480,000 in 2005,

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<sup>1</sup> If one applies the more recent European age limit for children of up to seventeen years, the at-risk-of-poverty rate of 12% is the same as in 2004.

<sup>2</sup> The employment rate represents the proportion of employed and self-employed people in the residential population of working age.



fell by around 370,000 in 2006 and even fell by 710,000 in 2007. A further sharp fall in the number of unemployed is also expected for 2008. Improved job placement has helped to reduce the length of long-term unemployment. In particular, the so-called Hartz reforms have led to more rapid occupation of vacant jobs and reinforced the increase in jobs and growth. Long-term unemployment fell by a quarter in 2007 alone. This is a new and positive development in comparison with earlier economic cycles. Even youth unemployment, after a sharp increase at the beginning of the decade, fell significantly from 15.5% in 2005 to 11.9% in 2007.

**Gross pay and salaries** per employee rose by 0.3% in 2005, 0.9% in 2006 and 1.5% in 2007 and therefore the increases in all three years were less than the rise in prices.

Demographic change presents major political and social challenges. The Federal Government has already adopted various measures in response to the changing age structure of our society. In particular, success has been achieved in increasing the employment of young women and older workers. According to the requirements of the EU objective, the **female employment rate** should be at least 60% Europe-wide by 2010. That limit has already been exceeded in Germany. The increase in the female employment rate (which was 64% as an annual average in 2007) can be attributed to the extension of part-time working. In view of the often outstanding skills level of women, it is very important for the whole economy to improve still further the regulatory framework for greater integration of women into working life.

Although direct pay discrimination is prohibited by law, the **earnings disparity between men and women** (“gender-specific pay differential” indicator) between 1995 and 2005 remained between 21% and 23%. Germany is therefore among the lowest EU States. The difference in average earnings of women and men can partly be attributed to structural differences. Women often work in small undertakings and in sectors with low earnings levels and are less often represented in managerial positions. Partly, the requirements in professions predominantly chosen by women are also assessed as being lower in pay agreements than in professions favoured by men. Interruptions in employment for family reasons are still having an adverse effect on the long-term promotion prospects of women. More often than not they are employed in part-time or casual work.

The Federal Government aims to realise the principle of “equal pay for equal and equivalent work”. It is committed to a **targeted equal rights policy** so as to afford to women the same

career prospects and entitlement to access managerial positions, both in public service and in industry, science and research.

The **employment rate of older workers** over 55 years of age rose from 37.4% in 2000 to 51.5% as an annual average in 2007. The 50% requirement of the Lisbon objective has therefore already been achieved. The Federal Government has now set itself the target of achieving a 55% employment rate for older workers by the year 2010. The regulatory framework for this was created with the “50 plus Initiative”, a package of measures to further improve the employment prospects of older people (e.g. integration subsidies and combined wages). Moreover, the Federal Employment Agency is promoting that target group in small and medium-sized businesses in particular through its special “Further Education of Low-Qualified and Older Employed Workers in Undertakings” programme. The premature retirement of older employees from working life should thereby be reduced further in future and a return to working life should be made easier following an interruption in employment.

A **sustainable education policy** is needed to ensure future economic growth and manage demographic change in Germany so as to enable the upcoming generation to have a successful education and make a good start in employment whilst at the same time offering all employed people the chance to catch up on what they have missed in the course of their career and learn something new. Only in this way can the future need for skilled workers be met in Germany.

The **health system** has also played a considerable role in the achievement of the Lisbon objectives. The equal financing by employers and employees of statutory health insurance, the new regulatory measures in private health insurance and reforms of long-term care insurance ensure that all citizens are insured against health and long-term care risks irrespective of their economic or health situation and have access to high-value medical and care provision.

The following tables show the socio-economic indicators that are of key significance for the orientation of a sustainable social policy in Germany.

## Annex: Socio-economic indicators

### Key indicators

| Primary indicators   | Survey year |             |
|--|-------------|-------------|
|  | 2004        | 2005        |
| <b>At-risk-of-poverty rate 60% of the median</b>   |             |             |
| Female   | 13%         | 13%         |
| Male   | 11%         | 12%         |
| <b>Overall</b>   | <b>12%</b>  | <b>13%</b>  |
| <b>At-risk-of-poverty rate 60% of the median</b>   |             |             |
| Children (0-17 years)  | 12%         | 12%         |
| Older people (65 years and older)  | 14%         | 13%         |
| <b>At-risk-of-poverty threshold at 60% of the median (per month)</b>   | €816        | €781        |
| <b>Relative poverty gap</b>  | 19%         | 20%         |
| <b>Reduction of poverty risk through social transfer</b>   |             |             |
| Children (0-17 years)  | 61%         | 65%         |
| <b>Overall</b>   | <b>48%</b>  | <b>52%</b>  |
| <b>Income disparity</b><br>(Ratio of the richest to the poorest income quintile)   | 3.8         | 4.1         |
| <b>At-risk-of-poverty rate according to employment status (below 60% of the median)</b>  |             |             |
| Employed (from 18 years)   | 5%          | 6%          |
| Unemployed (from 18 years)   | 40%         | 43%         |
| <b>Life expectancy from birth</b>  |             |             |
| Women  | 82.2        | 82.4        |
| Men  | 76.7        | 77.2        |
| <b>Relative median income of older people</b><br>(Median income of persons 60 years and older compared to persons less than 60 years of age) | 0.94        | 0.93        |
| <b>Aggregated wage replacement rate</b>  |             |             |
| Female   | 0.45        | 0.49        |
| Male   | 0.47        | 0.48        |
| <b>Overall</b>   | <b>0.46</b> | <b>0.46</b> |

Source: Federal Statistical Office, EU-SILC, Eurostat: Demography.

### Financial Sustainability

| Increase in age-related public expenditure between 2004 and 2050 (in % of GDP) |        |                   |           |              |            |
|--|--------|-------------------|-----------|--------------|------------|
| Pension  | Health | Long-term care    | Education | Unemployment | Total      |
| 1.7  | 1.2    | 1.0 <sup>1)</sup> | -0.9      | 0.4          | <b>2.7</b> |

<sup>1)</sup> According to the AWG's calculations, the proportion of public expenditure on long-term care remains constant until 2050 if the general inflation rate is applied to the more generous benefits provided for in the 2008 long-term care reform.

Source: Ageing Working Group of the Economic Policy Committee

**Access to the Labour Market**

| Indicator   | Survey year  |                     |                           |              |              |
|---|--------------|---------------------|---------------------------|--------------|--------------|
|   | 2000         | 2001                | 2002                      | 2003         | 2004         |
| <b>Persons in unemployed household</b>                            |              |                     |                           |              |              |
| Adults (18 to 59 years)   | 9.7%         | 11.1%               | 11.0%                     | 10.5%        | 9.5%         |
| Children (0-17 years)   | 9.0%         | 10.9%               | 10.7% <sup>2)</sup>       | 10.3%        | 9.3%         |
| <b>Long-term unemployed rate<sup>2)</sup></b>                     |              |                     |                           |              |              |
| Female  | 4.0%         | 5.2%                | 5.3%                      | 5.3%         | 4.7%         |
| Male  | 3.7%         | 5.7%                | 5.9%                      | 5.7%         | 4.8%         |
| <b>Overall</b>  | <b>3.8%</b>  | <b>5.5%</b>         | <b>5.7%<sup>2)</sup></b>  | <b>5.5%</b>  | <b>4.7%</b>  |
| <b>Unemployment rate Young people (15-24 years)<sup>3)</sup></b>  | <b>8.5%</b>  | <b>13.0%</b>        | <b>15.5%</b>              | <b>13.7%</b> | <b>11.9%</b> |
| <b>Early school-leavers (18-24 years)<sup>3)</sup></b>            |              |                     |                           |              |              |
| Female  | 15.2%        | 11.9%               | 14.1%                     | 13.8%        | 11.9%        |
| Male  | 14.6%        | 12.2%               | 13.5% <sup>2)</sup>       | 14.0%        | 13.4%        |
| <b>Overall</b>  | <b>14.9%</b> | <b>12.1%</b>        | <b>13.8%<sup>2)</sup></b> | <b>13.9%</b> | <b>12.7%</b> |
| <b>Lifelong learning (25-64 years)<sup>3)5)</sup></b>             |              |                     |                           |              |              |
| Female  | 4.8%         | 7.0%                | 7.4%                      | 7.3%         | 7.6%         |
| Male  | 5.6%         | 7.8%                | 8.0%                      | 7.8%         | 8.0%         |
| <b>Overall</b>  | <b>5.2%</b>  | <b>7.4%</b>         | <b>7.7%</b>               | <b>7.5%</b>  | <b>7.8%</b>  |
| <b>Employment rate<sup>3)</sup></b>                               |              |                     |                           |              |              |
| Lisbon objective  | <b>65.3%</b> | <b>64.3%</b>        |                           |              |              |
| <b>Overall</b>  | <b>70%</b>   | <b>72.7%</b>        | <b>66.0%</b>              | <b>67.5%</b> | <b>69.4%</b> |
| Men   | N/A          | 57.8%               | 58.5%                     | 71.3%        | 74.7%        |
| Women   | 60%          | 37.4% <sup>1)</sup> | 41.4%                     | 60.6%        | 64.0%        |
| Older people  | 50%          |                     | 45.4%                     | 48.4%        | 51.5%        |
| <b>Non-adjusted gender-specific pay differential<sup>6)</sup></b> | 21%          | 23%                 | 22%                       | 22%          | :            |

1) Projected whole year values according to Eurostat

2) Break in series.

3) Source: Employment survey.

4) Early school-leavers are 18-24 year-olds without any second-stage secondary school level qualifications, i.e. they have neither polytechnic nor university entrance qualifications nor any vocational qualifications and are not in vocational training or further education.

5) Participation in training or further education in the last four weeks before the survey.

6) Source: ECHP for 2000; earnings structure survey and SOEP from 2002.

**The Federal Government's quantitative targets**

|   |                 |                 |
|---|-----------------|-----------------|
| Employment rate 55-64 year-olds               | min.55% in 2010 |                 |
| Childcare rate of children under 3 years      | min.35% in 2013 |                 |
| Security level before tax                     | min.46% in 2020 | min.43% in 2030 |
| Statutory pension insurance contribution rate | max.20% in 2020 | max.22% in 2030 |

## 2. General strategic approach

### 2.1. Social cohesion, equal treatment and equal opportunities for all (objective (a))

Germany aims to create opportunities for the **economic and social integration and fulfilment of all** members of society. Fighting poverty and social exclusion does not end with securing basic needs. Lasting dependence on income support, which leads to the entrenchment of poverty over generations, must be avoided. Those affected are therefore required, firstly, to improve their situation through their own efforts. Secondly, the aim is to put citizens in the position, through targeted measures and provision, to be economically active without being reliant on transfer payments. Everybody must have the chance to fulfil their individual abilities and find their place in a changing work and family environment. The intention is to provide supportive assistance for people in need that goes beyond just ensuring survival and covers basic socio-economic needs and integration into society. In the 2010 European Year for Combating Poverty and Social Exclusion, the Federal Government also intends to help heighten public awareness of the problems facing people affected by poverty. It must be made clear that poverty and exclusion considerably inhibit social development.

Adequate **security against the major risks** of illness, accidents, disability, unemployment, reduced income, need for care and old age through the social insurance systems is also required. The reforms help the pension, accident, unemployment, health and long-term care schemes to fulfil their social objectives and take account of changing social requirements (see the framework principles of the 2001 European Council in Gothenburg). The social security systems must be so organised that they remain sustainable and affordable in the long term in spite of increasing international competitive pressure and demographic challenges, whilst at the same time ensuring adequate social protection. The social challenges presented by demographic change can only be managed by achieving sufficient economic growth and a high level of employment.

To this end, **interaction between the individual areas** of social protection must be maintained. While statutory pension insurance primarily pursues the equivalence principle and aims, together with the State-funded additional old-age pension provision, to maintain living standards in old age, statutory health and long-term care insurance offset individual health risks and cover the health and long-term care needs of the insured irrespective of their financial capabilities. Also, statutory accident insurance provides protection against the particular risks of accidents at work and occupational diseases that is oriented according to the principles of employer liability. Social assistance together with the new SGB II minimum

insurance system provides further help in emergencies as a key element of social welfare. Anyone who cannot help himself and cannot count on other primary support is legally entitled to help with living expenses in so far as it is necessary for a civilised existence including social integration.

The Federal Government also takes very seriously its aim of **keeping contribution rates to social insurance schemes permanently below 40%** and preserving a long-term balance between adequate social security and financial sustainability. The further reduction of the contribution rate to unemployment insurance (as at 1 January 2008 from 4.2% to 3.3%) was an essential step towards this.

The **strengthening of opportunities to participate in society** reduces the need for future social protection expenditure and helps to prevent social follow-up costs. Where there is success in providing citizens with opportunities for the future and reducing their fears, the scope for economic structural change and flexibility is extended while at the same time acceptance of reforms is increased. Adequate social security encourages citizens to take risks and develop their skills and talents further. Within the scope of their capabilities, the reforms should put people in the position of assuming more responsibility for their social security.

**Good education** must begin in early childhood and is an essential prerequisite for good employment prospects and the resulting opportunities for integration and fulfilment. Education, and especially a fairer distribution of educational opportunities and transparency of the education system, are central to the future of our country. The coupling of educational opportunities and processes with criteria relating to social, linguistic and ethnic origin, gender and disability must be overcome by an education system that is consistently focussed on individual advancement. This goes hand-in-hand with greater awareness in health matters, more responsible financial management and more successful management of everyday family matters. Investment in people's education has a central role to play in this. It can only be achieved by the common efforts of the Federal Government, Länder, local authorities and all agents, including those concerned themselves.

It is a requirement for social justice, but also economic sense, to pave the way for **good vocational qualifications for all** members of our society. In view of the decreasing potential workforce as a result of demographic change, growth in productivity will assume increasing importance in future. Young people must be offered prospects for a life rich in opportunities irrespective of their gender or social origin. The Federal Government's "**Advancement through Education**" initiative opens new avenues for vocational training and obtaining qualifications in order to reduce existing barriers to access to the education

system. Young adults without vocational qualifications should be helped more to acquire vocational qualifications.

**Creation of a family-friendly working environment** and provision for further education and obtaining of qualifications are essential if more women, who as ever predominantly fulfil the task of caring for children and relatives, are to be employed. Long interruptions in employment often result in women having less professional experience, making access to the employment market or career advancement more difficult. This also means that women are not able to adequately fulfil their potential in the national economy. This particularly applies to the growing number of single parents.

It is aimed to reduce long interruptions in the employment of women, facilitate re-entry into professional life and promote **family and career compatibility**. Priorities in this are especially adequate childcare and the organisation of flexible working. By 2013, high-quality care places will be made available for a national average of 35 % of children under three years of age in order to facilitate the parents' return to work after an interruption in employment. From 2013 onwards, there will be a legal entitlement to a childcare place for one- to three-year-olds. The childcare allowance has been designed to offset reduced income and protects parents against loss of income in the first year of the child's life. In this connection, the glad tidings can also be announced that in 2007, for the first time in ten years, births rose again in comparison with the previous year.

Economically active parents are also central to children's chances of integration. The **poverty risk of children** is strongly influenced by their parents' employment status. Economically active parents who can cover their own needs with their income but not those of their children have therefore been given targeted assistance since 2005 through the supplementary child allowance.

A political priority for Germany is better **social integration of immigrants**. The aim is to make it possible for immigrants to have equal entitlement to participate in social, cultural and economic life. Assistance with language learning, social counselling, vocational training, professional integration and family and social integration are particular priorities for the Federal Government. That commitment extends to areas such as suburban development, health prevention, cultural development and cultural integration, inter-religious and intercultural dialogue, intercultural openness and measures against xenophobia, anti-Semitism, racism and right-wing extremism. The National Integration Plan of July 2007 places the integration measures of the Federal Government, Länder and local authorities and of major participants in civil society on a common footing. Under the plan, all government and non-government agents undertake to adopt suitable measures to improve integration in their respective areas of responsibility.

Social exclusion and poverty must also be prevented by means of material minimum payments, and the satisfaction of basic needs must be ensured. The unemployed, persons who have not completed vocational training and single parents are among those especially at risk of poverty who need a minimum level of social security provision. The **socio-cultural subsistence minimum** is based on actual consumer expenditure and not only covers the amount needed to physically survive but also the amount needed for a civilised person to participate in social life. It is also designed to afford disadvantaged and low-income groups adequate opportunities to have access to cultural, social and political activities.

Basic security benefits for jobseekers and social assistance each confer legal entitlement to minimum security provision. The co-existence of two types of welfare benefit was replaced by **benefits from a single source**. The standard rates of social assistance are also the reference rates for other types of welfare benefit financed from taxation. Social- and family-policy-related transfer payments are reducing the risk of income poverty well below the European average (from 26% to 13% overall and in the case of children from 34% to 12% in 2005).

Germany is one of the Member States with a **low poverty risk in old age**. In recent years, there has been a positive trend in the net incomes of people aged 65 and over, particularly because of the higher entitlements of women who have recently reached retirement age. Pension law is countering lower pension entitlements of women with a series of special provisions. In particular, periods spent raising a child are being taken into account to increase pension levels under pension law. However, low retirement incomes threaten the purchasing power of persons who have been self-employed on low incomes for longer periods, have had little employment or have been unemployed. Relatively short periods of employment in Germany are also often a problem for “first-generation” immigrants. The “first generation” entered the German employment market at a relatively high age. Provisions of European law and social security agreements concluded with the States of recruitment are helping to ensure that workers are not disadvantaged by migration, but cannot offset low entitlements in all cases. A good education and reasonably continuous employment on an adequate income improve the prospect of securing the necessary additional provision for old age.

Around 17.3 million employees who are obliged to pay national insurance contributions (about 65% in 2006) are entitled to an occupational pension from their current employers. The proportion of women and men in this figure is roughly the same (there being more men in the private sector and more women in the public sector). The Federal Government is continuing its policy of **strengthening occupational and private provision** in order to stabilise this positive trend. Government promotion of occupational old-age pension schemes has been established in the Law promoting occupational pension schemes and amending SGB III of 2007. Under that Law, employees can invest part of their salary to increase their occupational old-age pension (social insurance freedom to convert salary into pension contributions). The Federal Government has also expanded the “Riester pension”, named after the former employment minister, as a form of private provision for old age (over



11 million contracts by March 2008); this is a particularly attractive State-assisted scheme for low earners.

However, the old-age pension system is aimed not only at preventing poverty but also at securing living standards in old age. This is illustrated by the median income of those over 60, which amounts to 93% of the median income of the under-60s. The socio-cultural subsistence minimum is guaranteed by **basic security benefits in old age and in cases of reduced earning capacity**. It takes the form of a social assistance payment for older people and those on reduced incomes, which is financed from taxation. Married couples, life partners and partners in a relationship similar to marriage whose own income and assets are insufficient for their own subsistence are entitled to claim it. However, unlike with other forms of social assistance, the income and assets of children are not normally taken into account for this purpose.

On the employment policy front, this measure is accompanied by targeted **promotion of employment of older workers**. Health and qualifications are vital to the capacity of older people to be employed longer than before. The statutory accident insurance funds also have an important contribution to make here, as they advise undertakings on the organisation of working conditions and requirements that are appropriate for older people and assist in the skills development and health education of the workforce.

The **prevention of illnesses** is taking on an increasingly important role in health policy. To cope with the demographic change, the health system must be developed further so that people who are becoming increasingly old can live the extra years gained in good health. Good health is an essential condition for longer participation in the workplace and in society. Education on a healthy diet, physical exercise and stress management and education on the risks of smoking reinforce citizens' own sense of responsibility and fitness; more emphasis is being placed on comprehensive occupational employment protection.

Statutory pension and accident insurance **integration assistance** is helping to achieve a high level of employment. This assistance especially increases the employability of workers in the second half of their working life. Assistance with medical rehabilitation and integration into working life makes it possible in many cases to reduce restrictions on the employability of insured persons and thus prevent a premature reduction in earnings.

Equality of opportunity and social cohesion are mainly assisted by the **solidarity principle in statutory health insurance**. Whereas contributions are levied on a solidarity basis, i.e. only dependent on economic ability to pay and not on individual health risk, the right to benefit is comprehensive and independent of the contribution paid by the individual. Moreover, the 2007 health reform has ensured that around 300,000 citizens who had fallen through the net of statutory or private health insurance can also once more obtain affordable and reliable insurance protection. So far, more than 120,000 people have already obtained health insurance protection based on that new provision.

Social long-term care insurance provides long-term care insurance protection irrespective of age or income. Payments under the Long-Term Care Insurance Law help those needing care to be cared for at home and to bear the financial costs connected with care needs.

## **2.2. Interaction between the Lisbon Strategy objectives (objective (b))**

This year, the Member States are presenting a new National Reform Programme based on the Integrated Guidelines for Growth and Jobs (2008-2010) in order both to ensure social cohesion and to achieve the Lisbon growth and employment policy objectives. The Federal Government welcomes the stronger emphasis on active social inclusion and in particular the fight against child poverty in the explanatory text of the Integrated Guidelines.

The **interdependence of the policy areas** is of major importance for the success of the Lisbon Strategy. Only when the economic, employment policy and social objectives are pursued on an equal basis and in tune with each other can the agreed objectives be achieved by 2010 and beyond. Only in this way can the common **principles of flexicurity** be implemented with the aim of providing better and flexible protection for employees, affording adequate access to social security systems, ensuring an active labour market policy and establishing reliable systems for lifelong learning.

### **2.2.1. The contribution of social protection to growth and employment**

The report of a 2007 social protection committee working group has revealed various examples of positive interaction between social protection and the Lisbon objectives. The EU Member States agree that the promotion of growth and employment on the one hand and the creation of reliable social insurance on the other can influence and strengthen each other. Social peace is one of Germany's strengths.

In its National Reform Programme, the Federal Government will concentrate on central areas of activity that are conducive to growth and employment in a situation of globalisation and a changing age structure in society. An important element in this is the future demographically based organisation of social security systems.

**Social security and public health** contribute to productivity growth. Social cohesion is indispensable for social stability, which in turn is the fundamental condition for a reliable investment climate. Social protection against major risks such as old age, illness, accidents and unemployment and investment in education, further education and health contribute to growth, employment and social stability. In this sense, social protection is a positive factor.

**Health** is an especially innovative sector, with great growth and employment potential. Around 4.3 million employees, i.e. about 11% of all employees in Germany, currently work in the health sector, which is largely financed by statutory health and long-term care insurance. More people are therefore employed in health than, for example, in the automotive industry. Further jobs are likely as a result of demographic change. The growth potential is based on the development of innovative products and procedures.

General financial or taxation measures and targeted monetary transfers for families are aimed at protecting the economic stability of families throughout life and promoting willingness to work. The **earnings-related childcare allowance** also indirectly serves to increase the involvement in employment of women in particular. Families have greater financial room for manoeuvre because of the level of the childcare allowance and shorter interruptions in employment. Higher family income leads to more purchasing power and therefore to higher demand for goods and services.

The **supplementary child allowance** was also introduced in 2005 as part of the labour market reform to underpin the “supporting and demanding” principle. Parents who can cover their own income needs but not those of their children should no longer be dependent on basic security benefits because of their children. It therefore provides incentives to work.

### **2.2.2. The contribution of growth and employment to social protection**

Economic growth contributes to growth in employment, is the basis for financing social security systems and strengthens social cohesion. Social cohesion is brought about by solidarity, adequate social protection and the sustainable financing of that protection. **Financial policy** can only make a lasting contribution to social cohesion if it maintains the State’s ability to take action by consistently consolidating public finances. Moreover, taxation policy has a social function. It not only helps to finance social expenditure and public services and support the social insurance systems but also effects a redistribution from top to bottom through progressive taxation of income. Prosecution of tax evasion likewise contributes to greater fairness in taxation. Following the 2008 reform of corporation tax, there should also be fewer incentives to transfer profits abroad.

Social cohesion is also increased by **promoting civil commitment**. For example, the State supports the unpaid commitment of numerous people through the extensive exemption from taxation of welfare initiatives and promotes the donation of money and assets to a good cause by allowing it to be offset against tax. The Law on further strengthening of the voluntary welfare sector improved the regulatory framework for charitable activities retroactively from 1 January 2007. Unpaid voluntary work is receiving more tax relief and the charitable work and citizens’ willingness to make donations has been supported.

**Integration into working life** is the most important factor preventing poverty. In 2005, 43% of the unemployed in Germany were at risk of poverty, whereas the at-risk-of-poverty rate of employed persons according to the “Life in Europe” survey (EU-SILC) was only 6%. However, the increase in the low-paid sector is accompanied by an increased poverty risk even where there is full-time employment. At the same time, new forms of employment have opened a way out of unemployment for more people and thereby improved their chances of integration.

The assessment of the Socio-Economic Panel (SOEP) shows that in 2005 the earnings of more than a third of employees were below the low pay threshold (OECD standard) of two-thirds of median income. The proportion of women in the **low-paid sector** in 2005 was 47.7% whereas the proportion of men was only 24.8%. At the beginning of the 1990s this was the case for only a quarter of employees. According to the same information source, the proportion of employees at risk of poverty in 2005 was double that in 1998. The comparable EU-wide results of the EU-SILC survey also show a slight increase in the poverty risk of employees from 5% to 6%.

Moreover, in the summer of 2007, the coalition agreed to extend the Law on secondment of employees and modernise the Law on minimum working conditions dating from 1952. Reforming these two laws will pave the way for the introduction of further **sector-specific minimum wages**. The Federal Ministry of Employment and Social Affairs has prepared appropriate draft laws that are currently being debated by the Federal Government.

### **2.3. Improving governance (objective (c))**

The National Strategy Report is the outcome of an **intensive debate** within the Federal Government and between the Federal Government and the Länder. Both sides of industry and numerous associations were involved in its preparation. The Federal Ministry of Employment and Social Affairs is responsible for drafting the National Strategy Report. The coordinating Europe Department initially agreed the procedure for involving the various stakeholders with the Basic Policy, Pensions and Social Integration Departments and with the Federal Ministry of Health, which is responsible for the health and long-term care part of the report.

The **stakeholders participated** in several stages, mainly in writing (by e-mail), and in discussions with individual stakeholders in respect of certain parts of the report. In the first stage in February 2008, the

- Federal Government Departments
- Länder (via the ASMK and GMK offices),
- lead bodies (e.g. Deutscher Verein, Deutsche Sozialversicherung, local authority lead bodies and voluntary welfare associations) and numerous other associations and individuals (FORTEIL advisory board) and
- the two sides of industry (DGB, BDA).

were informed of the subsequent procedure and asked for opinions and contributions to the preparation of the first draft. That draft was presented and discussed on 6 June 2008 with associations, experts and both sides of industry in connection with a consultation on the Federal Government's 3<sup>rd</sup> Poverty and Wealth Report. All participants were given the opportunity to comment on the first draft. The resulting changes were again discussed with the Länder and the departments and the draft was forwarded to the Federal Cabinet and subsequently to the Bundesrat and the German Bundestag for approval and consultation.

After several reporting cycles within the OMC, the cooperation of the participating stakeholders was established. The results of the last strategy reports and their evaluation in the Joint Social Protection Report (on child poverty in Europe, for example) were covered in the German press.

The National Strategy Report provides an overview of social protection policies in Germany and has independent significance alongside other Federal Government reports on specific subjects. It is complemented, in particular, by the National Poverty and Wealth Report, which the Federal Government published this year for the third time, and the social reports of the Länder and local authorities. To these can be added further regular reports such as the report on the implementation of long-term care insurance. The Federal Government also regularly appoints committees of experts independent of government to produce reports on old people, children, young people and families in every legislative period. These reports are published together with the Federal Government's opinion and can be accessed on the Internet. They provide information in the relevant policy area about social developments and assess policy approaches.

## II. National Plan of Action on Social Integration

### 1. Progress in relation to the 2006-2008 National Strategy Report and the 2007 Joint Report on Social Protection

#### 1.1 Workforce participation increased in all groups

The situation in the employment market has improved markedly since 2006 as a result of economic growth and the labour market reforms that were carried out in previous years. At the end of 2007, there were over 40 million people in employment. The number of employed people required to pay national insurance contributions was 27.22 million in March 2008, which was therefore already above the 1998 level (27.21 million). The number of unemployed fell in 2007 to an annual average of 3.77 million. This corresponds to the position in 1994.

**Youth unemployment** has been falling significantly since 2006. Whereas the unemployment rate for young people under 25 was still 13.7% in 2006, it fell to 11.9% in 2007. In December 2007, youth unemployment had fallen in absolute terms by 74,000 (-17.9%) compared with the previous year. In February 2008, the average completed period of unemployment was 14.7 weeks (as opposed to 17.6 weeks in the previous year).

The **employment rate of over 55-year-olds** was 51.5% in 2007. The Lisbon objective set for 2010 of a 50% employment rate among those over 55 has therefore already been achieved. Measures to improve the employment prospects of older workers, which were launched with the 50 plus Initiative at the end of 2006, are focussed on the vocational further education of older people and lifelong learning measures. Barriers to recruitment of older people have also been removed by changing the integration subsidy for businesses that employ older people and through combined wages for older employees. The Federal programme “50 plus Perspective – Employment agreements for older people in the regions” helps older long-term unemployed people to re-integrate into the main employment market. By the end of December 2007, over 22,500 older long-term unemployed people were able to take up employment on the general employment market as a result of 62 regional employment agreements.

There are some groups that are particularly benefiting from rising employment. The **increase in the employment rate of women** by over three percentage points to 64.0% between 2005 and 2007 is pleasing. The increased participation of women in employment is also attributable to the extension of part-time working. Particularly pleasing in view of the reduction in structural unemployment are the falls in long-term unemployment, which were significantly greater in 2007 than in the previous years. The comprehensive integration approach to the integration of long-term unemployed people needing help espoused by combining social assistance for employable and unemployed people as basic security benefits for jobseekers (SGB II) has increased the effectiveness of the integration work.

Whereas at the beginning of the decade it was increasingly difficult to find employment for the **less qualified** and the employment rate fell from 55.3% in 2000 to 40.7% in 2004, this trend has now been reversed and the employment rate has risen again to 44.9% in 2007. Education levels also have a clear impact on the at-risk-of-poverty rate: whereas only 4% of persons with university or polytechnic qualifications were at risk of poverty in Germany in 2005 (3% in the EU), 10% (14% in the EU) of those who acquired their highest educational qualifications at primary or the 1st stage of secondary school (Hauptschule and Realschule, or the lower stage of a Gymnasium) were at risk of poverty.

The **situation for severely disabled people** has **improved**. In comparison with the previous year, many severely disabled people were employed or in vocational training in 2007: the number of those people taking up work after being unemployed rose by 14% and the number entering vocational training went up by 33%. In March 2008, 158,000 severely disabled people were registered as unemployed, over 24,500 fewer than in the same month of the previous year. This equates to a fall of 13.5%. The “Jobs without Barriers” initiative and the “disability managers” introduced by statutory accident insurance helped in particular to bring about the return to work of severely disabled unemployed people. Disability managers assist undertakings with integration management and help members of staff to return to work as soon as possible after a long illness or accident.

Access to the employment market was made easier for immigrants. This was designed to increase the employment rate. A residence permit with the **prospect of permanence** was introduced for tolerated foreigners who had lived in Germany for six years (or eight years in the case of single persons); it affords equal access to the employment market (Section 104a of the Law on Residence). Moreover, tolerated foreigners were, in principle, allowed access to the employment market after four years’ residence in Federal territory.

## 1.2. Education and training opportunities increased

The importance of high-quality, all-day availability of childcare that meets demand is increasingly being recognised in society. It helps, firstly, to make **family and work compatible** for women and men and it especially helps women to take up work. Secondly, it helps from the outset to bring about equality of opportunity for all children. Under the Day Care Expansion Law, which entered into force in 2005, the day care rate had already been increased. By the 15 March 2007 deadline, 321,272 children under three years of age were in nursery schools or in day-care provision throughout Germany. This equates to a care rate (number of children in day care as a proportion of all children) of 15.5%. However, the difference between East and West Germany (both excluding Berlin) is still considerable. The care rate for children under three in 2007 was 41.0% in the east and 9.9% in the west compared with 39.7% and 8.0% in the previous year.

The European objective of a **90% care rate for children in nurseries from three years of age** has almost been achieved in Germany (in 2007: Germany 89.3%; West Germany

88.4%, East Germany 94.1%; each excluding Berlin). In March 2007, barely one in five children up to ten years of age (19.4%) was cared for outside school in an after-school care club or by a child minder. Progress is currently being made in the extension of all-day education and care in the Länder as a result, in particular, of newly established regional programmes. Almost 12.7% of schoolchildren attending primary school were in all-day schools in the academic year 2006/2007, whereas only about 4.2% were in all-day schools in 2002 (KMK 2008). Many of the Länder clearly exceed the national average. In Brandenburg, the level of provision for schoolchildren between 6.5 and 12 years of age is 47%. The “Future, Education and Care” investment programme (IZBB) for the consolidation and expansion of all-day schools (2003 to 2009) has been a success. Since 2003, assistance has been given to around 6,400 all-day schools. The original period of the programme (2003 to 2007) was extended to 2009 at no extra cost. In order to ensure that the best use is made of the investment, comprehensive parallel research has been conducted by the Federal Government in close consultation with the Länder since 2005, using European Social Fund resources.

The **number of young people who leave general education without school-leaving qualifications** was reduced from almost 9% in 2003 but was still 7.9% in 2006. The Education Ministers’ Conference (KMK) therefore decided in October 2007 upon a framework of action entitled “Reducing the number of schoolchildren without school-leaving qualifications, securing of school-leaving qualifications and reducing the training dropout rate”. It aims to step up the measures already adopted by the Länder and initiate new measures in collaboration with the Federal Government and the employment authorities. However, the proportion of 18-24-year-olds without school-leaving qualifications from the 1<sup>st</sup> stage of secondary education (Hauptschule or Realschule) or other general educational or vocational qualifications is clearly lower (2.4% in 2006) than the proportion of an age group that leaves school without qualifications of any kind (“school dropouts”). This fact shows that the majority of school dropouts succeed in taking advantage of a “second chance” to acquire general educational qualifications.

The **ESF programme “School refusal – The 2<sup>nd</sup> chance”** reintegrates children refusing school from Hauptschulen in particular into the regular school system, thereby increasing their chances of obtaining school-leaving qualifications. In 74 local projects throughout Germany, so-called “case managers” are available who take an intensive and personal interest in the young people, agree personal reintegration plans with them and monitor the success of their implementation. Since the autumn of 2006, around 1,800 young people have been taken into case management and around 80% of them were reintegrated into the schools.

In order **to improve the training prospects of young people**, the central associations of industry agreed in 2004, as part of the “National Agreement on Training and Skills for the Younger Generation”, to create 60,000 new training places and 30,000 new training establishments. This agreement was clearly exceeded and the number of newly concluded training agreements rose in 2007 to almost 626,000, which was the second-highest number



since reunification. Moreover, in 2007, access was gained to around 49,000 private training places, from which young immigrants also benefited. On 1 October 2007, improving the qualifications and employment opportunities of younger people experiencing difficulties in gaining employment was adopted as a legal provision in the Fourth Law amending the SGB III.

Trainees with a migrant background who are already entitled to permanent residence or have been living for a long time in Germany and have the prospect of permanent residence will be provided with **vocational training assistance** or educational assistance under the Federal Training Assistance Law without it being conditional on their parents having previously been employed for a minimum period or on their having been employed themselves. This represents an important contribution to the integration of young immigrants and honours the promise made by the Federal Government in the National Integration Plan. The legal conditions for this were accordingly adjusted under the 22<sup>nd</sup> Law amending the Law on Federal Training Assistance of 23.12.2007. It considerably improves the chances of being accepted for qualification-oriented training.

Mobilisation of additional apprenticeships in companies and improvement of the regional training structure with around 11,500 training places by the end of 2007 was also achieved through the **ESF JOBSTARTER programme**. This especially helps regions that have been particularly affected by youth unemployment. Regional assistance was also provided in the form of the Training Programme for the East organised jointly by the Federal Government and the Länder, which made 10,000 training places available in 2007.

Progress is also being made in extending specific provision for the vocational and social integration of young people at particular risk in the Federal Government's **ESF model programme for skills agencies**. Since the autumn of 2006, 200 skills agencies have been set up throughout Germany, which have assisted almost 21,000 young people. Over 10,000 young people were taken into case management.

### 1.3. Child poverty reduced by social transfers

The **poverty risk of families and children** is strongly dependent on whether and how many recipients of employment income live in the household. Children are especially at increased risk of poverty where they live in single-parent households or in households with low labour force participation. The number of children living in unemployed households rose by one percentage point to 9.3% from 2006 to 2007. The at-risk-of-poverty rate of unemployed households with children is 48%. Reducing the number of unemployed households with children therefore represents a major challenge. When one or more employable members of a household take up full-time employment, the risk of poverty falls to 8% or 4% depending on the nature of the employment.<sup>3</sup>

**Transfer payments based on social and family policy** such as Unemployment Benefit II, social benefit, social assistance, child benefit, supplementary child allowance, housing

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<sup>3</sup> See Social Protection Committee (SPC), Child Poverty and Well-Being in the EU (2008).

benefit and parental benefit as well as the maintenance advance significantly **reduce the relative income poverty** of families. As a result of the transfer payments based on social and family policy, the overall poverty risk of children in 2005 fell from what was originally 34% before the social transfers to 12%, which was therefore significantly below the EU average of 19%. Foreign families with permission to stay for humanitarian reasons are also normally among those entitled to receive payments under the Laws on Child Benefit, Child-Raising Benefit and Parental Benefit. The supplementary child allowance assists access to the employment market and reinforces the compatibility of family and career. It reduces the financial burden of parents who do not have sufficient financial resources to cover the needs of their children. Parental benefit helps to stabilise the economic situation of families in the first year after the birth of a child and to reduce the risk of income poverty in the early years of family life.

The **2007 health reform** affords access to all those who were previously without insurance protection to statutory or private health insurance and long-term care insurance. The reform therefore particularly benefits persons who are at risk of poverty or are in debt, who are also protected against excessive financial demands by the provisions on patients' contributions. Only the standard benefit rate for the head of a household is taken into account for the purpose of establishing their contribution limit. Prevention and health education have been strengthened. Treatment at family health spas is an obligatory benefit of statutory health insurance, and, since 1 April 2007, all mothers and fathers are entitled to in-patient preventive and rehabilitation measures. Health insurance funds must approve medically necessary treatment at health spas.

The available data on income distribution of the official LIFE IN EUROPE survey (EU-SILC 2006 with income data from 2005) do not yet indicate that the positive trend in the employment market has had an impact on incomes otherwise. According to that data, the risk of being on a low income in Germany in 2005 was 26% before social transfers. After social transfers it was still 13%.

#### **1.4. Integration of immigrants improved**

In 2006, 14.8 million people with an immigrant background were living in Germany, including 7.3 million without German nationality. That population group has also since benefited from the economic revival. In December 2007, unemployment of foreigners fell by 76,000 (-12.8%) compared with the previous year. The **priorities** laid down in particular in the 2004 Immigration Law (and, in the case of repatriated individuals of German ancestry, in the Federal Law on Displaced Persons) of

integration in the areas of **language support, social counselling, education and vocational integration as well as family and social integration** have proved to be positive overall and have been amended where assessments have shown this to be necessary. The Federal Government's integration policy for immigrants has therefore been further developed and optimised. As language support produces results, especially where it is linked with measures geared towards educational and

vocational qualifications, individual counselling and supervision and social integration, provision has been made for integration measures in those areas as well. One of those measures is the “**Identity and Integration PLUS**” integration assistance provision introduced in 2006 for repatriated individuals of German ancestry under Section 9(4) of the Federal Law on Displaced Persons. It takes the form of target-group-related 100-hour courses that build on the integration course and deal with the specific life situations and requirements of the repatriated persons, their chances of coping with everyday life and assistance on starting employment.

The **integration of young immigrants in particular** when moving from school to **vocational training** is being improved through training-related assistance and external training. The establishment of commercial/industrial entry qualifications as part of the National Agreement on Training and Skills for the Younger Generation has provided a bridge into training for young people from immigrant backgrounds. They now account for around a third of participants in training. The conversion rate achieved by that assistance into in-company training of around 65% is in practice equally high for young people whether or not they come from an immigrant background.

State-assisted provision for initial **immigration counselling** for adults and **youth immigration services** for young people have been further developed. Professional individual counselling (case management) initiates, guides and accompanies the integration process and is designed to provide the skills necessary for independent action in all aspects of everyday life. Shortly after entry to the country, the individual’s previous knowledge is identified (skills analysis) and a personal integration assistance plan is jointly drawn up and its implementation monitored. In conjunction with the social education assistance being given to the integration course participants, suitable measures are designed and introduced in collaboration with the employment/career counselling services and local networks for their integration into the employment market. The counselling services are also required to form local networks to assist in their integration and to promote the intercultural awareness of the regular services.

## **2. Challenges, political priorities and objectives (objectives (d) and (e))**

Despite the positive development in the employment market, the **challenges and political priorities** have **hardly changed** from the previous 2006-2008 National Strategy Report. Reducing unemployment remains the central social policy challenge. The aim is to consolidate and improve employment further in all groups. The implementation and continuation of the labour market reforms must also benefit the long-term unemployed and disadvantaged groups in the employment market. The growth in employment compared with a decade ago is also accompanied by an increase in flexible modes of employment such as employment on a self-employed, marginal or fixed-term basis. The change in the regulatory framework has given commerce and industry the flexibility to employ more people. Employment is the key to the prospects of integration and fulfilment of all members of a

household. However, the aim is for entry into flexible working to be a stepping-stone for the further development of workers in full-time, permanent employment.

The existing approaches to integration of the long-term unemployed in the separate benefit systems have been brought together by combining social assistance for employable people and unemployment assistance as basic security benefits for jobseekers (SGB II). The aim of that new provision is **integrated and comprehensive support of employable people needing assistance from a single source**. Under the “supporting and demanding” principle, benefit recipients are required to participate actively in the measures proposed for their integration into working life and to do all in their power to reduce or end their dependence on benefit.

However, experience shows that the economic revival has not benefited all people equally. Long-term unemployment is in many ways a structurally conditioned problem in regions that have so far benefited less from the upturn. The Federal Government therefore aims to improve labour market integration in that area too through specific **group-related and regionally oriented programmes** (see II.3. below).

In spite of the improved employment prospects, **people who have particular difficulties in finding employment** need continuing support and encouragement to integrate into the employment market. Among those who find access to employment especially difficult are employable young people needing help, who are given intensive support with integration into training or employment and receive comprehensive assistance, including with finding accommodation, and debt and addiction counselling. Access to employment can also be difficult for older people, who should be retained in employment or re-integrated into the employment market through targeted measures so that they earn their own living, gain recognition in society and fill the need for skilled workers.

A further challenge to labour market policy is the **integration of immigrants**. Strengthening their participation in the employment market is also aimed at **improving their inclusion in social, cultural and economic life**. Relatively high unemployment, low participation in education (12% of men and 15% of women aged 15 or older from an immigrant background had no general educational school-leaving qualifications in 2005 compared with 2% of men and women who were not from an immigrant background), increased risk of poverty and strong dependence on transfer payments (of the total of 5.3 million Unemployment Benefit II recipients as an annual average in 2007, 978,000 were foreigners) indicate that the integration of immigrants requires further efforts. However, a start must also be made with recognising educational qualifications obtained abroad and providing opportunities for further qualifications. Various opportunities are available for the various immigrant groups (repatriated people of German ancestry, naturalised Germans and foreigners).

In particular, the **future prospects of the young generation of immigrants must be significantly improved** and the risk of unemployment and poverty must be reduced on a sustainable basis. The risk of becoming unemployed is twice as high for foreigners. In comparison with people who do not have an immigrant background, more than three times

as many men and almost twice as many women with an immigrant background do not have vocational qualifications. Improving their chances of education and of obtaining qualifications is therefore urgently required if their employment prospects are to be increased. Measures toward providing immigrants with qualifications should not only be started in the area of school education, but must also include older people. A key requirement for successful acquisition of qualifications and social integration is the existence of adequate language knowledge.

Integration policy was first legally established at Federal level by the **2004 Law on Immigration**. The Law on Immigration requires the Federal Government to develop a nationwide integration programme in order to establish the integration measures of the Federal Government, Länder and local authorities and make further recommendations on that basis. The integration programme should help to achieve greater interaction and coordination of the integration assistance stakeholders and their measures. The areas of activity under the programme are language support, vocational and social integration and education. The first overall programme will be available by early 2009. The requirements of the National Integration Plan will be incorporated into the work on the nationwide integration programme.

In order to provide new impetus to the strengthening of the inclusion and social integration of immigrants, an integration summit with representatives from the Federal Government, Länder and local authorities was held for the first time in July 2006, at which it was agreed to **draw up a National Integration Plan** and central themes and guidelines of the integration policy for the next few years were defined. An interim assessment of the implementation of the NIP is to be made in the autumn of 2008.

The entrenchment of poverty and its “legacy” over several generations must be broken. Better education prospects for disadvantaged population groups and early deployment of assistance for disadvantaged families are important steps. The Federal Government’s policy aims to **prevent family and child poverty** and reinforce families’ sense of responsibility on a lasting basis by means of coordinated measures from different policy areas. It aims to help children as early as possible by improving the compatibility of family and career and the employment prospects of parents, reducing the disadvantages of families by fair burden-sharing and supporting the economic stability of families throughout their lifetime. Women and men should be encouraged to decide in favour of having children. More support must be given to time spent with children. Targeted financial assistance, more family orientation in the workplace and a good infrastructure of care and assistance for children of all age groups form a trio of measures mutually conducive to achieving this. Children stand at the centre of a poverty-preventing family policy.

The great majority of families run their lives well and live in a secure material situation. Over three-quarters of all children still grow up in a family with married parents. The number and proportion of **children in single-parent households and living with people in non-marital relationships** is still increasing, however. Even the proportion of children under 18 living in households whose members have no full-time employment rose according to the

statistics from 17% in 1995 to 30% in 2006. Children are especially at risk of poverty where their parents are unemployed or marginally employed or where their parents work but their earnings are insufficient to ward off poverty.

Targeted assistance, placement in work and training and adequate infrastructure provision to support and relieve the burden of families are of major importance. In view of this, the Federal Government, together with the Länder and local authorities, aims to push ahead with the **extension of care availability** and make 750,000 places available by 2013 in order to secure a place for every third child in the under-three age group. The Federal Government will contribute a total of €4 billion to investment and operating costs. At the same time, a legal entitlement will be established to a care place for all children of one to three years of age at the beginning of the 2013/2014 nursery school year. A childcare allowance will also be introduced for those parents who do not want to or cannot have their child cared for in a daytime institution. In a joint “childcare qualification initiative”, the Federal Ministry of Education and Research and the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth will assist the Länder in getting the necessary staff qualified for this purpose.

As parents can encounter problems in finding time to organise a return to work, **Mecklenburg-West Pomerania**, for example, is offering women in particular the possibility of availing themselves of a set of measures involving obtaining qualifications, counselling and childcare geared to making family and career compatible through participation in the “**Modular qualifications in parental time**” project. These measures also aim to make it more possible than before for women to fulfil their career potential. Although success has been achieved in recent years in **continually increasing the employment rate of women from the 30-plus age group**, the proportion of women in part-time work has also increased significantly since 1998. The gender-specific pay differential has also remained constantly above 20%. Inadequate family and career compatibility and insufficient participation by men in family work are among the factors contributing to this. The stated measures therefore aim to enable women with children to develop their careers further and to involve men actively in family work.

However, the risk of poverty in families is not confined to inadequate financial means. There can also be deficiencies in the development of children and young people resulting in health problems and social disadvantages. If the parents’ level of school qualifications is low, they will have fewer chances of obtaining a training or study place. This in turn leads to limited prospects on the employment market with the risk of low income, interrupted career patterns and corresponding consequences for the next family generation. This is already noticeable in the language development of children before they enter school. The educational achievements of children from uneducated families are already in many respects lower than those of other children in primary school. They also less frequently obtain a place at a Gymnasium.

In order to **sever the connection between social origin and educational achievement** and bring about equality of opportunity for children, it is the duty of State and society to

make provision for the care and education of children and to make available to parents the resources necessary to acquire everyday, family and educational skills. Linguistic ability, social skills and elementary basic skills are already acquired in the first years of life before starting school. Attendance at a nursery school has a proven positive influence on a child's readiness for primary school. The early education and care of children has enormous significance in two respects: for the parents in that it makes employment and child-rearing compatible and for the children themselves with regard to their educational prospects, especially where they come from uneducated, low-income families.

Despite positive trends in the **achievement of schoolchildren** in international comparative studies of achievement, it is clear that Germany still faces considerable challenges. There has been insufficient success so far in helping schoolchildren to make the best of their opportunities. Moreover, the differences in education between schoolchildren from or not from an immigrant background are very high at an international comparative level. The generally discernable connection between the educational achievements of the parents and those of their children is particularly marked in that population group.

The primary objective is to provide **educational opportunities for all irrespective of social origin** and to give every child the possibility of advancement in education by means of individual assistance as well as that received at home. A start has been made in this respect with changes to the educational assistance provided for foreigners under the BaföG and SGB III. As part of the joint project to improve the efficiency of education, the Federal Government and the Länder can also make joint recommendations on the basis of international comparative studies and the National Education Report for improving the quality of German education and establishing common objectives for its further development. The first recommendations based on the results of the IGLU and PISA international studies in 2006 were agreed in March 2008.

It is aimed to achieve **permeability within and between the educational cycles** and to bring about a situation where the transitions in the education system do not prove to be permanent hurdles to a successful education for low-achieving and socially disadvantaged schoolchildren in particular. In principle, every schoolchild should, as far as possible, acquire school-leaving qualifications and the necessary basis for a successful transition into vocational training. To that end, the number of young people without school-leaving qualifications is initially to be halved. Structural improvements to vocational integration assistance are also being made. The transition from school to training for disadvantaged young people and the subsequent acquisition of school-leaving qualifications by young adults by way of a "second chance" are priorities in this regard.

Equal entitlement to a school education and vocational training, integration into the employment market and self-determined participation in social life and protection from discrimination also continue to be important objectives in the Federal Government's policy of improving **equality of opportunity for around 8.6 million disabled people** in Germany.

### 3. Increasing participation in the employment market

The favourable trend in the German employment market since 2006 must be used to make further improvements in order to get as many people as possible to participate in the recovery. In particular, opportunities must be created for **people with multiple placement obstacles**, whose integration into the employment market is made especially difficult. With the introduction of employment assistance benefits (Section 16a SGB II), a new labour market policy instrument (Job Prospect) entered into force on 1 October 2007. It is intended to provide assistance to up to 100,000 people in the next few years. Under that scheme, employers may receive an **employment subsidy** for recruiting long-term unemployed workers over 18 years of age with placement difficulties who have previously received Unemployment Benefit II payments, have received intensive assistance for at least six months without success under an integration agreement, have received integration payments and who are not expected to find employment on the general employment market within the following 24 months. The wage subsidy is offset against the employee's reduced individual productivity and may amount to up to 75% of the employee's allowable remuneration. After an initial phase of assistance of up to 24 months, assistance may be continued in a second phase indefinitely if the placement difficulties continue and a change in the general employment market is not forecast. However, achieving a change from assisted employment to unassisted employment in the general employment market remains the primary aim: every twelve months, it will be examined whether integration into the general employment market is possible in terms of the employment market situation and the individual's own development.

To **combat long-term unemployment in disadvantaged regions**, which have benefited less from the recovery, the Federal Government has launched the **Kommunal Kombi** Federal programme co-financed by the ESF. In a common effort jointly financed by the Federal Government, Länder and local authorities, new jobs subject to national insurance are to be created in 2008 and 2009 in 79 regions with significant employment market problems and assistance is to be given to the employment market through the promotion of fixed term employment. This employment programme is geared to work on local authority projects. Local authorities receive assistance from it to improve local infrastructure, and by creating additional jobs it helps to strengthen local authority structures and increase the social capital of the locality. So-called **regional budgets** are also used to stimulate local initiatives and take account of regional requirements, which Brandenburg, for example, is using to promote ESF co-funded labour market policy measures in its districts and autonomous towns.

In order to counteract the risk of social exclusion resulting from young people being unemployed, four new benefits were introduced from October 2007 under the Fourth Law amending SGB III – Improving the qualifications and employment prospects of younger people with placement difficulties: two **employer subsidies for younger workers** under 25 who have been unemployed for at least six months – the **training grant** (section 421o SGB



III) and the **integration subsidy** (section 421p SGB III). Moreover, the promise made in the Training Agreement to make some 40,000

job placements available for **initial vocational training** for three years was honoured. This serves as a bridge to vocational training and is intended to provide the basic knowledge and skills needed for the successful completion of vocational training within six to twelve months. In view of its success as a subsidy to employers, initial vocational training was adopted in employment promotion law. The possibility of socio-educational support and organisational support for businesses that take on socially disadvantaged trainees was introduced as promised in the Training Agreement. The possibility of in-depth career guidance and career choice preparation measures was also extended to schoolchildren. They may last for longer than 4 weeks until 31 December 2007 and be carried out outside non-class time.

The Fifth Law amending SGB III (cabinet draft of 20 February 2008) is intended to implement important elements of the “**Youth – Training and Work**” plan adopted in the “Federal Government Qualifications Initiative” on 9 January 2008. One aim of the plan is to create 100,000 additional training places by 2010. Temporary provisions are being created in SGB III for the training bonus and initial vocational training support. Employers who create additional training places in the dual system by the end of 2010 for those seeking training and in need of assistance from earlier school-leaving years of schools providing general education are being assisted with a one-off training bonus of € 4,000, 5,000 or 6,000 per additional trainee. This exceptional provision, which will apply only until the end of 2010, does not affect the principle that industry is primarily responsible for training its own succeeding generations of skilled workers. Moreover, in addition to the various unpaid sponsorships, young people requiring special assistance are to be assisted in the coming years with preparation of school-leaving exams, career guidance and choice of career and, during the transition to vocational training, will be given initial vocational training support. Also, in exceptional cases, help may be given with a second course of vocational training through the discretionary payment of vocational training assistance.

The successful **integration of older long-term unemployed people into the employment market** is to be reinforced through the extension and regional expansion of the Federal programme “Perspective 50 plus – employment agreements for older people in the regions” in the 2008 to 2010 period. The Federal Government is seeking to increase the employment rate of older people to 55% by 2010. The stakeholders in the 62 employment agreements expect to be able to mobilise over 200,000 older long-term unemployed people and integrate 50,000 people into the general employment market by the end of 2010. The Federal Government has made around € 275 million available for this purpose. Along with the extension of entitlement to unemployment benefit for workers aged 50 and over on 1 January 2008, an integration certificate was introduced for that category of persons, which guarantees an employer a wage cost subsidy of 30% to 50% of the wage costs for twelve months.

The **Länder** have adopted various ESF-funded measures to improve the integration into the employment market of the long-term unemployed and people with particular placement difficulties. For example, **Saxony** is supporting the creation of fixed-term employment contracts in small and medium-sized enterprises or in charitable institutions through projects designed to restore, maintain and increase employability. They may be accompanied where necessary by socio-educational support and assistance with obtaining qualifications. The starting point for this was the recognition that long-term unemployed people with particular placement difficulties need differentiated opportunities for integration in order to improve their employability initially and enable them to be integrated into the so-called primary employment market. € 32.2 million have been made available for these measures over the whole programme period (2007 to 2013).

The **vocational integration of disabled people** is still a particular challenge. The “Jobs without Barriers” initiative co-financed with ESF funds for the training and employment of disabled people and prevention strategies at the workplace is being implemented with the involvement of employers’ associations, trade unions, disabled people’s organisations, social services and the Council for the Integration of People with Disabilities until 2010. It essentially aims to make employers aware of the regulations on the integration of disabled people into working life on the general employment market on an equal opportunities basis and of the possibilities for financial assistance, and to show successful examples of workplace integration. The Job4000 employment market programme for better vocational integration of especially affected severely disabled people is also being implemented until 2013. 4,000 especially affected severely disabled people are to be integrated into employment and training places through additional individually targeted financial assistance. Job4000 is being implemented jointly with the Länder, which are responsible for the programme, and the Federal Employment Agency, which supports it through targeted and result-oriented benefits paid to disabled people under SGB III. Nationwide assistance is available from both specialist integration services and vocational support services, which are effective instruments for promoting participation in working life.

The **vocational integration of disabled people** is also being promoted **at Land level**. In Baden-Württemberg, considerable improvements have been made since 2005 by the Integration Service’s “Action 1000” programme in enabling disabled people to make the transition from schools and workshops. Joint career path planning within the framework of the network and career path conferences was introduced as a pioneering development. The Specialist Integration Services are primarily responsible for supporting that target group. New measures were successfully developed with ESF aid for the sustained improvement of school and vocational training, preparation and placement in an activity on the employment market. Since then, around 2,000 mentally handicapped people have been assisted by the Specialist Integration Services. Between 1 January 2005 and 31 December 2007, 717 national insurance based employment contracts were secured for that target group.

The “**disability management**” introduced by the statutory accident insurance scheme in 2004 also assists the vocational reintegration of people with health-related limitations and disabilities. The fulcrum for this is provided by “disability managers”, who assist businesses with the implementation of integration management and help staff members to return to work as soon as possible after a long illness or an accident. To this end, they contact insurance companies, doctors, supervisors and works councils and seek industry-wide funding assistance. This takes the burden off social insurance institutions. Sick and injured people have the chance of remaining in employment or returning to it. Employers thereby fulfil an obligation under the SGB IX.

#### 4. Reinforcing education and training opportunities

**A school education and vocational qualifications** are the basis for economic and social integration and the best protection against unemployment and income poverty. Permeability of the education system and the possibility of pursuing successful educational careers in different ways are important criteria for fulfilling opportunities for integration. Further improvement of educational opportunities is a national challenge that must be met by all stakeholders in their respective areas of responsibility.

The **qualifications initiative** adopted by the Federal Government in January 2008 underlines the importance of education and qualifications for the individual and for securing growth and employment. It incorporates all measures that open the way to further education and qualifications. The qualifications initiative covers activities that provide assistance and support throughout life from education in early childhood to further education in employment.

The chances of a successful education increase with the **earliest possible individual support**. An important project of pre-school education through care is the **expansion of daytime care for children under three by 2013 to 750,000 places** in nursery schools and day-care provision approved by the Federal Government, Länder and local authorities. To improve the quality of education in early childhood, the Federal Government will also start a “Further Training in Childcare” initiative for teachers and childminders in 2008 as part of the qualifications initiative. Daytime care of children as a profession will be developed further and social provision for daytime carers will be improved. The Länder had already agreed in 2004 on a common framework for early education in nursery schools and developed it further into common general guidelines on education in nursery and primary schools, which were fleshed out and put into concrete form in education plans and guidance for 0 to 10 year-olds.

Ensuring **good educational prospects for all children of school age** presupposes that the strengths and learning abilities of each individual are taken into account. Expansion of all-day school provision through the “Future Education and Care” programme (2003-2009), which the Federal Government is supporting with € 4 billion, aims to create equality of opportunity in education through increased possibilities for education and development. All-day schools offer better conditions for individual development that is focussed on the

particular strengths, interests and abilities of the individual child. All-day schools can intersperse school tuition and out-of-school educational and leisure activities.

The Länder, which are responsible for school reform measures, will especially concentrate in the coming years on **significantly reducing the number of underachieving schoolchildren**, assisting children and young people from immigrant backgrounds more effectively than before and increasing the educational opportunities of all schoolchildren irrespective of their social origin. The development and motivation of underachieving schoolchildren are to be achieved through additional learning and support time, more practical learning content and new ways of communicating skills. In the first stage of secondary school, existing approaches to thorough language support will be extended further. By introducing education standards for the primary sector, the first stage of secondary school and, shortly, the second stage of secondary school nationwide, the Länder are creating the necessary basis for improving the quality of tuition, more comparability and fewer differences in achievement. The transition to vocational training is being assisted in schools through various instruments of the Länder aimed at providing guidance on the working environment and careers. Projects and measures implemented as part of career guidance may be documented in the career plan.

The Federal Government will focus in its area of responsibility on educational research, improvement of ways of assisting disadvantaged young people and development and testing of training modules. In the **“Perspective Vocational Qualifications” programme**, a new structure-oriented programme approach will be implemented for young people and young adults with special assistance needs (disadvantaged people). The chances of integration for that target group will be improved through preventive assistance measures aimed at achieving educational and vocational qualifications and re-integrative measures aimed at subsequent acquisition of qualifications and late acquisition of vocational qualifications. The “Perspective Vocational Qualifications” programme is directed at reducing the proportion of young people and young adults without vocational qualifications on a sustainable basis. Special emphasis is being placed in this regard on strengthening individual assistance according to need and improving the opportunities for training and further education of young people from an immigrant background. This programme for the further development of the support structures for young people and young adults with special support needs began in early 2008 and is being co-financed from the current ESF funding period.

As part of the qualifications initiative, the Federal Government is setting itself the challenge of adopting special measures for the around 15% of people who reach the age of 35 without vocational qualifications and therefore have severely limited prospects on the employment market. New opportunities will be provided under the “Youth – Training and Employment” scheme for trainees who have previously sought a training place in vain (so-called old applicants). Apart from the training bonus, training support will be intensified, training sponsors assisted and more staff made available for careers advice. The **National Agreement on Training and Skills for the New Generation** has also been extended by a

further three years, in which industry pledges to create 60,000 new training places per year and provide 40,000 internships for initial vocational qualifications. Moreover, 30,000 new firms are to be enlisted in training.

The objective of **making educational success possible irrespective of social origin** requires **greater permeability between the various branches of the education system**. In order to open up more paths to advancement beyond vocational training and employment, from 2008 the Federal Government is awarding an advancement scholarship under the qualifications initiative to gifted graduates of the dual vocational training system who want to embark on a course of study at university. The Federal Government will also make an additional investment in training assistance by considerably increasing the requirement rates and allowances from the autumn of 2008 under the 22<sup>nd</sup> Law amending the Federal Training Assistance Law. As a result of one of the most major increases in financing in the history of the Law (the Federal Government's share alone amounts to additional costs of almost € 300 million per year in the medium term), the **number of people receiving assistance will be expanded significantly**, probably by around 100,000 schoolchildren and students as a monthly average. The new Federal Training Assistance Law regulations, which entered into force at the beginning of 2008, also improve equality of opportunity in education by providing better assistance both for trainees with their own children and foreign trainees (see Chapter II.6). The new childcare supplement will make it especially easier for young mothers to combine training with child-raising. At the same time, assistance to trainees in vocational training and participants in vocationally oriented educational measures has been significantly extended through vocational training support.

**Lifelong learning** offers protection from social exclusion and opportunities for integration into working life. The Federal Government therefore aims **to get more people with low qualifications to participate in further education**. It will also reinforce the regional structures of further education and improve regional information on workforce supply and demand and the qualifications required. The aim is to increase overall participation in further education from the current 43% to 50% in 2015. By means of the so-called further education savings plan, low and middle income groups in particular are to be motivated to participate in further training. The aim is to introduce further education premium payments from ESF funds of up to € 154, premature withdrawal of savings deposits with neutral effect under the Capital Formation Law and further education loans at favourable rates of interest. The € 200 million programme to assist low-qualified and older workers is also making an important contribution to maintaining and improving the employability of older and low-qualified workers.

## 5. Strengthening of families and fighting child poverty

The Federal Government has oriented its strategic approach to strengthening families towards achieving more interaction between labour market, integration, education and family policies and coordinating the activities of the Federal Government, Länder and local authorities in a targeted way.

The close connection between parental employment and family income and the risk of poverty of families and their children on the one hand, and the reduction of the poverty rate of children through social policy transfer payments from 34% to 12% on the other, demonstrate the efficiency of the present benefit structure. Nevertheless, increasing parental employment is still central to the integration prospects of children. It is also essential to maintain social and family policy transfer payments and organise them effectively. The “Family-Related Benefits Authority” established in the autumn of 2006 by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth is also reviewing the effectiveness of family-related benefits and measures in terms of the objectives of a In order to reduce the **risk of income poverty in the family establishment phase**, the Federal Government introduced the **parental allowance** on 1 January 2007. It is intended to stabilise the economic situation of families in the first year after the birth of a child and to offer parents choices on how they divide the care between mother and father. It also aims to create a breathing space for parents after the birth of a child and to enable both parents to be economically independent by balancing family and gainful employment. So-called partner months have also been introduced with the parental allowance, whereby parental allowance is paid for 14 months instead of twelve, where both parents make use of the parental allowance. This represents a step towards greater sharing of work between partners and increased participation of women in gainful employment. Single parents also receive parental allowance for two more months. The parental allowance generally amounts to 67% of the net income of employed people over the previous twelve months and in any event is at least € 300 and at most € 1,800. Parents without income receive the minimum amount. In the case of low earners with a net income of less than € 1,000, the replacement rate is increased up to 100% in order to ensure adequate protection of family incomes. Around 20% of families benefit from the low-earnings component. Further supplements exist for multiple births or further small children in the household. An initial evaluation report was produced in the autumn of 2008.

**In order to prevent risk of poverty of families whose own earned income is too low**, the Federal Government introduced the **child supplement** in 2005 to underpin the “supporting and demanding” principle. The child supplement is paid to parents who can cover their own needs from their earned income but do not have sufficient financial means to cover the needs of their children as well. In the majority of the family households entitled to claim the supplement, at least one person is in full-time employment. Since 1 January 2008, the previous limitation on the duration of assistance to three years has been removed. From October 2008, the number of those entitled to claim will be extended and the procedure will be simplified by applying uniform minimum income thresholds. The new provision also introduces stronger employment incentives: in future, families who earn extra can keep more of the income that they have earned themselves. An accommodation allowance is paid so that low-income households can cover the costs of adequate family accommodation. Accommodation allowances will be significantly increased on 1 January 2009. From 2009, around 106,000 families and therefore 250,000 children (previously 100,000 children) will be independent of Unemployment Benefit II as a combined effect of

the improvements in accommodation allowance payments and the extension of the child supplement.

In the case of the child supplement, it can be seen how labour market policy, childcare provision and family-related transfer payments interact and assist opportunities for employment and income. They are also helped by the distinctly improved allowance against tax of childcare costs resulting from employment since 2006.

Under an agreement between the Federal Government and the Länder, **a level of care provision for small children under three years of age of 35% should be achieved nationwide by 2013**. Until then, the Federal Government is making a total of € 4 billion available for investment costs (via a special fund) and operating costs (via a fixed amount of turnover tax revenue). A legal entitlement to a care place from the second year of life applicable from the 2013/2014 nursery school year onwards ensures that the funds made available by the Federal Government are used to expand childcare.

The additional cost allowance for **daytime childcare**, which is paid, for example, in Mecklenburg-West Pomerania, also relieves the cost burden on parents who are at the same time receiving employment assistance. The integrative possibilities of assistance with daytime childcare have caused Saxony-Anhalt to establish an entitlement to whole- or half-day care until the beginning of the 7<sup>th</sup> school year in a Child Assistance Law. Early education and care of children has positive effects for the parents and the children (see Chapter II.4). An integral part of a policy to reduce child poverty and establish a sustainable child and family policy are measures in a number of Länder to relieve the cost burden on parents who receive payments under SGB II or XII. In Mecklenburg-West Pomerania, Rhineland-Palatinate, North Rhine-Westphalia and the Saarland, an allowance is provided for the cost of school lunches.

After the early years of childhood, another important stage in social integration and the provision of opportunities for social participation is the transition to adulthood or from school to training and employment. Organising **equal opportunities for education, training and employment** is and remains the key to fighting poverty on a sustainable basis and to permanently preventing a “poverty legacy”. In this connection, the Federal Government has started a number of measures and assistance programmes for disadvantaged young people with the aim of introducing locally established projects near to the living environment of the target group, achieving an intensive and personal dialogue with young people and providing specific assistance in the process (see Chapter II.4).

At the “**Child Protection Summit**” in December 2007 and the subsequent conference on 12 June 2008, the Federal Government and Länder agreed on specific measures for early implementation to bring about a sustainable improvement in child protection in Germany. They cover training for and the increased binding nature of medical check-ups for children, close coordination between youth welfare services and the health system and simplification of family court action where a child’s welfare is in danger.

**To prevent children from being neglected and abused**, which can result from social exclusion, the Federal Government has been promoting model projects as part of an **action programme** that will run for 5 years on a budget of € 10 million. In those projects, early assistance for parents and children and early warning systems to protect small children, facilitate early recognition of risks and endangerment and implement effective help systems are developed and tested. For example, they incorporate child protection hotlines, parent schools, the assistance of family midwives and the combined expertise of professionals from the youth welfare, health, police and family court sectors, among others, into child protection assistance. These measures are being implemented at Land level. The National Early Help Centre set up by the Federal Government collates experiences and assists the Länder and local authorities in implementing effective help systems in the field. The programme is focused on continuing assessment of the current situation and appraisal of existing approaches and projects as well as exchange of experiences with the Länder and local authorities.

The **connection between people's social and health situation**, which can also be seen in Germany, **must be counteracted**. Health prospects and risk of illness are influenced by education, the living and working environment and income position. Health problems and illnesses can have an adverse effect on educational, employment and income prospects, especially if they are of long duration. There is a clear connection between a low level of education and health behaviour in the development of children and adults. Men from the lowest professional status group suffer from ill health almost three times more often than men from the highest professional status group, and in the case of women it is five times more often. Surveys show that a monetary risk of poverty (taking account of age differences in the composition of the income groups) almost halves the chances of good or very good health.

Through the **strategy to promote child health** adopted in May 2008, the Federal Government is pursuing a comprehensive policy of health promotion and its central activities are incorporated in that strategy. One priority is the early strengthening of health authorities and of personal, family and social resources. Special consideration is being given to risk groups such as children from immigrant backgrounds.

The life situation of children and young people has also been the subject of **social reporting and measures by the Länder**. Besides an increase in child and youth poverty in recent years (at present almost one in four children lives in a low-income household), the North Rhine-Westphalia social report of 2007 also records many and various disadvantages, especially in education, health and accommodation, as well as an increased risk of poverty in the case of children from an immigrant background. Low income, lack of financial security and lack of prospects of an improvement in living conditions are experienced as a burden and massively limit the children's possibilities of social integration. The results of the social report prompted the establishment of a "Help for Children in Need" round table in North Rhine-Westphalia (see below II.7).



## 6. Integration of immigrants

The policy challenge continues to be the **inclusion and social integration of all immigrants** so as to ensure social cohesion in society. Integration is a long-term process, which aims to include in society all people who are living in Germany legally and on a lasting basis and to afford them general access to all areas of social life on an equal rights basis as far as possible.

The awareness of the high importance of integrating immigrants for community cohesion and stability is expressed at Land and local authority level by the fact that, in parallel with the Federal Government's agencies, integration policy authorities have been established in ministries and advisory bodies solely responsible for that area or in agencies of the Länder such as in North Rhine-Westphalia, Berlin, Lower Saxony, Rhineland-Palatinate, Hamburg and Hesse.

The **National Integration Plan** of July 2007 places integration policy in Germany on a new footing. All levels of government – Federal Government, Länder and local authorities – as well as representatives of civil society and immigrants have agreed on a sustainable integration policy. The National Integration Plan contains 400 measures and commitments made individually by all the participants. In the plan, the Federal Government is pursuing new avenues towards a more dynamic and sustainable integration policy that recognises and enhances the potential of immigrants. The Federal Government's guiding principles for a successful integration policy are dialogue and the close cooperation of all stakeholders, exhaustion of all potential, assignment of a key role to women from immigrant backgrounds and development of an active civil society. The Federal Government is focussing its policy on relevant fields of action in order to achieve visible progress in the integration of immigrants. They include further development of integration courses and assistance with the German language from the outset, ensuring good education and training and increasing employment market opportunities, improving the life situation of women and girls, the establishment of equal rights and the strengthening of civil society. It is a task that cuts across all levels, which must be targeted on the basis of facts and measured by clear indicators. In this and the following years, the Federal Government will make around € 750 million per year available for direct integration assistance or for measures primarily aimed at promoting integration in the individual plans of the Federal Government ministries. The Federal Government will conduct an interim review of the implementation of the National Integration Plan by the end of 2008.

**Language support** is a priority of immigrant integration policy, as lack of language knowledge is shown to be the greatest obstacle to social integration in all areas. Language support for children and young people as a prerequisite for successful integration is therefore being increasingly planned across all institutions and throughout all educational establishments. To this end, the linguistic progress of children aged 4 to 4½ is already being studied in child day-care centres (e.g. in North Rhine-Westphalia and Hesse) with a view to introducing language support measures in a targeted manner. In Bavaria, for example, language support has been legally established in child day-care centres since 2005.

Assistance with linguistic development is given considerable importance in the education plans of the Länder for early childhood.

The integration course (language and orientation course) is the Federal Government's most important assistance measure for adult and young immigrants who are no longer required to attend school. From 2008, € 155 million per year is being made available. A number of suggestions for improvement have been incorporated into the amendment to the Integration Course Order. For example, basic assistance for specific target groups, e.g. young people, women and parents, illiterate people and people with special linguistic needs has been increased from a maximum of 600 teaching units to 900 teaching units. A section of a course (300 teaching units) can be repeated once with State assistance, so that the maximum assisted duration for that part of the course is 1,200 teaching units. The orientation course was increased from 30 to 45 teaching units.

It is essential for the long-term success of our knowledge-based society that the potential of young immigrants who are attending the German school system is developed and that young people from immigrant backgrounds achieve **better school-leaving and academic qualifications**. The Federal Government is assisting the Länder with educational research and with the development of plans and instruments, in particular on language support matters and intercultural education.

The Federal Governments also lays special emphasis in its labour market policy on promoting the vocational integration of immigrants. Besides general labour market policy assistance, measures specific to immigrants are therefore being introduced (vocationally-oriented language courses, "Integration through Qualifications" information and advice network). The Federal Government is committed to widening the spectrum of career choice, establishing appropriate public assistance provision and developing it further on a target-group oriented basis. In particular, the number of training opportunities for young people from immigrant backgrounds is to be increased. An important instrument in this regard is the **Federal Government's special programme to provide initial vocational training for young people** (see Chapter 1.4).

In June 2008, the **Programme to provide employment market assistance for those with leave to remain and refugees with access to the employment market** funded by the Federal Ministry of Labour and Social Affairs and the ESF was launched with the publication of the assistance guidelines and a call for expressions of interest. It is being implemented as a separate programme within the XENOS "Integration and Diversity" programme. Firstly, network activities are being promoted from the autumn of 2008 until October 2010. The know-how of various local institutions is to be pooled in networks of 3-5 partners. The priority of the project activities being promoted will be, in common with the basic security agencies and, where appropriate, other stakeholders (e.g. welfare offices and alien registration authorities), to advise and assist people with leave to remain and refugees in gaining access to the employment market in order to increase and safeguard their prospects of integration into the employment market. The advisory activities are focussed especially on businesses with the aim of creating lasting employment for more people. Language support

measures in preparation for or during employment are also to be an integral part of assisted project activities. Around € 15 million of ESF funds has been made available to implement the Federal Government's programme in the 2008-2010 funding period. Around 35 networks may be created nationwide. A total expenditure of between € 500,000 and € 800,000 may be eligible for assistance per network.

Further provision for native and immigrant academics is being made through **AQUA**. It is an educational opportunity being provided by the academic programme of the Otto Benecke Foundation, which is assisting the vocational integration of that category of persons where they are receiving Unemployment Benefit I or II. The 13-month further education measures started in October 2007 throughout Germany in cooperation with selected universities and in conception and practice are geared towards the current requirements of working life. The programme prepares the participants for (re-)entry into working life by providing the relevant expertise and through integrated phases of practical training. The study supplements are financed by the Federal Ministry of Education and Research and by the European Social Fund. The participants continue to receive Unemployment Benefit I or II throughout the duration of the further training.

On 1 January 2008, improved training assistance for immigrants under the Federal Educational Assistance Law was introduced **to increase the prospects for children of immigrants** of starting employment. Foreign young people who are already entitled to permanent residence or have been living for a long time in Germany and have the prospect of permanent residence will in future receive vocational training assistance even if their parents have not previously been employed for a minimum amount of time or they themselves have not been employed. This honours the commitment made by the Federal Government in the National Integration Plan. However, integration is also being made easier for adult immigrants through educational and advisory assistance. In conjunction with Federal Government assistance, Hamburg, for example, is implementing additional measures specific to immigrants that are being directed by regional integration centres on a decentralised, needs-oriented basis.

Almost half of the people living in Germany with an immigrant background are women and girls. In their role as mothers in particular, they play a key part in the integration of the next generation. Integration policy must therefore have special regard to **women as the engine of successful social integration**. Sound language knowledge, a civic outlook and self-confidence derived from being gainfully employed are vital to their participation on an equal basis and representation of their own interests. Catching up with education (both school-leaving qualifications and training) therefore takes on tremendous significance. It must be planned and implemented according to the needs of the women concerned. The established low-threshold provision by the Federal Government of courses for the integration of foreign women with special integration needs (courses for women) is being continued.

Besides employment and education, **improvement of accommodation and living conditions** is of key importance for the integration of immigrants. In many cities, there are

districts with a high proportion of immigrants: integration successes as well as problems are most evident there. Measures targeted at social areas are therefore needed to support the integration process at local level. There is a particular need for action in districts where structural, economic and social problems are concentrated. A central instrument for improving living conditions in such districts is the Federal Government and Länder Social City Programme, in which around 320 communities in approximately 500 regions have been assisted throughout Germany so far. Following the increase in Federal Government funding from € 70 to 110 million per year since 2006 and the extension of assistance to model social integration projects, in particular in the area of youth and education policy (e.g. support in leisure time, improvement of school-leaving and educational qualifications), increased assistance can also be given to measures for the integration of immigrants. In all, financial assistance amounting to around € 760 million was made available from 1999 to 2008; together with the supplementary funding provided by the Länder and local authorities, around € 2.3 billion was made available. Additional employment policy measures for the long-term unemployed and young people (especially from immigrant backgrounds) and to strengthen the local economy in the Social City Programme areas are being promoted in the ESF and Federal Government funded supplementary programmes “Local Employment, Education and Integration” (2007/2008) and “Education, Business, Employment in the Districts” (being put out to tender in 2008).

The Federal Government’s **community and residential environment projects** are also helping to promote the social integration of immigrants at local level. The projects are designed to help improve mutual acceptance and co-existence as well as the social integration of immigrants. Projects with a resource-oriented integration approach are being increasingly promoted to strengthen skills and abilities acquired in the country of origin. Strengthening the feeling of self-worth, activating self-help potential and promoting civil commitment figure largely in this. A further priority is preventing drug addiction, violence and crime. The relevant projects contain preventive measures especially for young people at risk whose behaviour is conspicuous and who are not reached by standard forms of assistance. They are encouraged through socio-educational assistance to visit advice centres and undergo treatment or preventive measures. Parents are intensively involved in the work of the project and assistance is given with their child-raising skills. Besides the integration of new immigrants, consideration is also given to delayed integration. Important aspects are the active involvement of the immigrant representative organisations and the use of their potential as a bridge between the majority of society and immigrant groups, the recruitment of honorary post holders as sponsors/integration pilots for new arrivals or as mentors supporting young people making the transition from school to employment, mediation in intercultural disputes in the residential sphere, better networking and cooperation of all stakeholders in integration work and common civil commitment at local level. Up to 500 community-oriented projects are assisted annually in collaboration with numerous associations, societies, immigrant organisations, foundations, initiatives and authorities at Federal Government, Land and local authority level. As in 2007, around € 14.4 million for non-age specific measures and around € 7.2 million for measures specific to young people were made available for that purpose in 2008.

## 7. Better governance (objective (f))

Against the background of the Lisbon Strategy and the Open Method of Coordination, new forms of cooperation between the Federal Government and the stakeholders of civil society have been developed since the beginning of the process in 2001 in the policy field of social integration. The aim is to bring about a concerted process of dialogue between all stakeholders and all Federal levels which extends from the production of and consultation on the National Action Plans to a series of events and platforms that strengthen dialogue between all the participants in the policy field of social integration and are designed to combine commitment and action in a diversified system of responsibilities.

Since 2001, the Federal Government, Länder and local authorities as well as representatives of civil society through the “Permanent Advisory Committee for Social Integration” and scientific representatives have participated in the production of the National Action Plans. All stakeholders outside the Federal Government have been involved in the preparation of the 2008-2010 National Action Plan for Social Integration at several stages. Firstly, they were asked to submit contributions to the production of the draft Report. Their contributions were incorporated into the preparation of the draft Report.

The 2008-2010 National Action Plan for Social Integration was drawn up in parallel with the production of the Federal Government’s **3<sup>rd</sup> Poverty and Wealth Report**, which contained a more comprehensive analysis of social inclusion and equality of opportunities that was included in the reporting process. For the first time, the 3<sup>rd</sup> Poverty and Wealth Report uses the EU-SILC results and, as with the 2<sup>nd</sup> Report, includes the Laeken indicators.

**Including the stakeholders** in the production of the Strategy Report forms part of the process that the Federal Government began under the Lisbon Strategy. Equally important are the events and platforms that were established to promote dialogue and discussion between the stakeholders. They include the FORTEIL – A Forum for Participation and Social Integration – series of events that the Federal Government has been holding since 2005. In 2007 and 2008, a workshop was held on each social integration theme. In 2007, the new EU PROGRESS programme – Community Programme for Employment and Social Solidarity – was launched with a FORTEIL workshop in which representatives of scientific institutes, non-governmental organisations, welfare associations, networks and local authority sponsors took part. Participants in the earlier “2002-2006 Action Programme to Fight Poverty and Social Exclusion” presented the results of their projects and reported on their experiences. Those interested in the new programme could gather information about the content and conditions of PROGRESS. At a further workshop in February 2008, social reporting at the various Federal levels and in the EU was discussed in terms of its political exploitability. In the course of that, it became clear that reporting in the Federal Government, Länder and local authorities has completely different priorities and objectives, but that its importance for a policy of social integration is a common factor. The FORTEIL series of events is set to end in the autumn of 2008 with a final event. The concluding conference will look forward to the national preparations for the European Year for Combating Poverty and Social Exclusion in 2010.

The preparation and holding of the **6<sup>th</sup> European Meeting of People Experiencing Poverty** under the German Presidency of the EU Council in May 2007 was of great importance for the national dialogue on social integration. With the support of the Federal Government, the National Poverty Conference held a preparatory meeting in November 2006 in order to make the German delegation's representation at the meeting in Brussels more broadly based. In the autumn of 2007, invitations were again issued to prepare the 7<sup>th</sup> meeting. A review was conducted within the context of the 6<sup>th</sup> Meeting of People Experiencing Poverty ("Tackling Poverty and Social

Exclusion – Progress made, future steps") of the progress made since the beginning of the process in 2001. The good examples presented clearly showed that the efforts and small steps being made in the work at local level are having effect and that the dialogue of those concerned with political representatives is being strengthened. At the same time, it became clear that much still needs to be done to successfully combat poverty and exclusion. In its conclusions, the Federal Government urged the participants to provide those most removed from the employment market with the opportunity for economic integration, progressively implement the common objectives in the areas of employment, social protection and social inclusion, tackle reducing child poverty in a resolute manner and include stakeholders and all those responsible at national and European level in the process.

By **establishing a "Help for Children in Need" round table in North Rhine-Westphalia**, the Government of North Rhine-Westphalia is setting itself the aim of creating new opportunities especially for children who are growing up in low-income families. For this purpose, the existing measures of all ministries are being collated, assessed and incorporated into a common action plan. Apart from the regional ministries, representatives of other institutions such as, for example, local authorities, churches, voluntary welfare associations, both sides of industry, voluntary sponsors of youth welfare and associations in the school sector are to be involved at a second stage. The first results will be published at the beginning of 2009. The round table's objectives include:

- Improving educational opportunities irrespective of social origin,
- Strengthening parents' child-raising skills,
- Strengthening health prevention, in particular promoting a healthy diet and exercise, and early medical diagnosis,
- Protection from neglect, abuse and violence,
- Defusing local flashpoints,
- Improving compatibility of family and work,
- Promoting employment among parents,
- Combating unemployment,
- Strengthening employment of women.

## Annex 1: Social Integration Indicators

|   | Year      |           |
|---|-----------|-----------|
|   | 20        | 20        |
| <b>At-risk-of-poverty rate</b><br>(below 60% of the median equivalised income)  | <b>12</b> | <b>13</b> |
| <b>At-risk-of-poverty rate by household type</b><br>(below 60% of the median equivalised income)                                      |           |           |
| <b>Households with no dependent children</b>  | <b>14</b> | <b>14</b> |
| Person living alone   | 23        | 22        |
| <b>Households with dependent children</b>   | <b>11</b> | <b>11</b> |
| Single parent with children   | 25        | 24        |
| Two adults with three or more children  | 11        | 13        |
| <b>At-risk-of-poverty rate by work intensity</b><br>(60% of the median equivalised income, at least 1 person aged 18-64)              |           |           |
| <b>Households with no dependent children</b>  |           |           |
| Work intensity = 0  | 33        | 34        |
| Work intensity between 0 and 0.5  | 23        | 22        |
| Work intensity between 0.5 and 1  | 4         | 7         |
| Work intensity = 1  | 4         | 5         |
| <b>Households with dependent children</b>   |           |           |
| Work intensity = 0  | 49        | 48        |
| Work intensity between 0 and 0.5  | 26        | 22        |
| Work intensity between 0.5 and 1  | 7         | 8         |
| Work intensity = 1  | 4         | 4         |
| <b>At-risk-of-poverty rate by accommodation tenure status</b><br>(60% of the median equivalised income)                               |           |           |
| Owner-occupied  | 8         | 9         |
| Rented  | 18        | 17        |
| <b>At-risk-of-poverty rate by highest level of education</b><br>(60% of the median equivalised income, population 18 years and older) |           |           |
| <b>ISCED 0-2 (lower secondary education level)</b>  |           |           |
| Female  | 22        | 19        |
| Male  | 18        | 18        |
| Total   | <b>20</b> | <b>19</b> |
| <b>ISCED 3-4 (vocational training, Abitur, additional one-year further training)</b>  |           |           |
| Female  | 12        | 11        |
| Male  | 12        | 11        |
| Total   | <b>12</b> | <b>11</b> |
| <b>ISCED 5-6 (foreman's qualifying examination, polytechnic college, vocational training college, university)</b>                     |           |           |
| Female  | 9         | 8         |
| Male  | 8         | 7         |
| Total   | <b>8</b>  | <b>7</b>  |

|   | Year |      |
|---|------|------|
|   | 2004 | 2004 |
| <b>Dispersion of poverty risk</b>                 |      |      |
| at and below 40% of the median equivalised income | 3%   | 4%   |
| at and below 50% of the median equivalised income | 7%   | 7%   |
| at and below 70% of the median equivalised income | 20%  | 20%  |

Source: Eurostat, EU-SILC

Table: Poverty risk of the population with immigrant backgrounds in the year 2005

|   | Share of population | At-risk-of-poverty rate |
|---|---------------------|-------------------------|
| Population with no immigrant background |                     |                         |
| Female                                  |                     |                         |
| Male                                    | 80.7%               | 11%                     |
| <b>Total</b>                            | <b>82.1%</b>        | <b>12%</b>              |
|   | <b>81.4%</b>        | <b>12%</b>              |
| Population with an immigrant background |                     |                         |
| Female                                  |                     |                         |
| Male                                    | 19.3%               | 28%                     |
| <b>Total</b>                            | <b>17.9%</b>        | <b>29%</b>              |
|   | <b>18.6%</b>        | <b>28%</b>              |

Source: Federal Statistical Office, Special Evaluation of the 2005 Microcensus

Table: Pupils with low reading literacy according to the PISA school performance survey

|                                   | Year        |             |             |
|-----------------------------------|-------------|-------------|-------------|
|                                   | 200         | 200         | 200         |
| Level 0                           | 9.9         | 9.3         | 8,3         |
| Level 1                           | 12.7        | 13.0        | 11.8        |
| <b>Total low reading literacy</b> | <b>22.6</b> | <b>22.3</b> | <b>20.0</b> |

Source: OECD



## Annex 2: Examples of good practice

### 1. The Federal Government's "Job – Jobs without Barriers" initiative

| Description of measure   | Member State  |
|--|---|
| "Job" Initiative   | Germany   |
| Purpose of measure   |   |
| Improving the chances for disabled and severely disabled people of integration into working life on the general employment market  |   |
| Summary of key results   |   |
| <p>There is a great need for information on the regulatory framework for the sustainable integration of disabled people into working life on the general employment market. Practical examples of successful integration of disabled people need to be publicised so as to encourage their imitation.</p> <p>The <b>German Student Welfare Organisation's Information and Advice Centre on Study and Disability</b> is also helping to ensure that barrier-free access is granted to university education together with equal opportunities in study and career for people with disabilities and chronic illnesses. The centre has been assessed and the results of the assessment are published under: <a href="http://www.studentenwerke.de/behinderung">http://www.studentenwerke.de/behinderung</a>.</p> |   |
| Target group   | Policy emphasis   |
| General population<br>Children<br>Single parents<br>Unemployed people<br>Older people<br>Young people<br><b>People with disabilities</b> x<br>Immigrants/refugees<br>Ethnic minorities<br>Homeless people<br>Special ailments/illnesses<br>Other [please specify:]<br><b>Employers</b> (because they can make training places and jobs available on the general employment market) x   | <b>Social exclusion</b> x<br>Health<br>Long-term care<br>Governance<br><b>Geographical scope</b><br><b>National</b> x<br>Regional<br><b>Implementing institution</b><br><b>Federal Ministry of Employment and Social Affairs</b> in cooperation with a number of partners |
| Context/background of the initiative   |   |
| Although the training and employment situation for disabled and severely disabled people on the general employment market has improved in recent years, there are still differences compared to the situation of non-disabled people, which must be removed. Adequate participation of severely disabled and disabled women in working life on the general employment market must be ensured.  |   |

| <b>Details of the initiative</b> |   |
|----------------------------------|---|
| <b>1.</b>                        | <b>What is/was the time frame for implementing the initiative?</b>  |
|                                  | 1 <sup>st</sup> Phase: 2004 to 2006<br>Assessment as part of a Federal Government report to the Federation's legislative bodies<br>2 <sup>nd</sup> Phase: 2007 to 2010  |
| <b>2.</b>                        | <b>Specific objectives</b>  |
|                                  | Increasing employers' willingness to train and improving in-house training opportunities for disabled and severely disabled young people<br>Improving employment of severely disabled people, particularly in small and medium-sized undertakings<br>Promoting corporate awareness to maintain employability by introducing corporate inclusion management  |
| <b>3.</b>                        | <b>How were those objectives implemented?</b>   |
|                                  | Model projects are being financed, in particular with ESF funds, which are suited to achieving the stated objectives on a sustainable basis through the effects at corporate level.<br>Activities are/were publicised that are not given financial assistance through initiative but represent examples of successful sustainable corporate integration of disabled people.<br>Relevant projects and activities are/were publicised through publicity work, particular by means of barrier-free internet access to the Federal Ministry of Labour and Social Affairs, but also through information material and (a few events, and information and clarification provided about the legal provision equal opportunities for disabled and severely disabled people to participate working life on the general employment market. |
| <b>Monitoring and assessment</b> |   |
|                                  |   |
|                                  | <b>How is/was implementation of the measure followed up / assessed ("monitoring")?</b>  |
|                                  | An assessment of the period 2004 to 2006 is made in the 5 <sup>th</sup> chapter of the Federal Government's report on the effects of the instruments to secure employment and promote corporate awareness (Bundestag publication 16 of 2 July 2007).  |
| <b>Results</b>                   |   |
|                                  |   |
| <b>1.</b>                        | <b>To what extent were the specific objectives achieved?</b>  |
|                                  | The situation of disabled and severely disabled people on the general employment market has improved.<br>The fall in the number of unemployed severely disabled people broadly corresponds to the fall in general unemployment. The same applies to the number of unemployed severely disabled woman.   |
| <b>2.</b>                        | <b>What obstacles/risks were encountered in implementing the initiative?</b>  |
|                                  | There was/is often a lack of information on the possibilities of lasting corporate integration of disabled people that provides adequate assistance with disabilities.  |
| <b>3.</b>                        | <b>How did you tackle those obstacles and risks?</b>  |
|                                  | Information and awareness were strengthened (also by using examples of successful lasting integration into the general employment market.   |
| <b>4.</b>                        | <b>Were there unexpected benefits or problems?</b>  |
|                                  | There was a readiness among many businesses to become involved in the initiative (even as regards recognising their social responsibilities).   |



| <b>Details of the initiative</b> |  |
|----------------------------------|--|
| <b>1.</b>                        | <b>What is/was the time frame for implementing the initiative?</b>   |
|                                  | <ul style="list-style-type: none"> <li>• Recruitment of participants by the employment agencies.</li> <li>• Four-week training measure with an educational establishment (financed by the Federal Employment Agency).</li> <li>• Two-month placement in non-profit-making places of employment solicited by Hesse within the area of the Land</li> <li>• 18-month compulsorily insurable employment (financed by Hesse) consisting of twelve months in the local placements followed by six month placements by the personnel service agencies appointed by Randstad Foundation in jobs on the free market with a view to reintegration into the employment market.</li> </ul>   |
| <b>2.</b>                        | <b>Specific objectives</b>   |
|                                  | <p>The participants should also use participation in the programme to move from compulsorily insurable employment contract to vacant jobs on the open market. They should notify the employment agencies that they are seeking further placements in order to find out about the widest possible range of suitable vacant positions. As experience shows, applications for employment are often more successful where the applicant is already currently in employment.</p> <p>Activity in employment subject to national insurance in regional placements should also help the participants as a qualification for areas of employment on the open market. In individual cases, participants may also be taken on permanently by the places of employment that have provided the placements.</p> <p>Where, by the end of the first twelve months of the compulsorily insurable employment phase, the participants are unsuccessful in obtaining jobs on the open market, the personnel service agencies appointed by the Randstad Foundation are required to place the participants in suitable jobs with customer firms. The desired effect of this is that as many participants as possible are taken on by the customer firms. It is also conceivable that participants may be employed permanently by the appointed personnel service agencies.</p> |
| <b>3.</b>                        | <b>How were those objectives implemented?</b>  |
|                                  | <p>The 902 participants began the training measure with the educational establishment between 15.02. and 15.10.2007 and entered the compulsorily insurable employment phase between 15.06.2007 and 28.01.2008.</p> <p>The personnel service agencies appointed by the Randstad Foundation act as employers who initially send the participants to the regional placements and are then required to identify suitable opportunities for employment on the open market.</p> <p>In order to facilitate integration into the employment market, the participants may leave the programme without being required to give notice if they enter into an employment contract elsewhere.</p>  |
| <b>Monitoring and assessment</b> |  |
|                                  | <b>How is/was implementation of the measure followed up / assessed (“monitoring”)?</b>   |

|                |   |
|----------------|---|
|                |   |
|                | Relevant figures on the entry of the participants into the various phases of the programme and their exit from the programme are recorded by the programme registry in Hesse's Ministry of Social Affairs. It is thereby ensured that the implementation of the measure and its success are recorded.   |
|                |   |
| <b>Results</b> |   |
|                |   |
| <b>1.</b>      | <b>To what extent were the specific objectives achieved?</b>  |
|                | <p>The participants will begin the last six months of the programme between 15.06.2008 and 28.01.2009. Since the active phase of placement by the personnel service agencies appointed by the Randstad Foundation has not yet been reached, it is currently not yet clear to what extent the objectives of the programme can be achieved.</p> <p>It is pleasing that the participants are taking advantage of the fixed-term employment in order to try to move from a compulsorily insurable employment contract to jobs on the open market. After the end of the first twelve months employment phase, it will become clear to what extent participants could leave the programme early because they have found work elsewhere.</p>   |
| <b>2.</b>      | <b>What obstacles/risks were encountered in implementing the initiative?</b>  |
|                | Some participants and people interested in joining the programme criticised the fact that personnel service agencies were among the stakeholders of the programme.  |
| <b>3.</b>      | <b>How did you tackle those obstacles and risks?</b>  |
|                | <p>Participation in the programme is completely voluntary. The employment agencies draw no conclusions from the fact that unemployed people do not wish to participate in the programme.</p> <p>Moreover, it was explained to participants that the placement efforts of personnel service agencies appointed by the Randstad Foundation are essential for the continuity of the programme. It is precisely not the intention of the programme to be a so-called work procurement measure resulting in the participants being unemployed again after the 18-month employment phase ends. Its aim is for as many participants as possible to obtain lasting employment. Where participants are unable to move from fixed-term employment contract to jobs outside the programme, the programme's objective can only be achieved through additional efforts of the personnel service agencies appointed by the Randstad Foundation.</p> |

### 3. The Free State of Saxony's programme "Training unemployed people without vocational qualifications to obtain recognised vocational qualifications"

| Description of measure  | Member State   |                    |  |                          |  |
|---|--|--------------------|--|--------------------------|--|
| "Training unemployed people without vocational qualifications to obtain recognised vocational qualifications" (QAB programme)   | Germany  |                    |  |                          |  |
| Purpose of measure  |  |                    |  |                          |  |
| In order to increase the employment prospects of unemployed people without (marketable) vocational qualifications, the Free State of Saxony is helping them obtain further qualifications on the basis of an individual approach whereby previous knowledge and professional experience are taken into account as far as possible using ESF funds and regional funds.   |  |                    |  |                          |  |
| Summary of key results  |  |                    |  |                          |  |
| <ul style="list-style-type: none"> <li>• The QAB model programme combines in a hitherto unique way various instruments, measures and approaches of vocational training and employment market policy (such as, for example, skills accounting, modular qualifications, integrated placements in firms, socio-educational support)</li> <li>• The QAB's individual approach in the various phases of the programme is based on a selection process: <ul style="list-style-type: none"> <li>○ Just under 9,000 people were assisted in the project.</li> <li>○ As a result of an intensive selection process before beginning the training towards qualifications, around 5,000 participants received a training recommendation.</li> <li>○ Currently (March 2008), around 3,400 participants are being trained in about 130 different professions.</li> </ul> </li> </ul> <p>There have been initial successes in obtaining vocational qualifications and employment, although acceptance into employment is mainly occurring through placements offered by the firms involved.</p> |  |                    |  |                          |  |
| Target group  | Policy emphasis  |                    |  |                          |  |
| <p>General population</p> <p>Children</p> <p>Single parents</p> <p><b>Unemployed people</b></p> <p><b>Older people</b></p> <p><b>Young people</b></p> <p><b>People with disabilities</b></p> <p><b>Immigrants/refugees</b></p> <p>Ethnic minorities</p> <p>Homeless people</p> <p>Special ailments/illnesses</p> <p>Other [please specify:]</p>   | <p><b>Social exclusion</b> <span style="float: right;">x</span></p> <p>Health <span style="float: right;"> </span></p> <p>Long-term care <span style="float: right;"> </span></p> <p>Governance <span style="float: right;"> </span></p> <tr> <th colspan="2" data-bbox="818 1563 1366 1619">Geographical scope</th> </tr> <p>National <span style="float: right;"> </span></p> <p><b>Regional</b> <span style="float: right;">x</span></p> <tr> <th colspan="2" data-bbox="818 1765 1366 1821">Implementing institution</th> </tr> <p><b>State Ministry of Saxony for Economic Affairs and Employment</b></p> | Geographical scope |  | Implementing institution |  |
| Geographical scope  |  |                    |  |                          |  |
| Implementing institution  |  |                    |  |                          |  |

| <b>Context/background of the initiative</b>   |   |
|---|---|
| <p>Prospects on the primary employment market are dependent on vocational qualifications. Economically active people without vocational qualifications are more affected by unemployment than those who have completed vocational training or a university education. In the Free State of Saxony, roughly half of all economically active people without vocational qualifications are unemployed. However, what is crucial for their prospects on the employment market is not the acquisition of formal vocational qualifications, but also the level of those qualifications. Compared to better-qualified groups, less-qualified people run a greater risk of not finding a job.</p> |   |
| <b>Details of the initiative</b>  |   |
| <b>1.</b>   | <b>What is/was the time frame for implementing the initiative?</b>  |
|   | 2006-2010   |
| <b>2.</b>   | <b>Specific objectives</b>  |
|   | <p>Acquisition of recognised vocational qualifications or of targeted partial qualifications (through module examinations).</p> <p>The prospects of low-qualified and long-term unemployed people being re-employed in the primary employment market are increased by training towards qualifications. The programme is therefore designed to help make unemployed people employable again and to increase their level of qualifications. In the medium and long term, it should contribute to strengthening human resources in the Free State of Saxony.</p>   |
| <b>3.</b>   | <b>How were those objectives implemented?</b>   |
|   | <p>The programme adopts an individual approach to obtaining qualifications. Comprehensive discussions and tests were carried out with each participant in the one-week period of skills accounting, following which an opinion was given to each participant that also contained a qualification recommendation in at least one vocational field based on that person's aptitude.</p> <p>Previous knowledge and work experience are taken into account as far as possible so as to shorten the training period for that individual. Training for qualifications is also implemented individually: an individual curriculum exists for each participant that covers the modules still to be completed and is adapted to the personal strengths and weaknesses of the participant. The training is in module form and the partial qualifications obtained are certified. Dropouts with certified training modules count as "successful" participants in the measure because the funds invested in them can be put to further use.</p> |
| <b>Monitoring and assessment</b>  |   |
|   | <b>How is/was implementation of the measure followed up / assessed ("monitoring")?</b>  |
|   | <p>A regional advisory committee is attached to each regional cooperation project, which advises on all matters relating to the project's implementation. A central programme advisory board consisting of representatives of the individual regional cooperation projects, the relevant authorities, the two sides of industry and the highest authorities of the state has been set up to control the whole programme.</p> <p>The assistance programme is being assessed in the context of scientific monitoring by an external service provider.</p>   |

| <b>Results</b> |   |
|----------------|---|
| <b>1.</b>      | <p><b>To what extent were the specific objectives achieved?</b></p> <ul style="list-style-type: none"> <li>• Around 3,400 participants are being trained in 136 different occupations. These participants will end their training successively the next 2.5 years.</li> <li>• 42% of QAB participants are focussing on the following (partial) training qualifications that are generally recognised on the employment market: office salesman/woman; salesman/woman; assistant registered nurse; specialist warehouse keeper; geriatric nurse; chef; housekeeper; painter; varnisher; machine mechanic; media designer.</li> <li>• In the case of 75% of the participants, the individual curricula were adjusted in the course of training to personal learning progress. In the case of 50% of the participants, the training period was shortened as the existing previous knowledge and learning progress of the participants were taken into account.</li> <li>• High degree of practical training in firms: the practice element of training measures amounts to at least 6 months or 1/3 of the training period in the case of a training period of less than one year.</li> <li>• Participants are happy with the programme: individual support in the programme and the focus on individual needs are particularly welcomed by the participants.</li> </ul> |
| <b>2.</b>      | <p><b>What obstacles/risks were encountered in implementing the initiative?</b></p> <ul style="list-style-type: none"> <li>• The programme specifications justify participation by a broad category of persons in the QAB; the category of persons is therefore quite diverse in relation to individual training requirements, care background, motivation and employability;</li> <li>• The diverse nature of the QAB participants required a high level of support.</li> <li>• The dropout rate during the training was 5-10%. <ul style="list-style-type: none"> <li>○ Participants mainly drop out because their expectations of the training have not been fulfilled in practice (unrealistic job expectations)</li> </ul> </li> <li>• Shortening of training depends on several factors: <ul style="list-style-type: none"> <li>○ The participants' individual requirements are paramount.</li> <li>○ The legal and organisational framework (e.g. legally established examination periods; training regulations)</li> </ul> </li> <li>• As regards the recognition of the individual courses of instruction, procedural practice varies in the cooperation between the training service providers and the examining bodies (professional associations).</li> </ul>   |



## 4. Rhineland-Palatinate “InPact” programme

| Description of measure   | Member State  |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
|--|---|-------------------------|----------|--------|--|----------------|--|------------|--|--------------------|--|----------|--|-----------------|----------|--------------------------|--|---|--|
| InPact   | Germany   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| Purpose of measure   |   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| Priorities: <ol style="list-style-type: none"> <li>1. Empowerment of immigrant organisations and strengthening the participation of people from an immigrant background, especially in the employment market, also in the sphere of education.</li> <li>2. Raising the awareness of and advising organisations on the subject of intercultural openness/diversity management.</li> <li>3. Publicity work.</li> </ol>                           |   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| Summary of key results   |   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| <ul style="list-style-type: none"> <li>- Successful support for numerous immigrant families in monitoring the educational progress of their children (InDica)</li> <li>- Assistance to the city of Koblenz in the adoption and implementation of a strategic integration plan</li> </ul> Position of immigrant organisation and foreigners' advisory council representative strengthened by imparting skills and knowledge (ESF-XENOS Project) |   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| Target group   | Policy emphasis   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| General population<br>Children<br>Single parents<br>Unemployed people<br>Older people<br>Young people<br>People with disabilities<br><b>Immigrants/refugees</b><br><b>Ethnic minorities</b><br>Homeless people<br>Special ailments/illnesses<br>Other [please specify:]  | <table border="0"> <tr> <td><b>Social exclusion</b></td> <td style="text-align: right;"><b>x</b></td> </tr> <tr> <td>Health</td> <td style="text-align: right;"> </td> </tr> <tr> <td>Long-term care</td> <td style="text-align: right;"> </td> </tr> <tr> <td>Governance</td> <td style="text-align: right;"> </td> </tr> <tr> <th colspan="2">Geographical scope</th> </tr> <tr> <td>National</td> <td style="text-align: right;"> </td> </tr> <tr> <td><b>Regional</b></td> <td style="text-align: right;"><b>x</b></td> </tr> <tr> <th colspan="2">Implementing institution</th> </tr> <tr> <td colspan="2"> <b>Schneider Organisationsberatung</b><br/>           (sponsor) in conjunction with the<br/> <b>Rhineland-Palatinate Working Group</b><br/> <b>Foreigners' Advisory Committees,</b><br/> <b>Arbeit und Leben gGmbH</b> and the<br/> <b>Institut für Sozialpädagogische</b><br/> <b>Forschung Mainz e.V.</b> </td> </tr> </table> | <b>Social exclusion</b> | <b>x</b> | Health |  | Long-term care |  | Governance |  | Geographical scope |  | National |  | <b>Regional</b> | <b>x</b> | Implementing institution |  | <b>Schneider Organisationsberatung</b><br>(sponsor) in conjunction with the<br><b>Rhineland-Palatinate Working Group</b><br><b>Foreigners' Advisory Committees,</b><br><b>Arbeit und Leben gGmbH</b> and the<br><b>Institut für Sozialpädagogische</b><br><b>Forschung Mainz e.V.</b> |  |
| <b>Social exclusion</b>  | <b>x</b>  |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| Health   |   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| Long-term care   |   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| Governance   |   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| Geographical scope   |   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| National   |   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| <b>Regional</b>  | <b>x</b>  |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| Implementing institution   |   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |
| <b>Schneider Organisationsberatung</b><br>(sponsor) in conjunction with the<br><b>Rhineland-Palatinate Working Group</b><br><b>Foreigners' Advisory Committees,</b><br><b>Arbeit und Leben gGmbH</b> and the<br><b>Institut für Sozialpädagogische</b><br><b>Forschung Mainz e.V.</b>  |   |                         |          |        |  |                |  |            |  |                    |  |          |  |                 |          |                          |  |   |  |

| <b>Context/background of the initiative</b>   |   |
|---|---|
| <p>A sense of belonging, recognition and self-determination (all elements of successful integration) are achieved in modern societies above all through education and employment. The Rhineland-Palatinate Government has therefore been making efforts for a number of years to promote the training and employment of disadvantaged people on the employment market. Particular attention is being paid to the 700,000 people from an immigrant background living in the Land, whose social integration on an equal rights basis is also a declared aim of the Land's integration plan adopted in 2007.</p> |   |
| <b>Details of the initiative</b>  |   |
| <b>1.</b>   | <b>What is/was the time frame for implementing the initiative?</b>  |
|   | Since the end of 2001.  |
| <b>2.</b>   | <b>Specific objectives</b>  |
|   | <p>Priority 1:</p> <ol style="list-style-type: none"> <li>1. Empowerment of immigrant organisations</li> <li>2. Raising the awareness of parents from an immigrant background of the education system, ways into employment, parents' rights and duties etc. and increasing their motivation and ability to give active support to their children throughout their education</li> <li>3. Creating awareness of the potential of skilled workers from an immigrant background</li> </ol> <p>Priority 2:</p> <ol style="list-style-type: none"> <li>1. Firms discover the economic potential of people from an immigrant background and use diversity management instruments.</li> <li>2. Local authorities and administrations understand integration as a cross-cutting task and begin or continue a process of intercultural openness</li> </ol> <p>Priority 3:</p> <p>Distributing information to interested members of the public and special audiences on the subject of integration/immigration.</p> |
| <b>3.</b>   | <b>How were those objectives implemented?</b>   |
|   | <p>Priority 1:</p> <ol style="list-style-type: none"> <li>1. Holding a series of seminars to impart key communication, advisory and negotiation skills and establish the basis for work by association and project development</li> <li>2. InDica sub-project → Training of multipliers from immigrant organisations and foreigners' advisory council who subsequently held information events for parents in their respective native language</li> <li>3. Establishing an online database in which skilled workers from an immigrant background can publish their CV and make themselves available as contacts for institutions, local authorities, the media etc.</li> </ol> <p>CD-ROM "Learning and Working in Rhineland-Palatinate. A Guide for Immigrants" with information on recognition of school-leaving and educational qualifications and vocational training diplomas</p>   |

|                                  |   |
|----------------------------------|---|
|                                  | <p>Priority 2:</p> <ol style="list-style-type: none"> <li>1. Raising the awareness of and advising firms on diversity management relation to cultural diversity, with special emphasis on immigrant-sensitive staff development, in the form of written information, seminars and discussions with personnel managers</li> <li>2. Support for administrations and local authorities in the process of intercultural openness and the development of a strategic integration policy</li> </ol> <p>Priority 3:</p> <ol style="list-style-type: none"> <li>1. <a href="http://www.inpact-rlp.de">www.inpact-rlp.de</a> homepage</li> <li>2. Regular newsletter</li> <li>3. Events</li> <li>4. Publications</li> </ol>  |
| <b>Monitoring and assessment</b> |   |
|                                  | <b>How is/was implementation of the measure followed up / assessed (“monitoring”)?</b>  |
|                                  | <ul style="list-style-type: none"> <li>- Project management including progress review milestones (interim reports)</li> <li>- Drafting of objectives and progress review indicators</li> <li>- Written questionnaires after seminars</li> <li>- InDica sub-project: multipliers keep records of each parents’ event held</li> </ul>   |
| <b>Results</b>                   |   |
| <b>1.</b>                        | <b>To what extent were the specific objectives achieved?</b>  |
|                                  | <p>Priority 1:</p> <ul style="list-style-type: none"> <li>- All the planned seminars were held for immigrant organisations; participants gave them a “good” rating for delivery of course content and requested that they be continued.</li> <li>- Establishment of six InDica locations in Rhineland-Palatinate with training of over 150 multipliers with various native languages, parents’ events with over 1,500 participants in the project period</li> <li>- Pool of skilled workers with 29 registered CVs.</li> <li>- The stock of 1,000 copies of the guide was exhausted; further copies were downloaded from the homepage.</li> </ul> <p>Priority 2:</p> <ul style="list-style-type: none"> <li>- Publication of the “Project Immigration” brochure, in which model firms in Rhineland-Palatinate were publicised</li> <li>- Joint seminars on equality and diversity with trade unions and Justice Chamber members</li> <li>- Contacts made with about 30 Rhineland-Palatinate firms promoting cultural diversity</li> <li>- Advice given to the local authorities of Koblenz and Trier on intercultural openness, and development and implementation of strategic integration plan</li> <li>- Implementation of the “Diversity mobilised” initiative from 2008, which is to make a stronger appeal for diversity in organisations, in particular through the “Leading through diversity” campaign partnership, which is headed by the Rhineland-Palatinate Ministers for Employment and Social Affairs</li> </ul> |

|           |  |
|-----------|--|
|           | <p>Priority 3:<br/>The homepage was viewed 48,000 times in 2007 and the InPact publications were downloaded 8,600 times in the same year. InPact had 12 symposia and discussion events with around 700 participants during the project period. InPact published 14 publications (print and CD-ROM) and 23 newsletters.</p>   |
| <b>2.</b> | <b>What obstacles/risks were encountered in implementing the initiative?</b>   |
|           | <ul style="list-style-type: none"> <li>- Little awareness of anti-discrimination/equality subjects, particularly in the private sector</li> <li>- Diversity strategy as a whole cannot be implemented in small and medium-sized enterprises</li> <li>- Great need for information and advice on the part of volunteers and the immigrant organisations</li> </ul>  |
| <b>3.</b> | <b>How did you tackle those obstacles and risks?</b>   |
|           | <ul style="list-style-type: none"> <li>- Wide use of positive concepts that emphasise the benefits for all concerned (diversity management)</li> <li>- Greater focus on firms' needs through more concise information, individual discussions and presentation of methods that can also be implemented in SMEs</li> <li>- Adjusting further training to the needs of immigrant organisations and their representatives, i.e. very practice- and implementation-oriented</li> </ul> |
| <b>4.</b> | <b>Were there unexpected benefits or problems?</b>   |
|           | <p>Advantages through generally increased interest in the subject of integration, both through activities at Federal level (National Integration Plan, Integration Summit, Islamic Conference) and Land level (Rhineland-Palatinate Integration Plan)</p>  |

### **III. National Strategy Report on Pensions**

#### **1. Progress in relation to the 2005 and 2006-2008 National Strategy Report and the 2007 Joint Report on Social Protection**

##### **1.1. Challenges for old-age provision**

The National Strategy Report on Security for Old Age builds on the 2005 and 2006-2008 National Strategy Reports on Security for Old Age. The challenges posed by old-age provision have not changed ever since: according to the Federal Statistical Office's population forecasts, the number of people of working age (20 to 64 years of age), even assuming a "relatively young population", is expected to fall by 9.6 million to 40.5 million by 2050.<sup>4</sup> At the same time, the number of people aged 64 years and over will rise by 7.6 million to 23.5 million. As a result of that demographic trend, the number of workers available on the employment market will fall significantly, and that process will accelerate, especially after 2020. Decreasing numbers of employees must therefore pay for increasing numbers of pensioners. Fortunately, life expectancy increases - which also means that people are drawing their pensions for longer. In 2007, the average period for which the pension of an insured person had been drawn was as much as 17 years. That period has increased by almost a year within the last five years alone. Projections suggest that further life expectancy at 60 will have risen by another 5 years by 2050. In the absence of appropriate measures, the period of pension payment would therefore also rise again significantly.

There has been a policy response to these challenges. Key measures and objectives were presented in the previous National Strategy Reports, both to ensure that pension schemes provide an adequate level of benefit and also to ensure their financial sustainability. In particular, the stepwise increase of the statutory pension insurance's standard retirement age for receiving an old-age pension to age 67 between 2012 and 2029 has been implemented meanwhile - as has the logical extension to occupational and private old-age provision.

##### **1.2. Improving the employment situation of older people**

Increasing the retirement age presupposes a sustainable improvement of the employment situation and older workers' employability. Employment policy and old-age pension policy in Germany are therefore closely interrelated.<sup>5</sup> The Federal Government has coupled the increase in the statutory retirement age with the "50 plus Initiative". This has further improved the legal framework for the employment of older workers (aged 55 to 64).<sup>6</sup> The employment rate of older workers, supported by the favourable development of the

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<sup>4</sup> 11th Coordinated Population Estimate, Variant 3-W2 ("relatively young" population).

<sup>5</sup> This close connection is also enshrined in law: from 2010, the Federal Government must examine every four years whether increasing the statutory retirement age is still tenable given the situation in the employment market and the economic and social situation of older workers (Section 154(4) SGB VI).

<sup>6</sup> See 3.2 below and 2006-8 National Strategy Report, section 2.2.

regulatory framework in the economy as a whole, has risen sharply in recent years. This rise is only partly attributable to a demographic structural effect.<sup>7</sup>

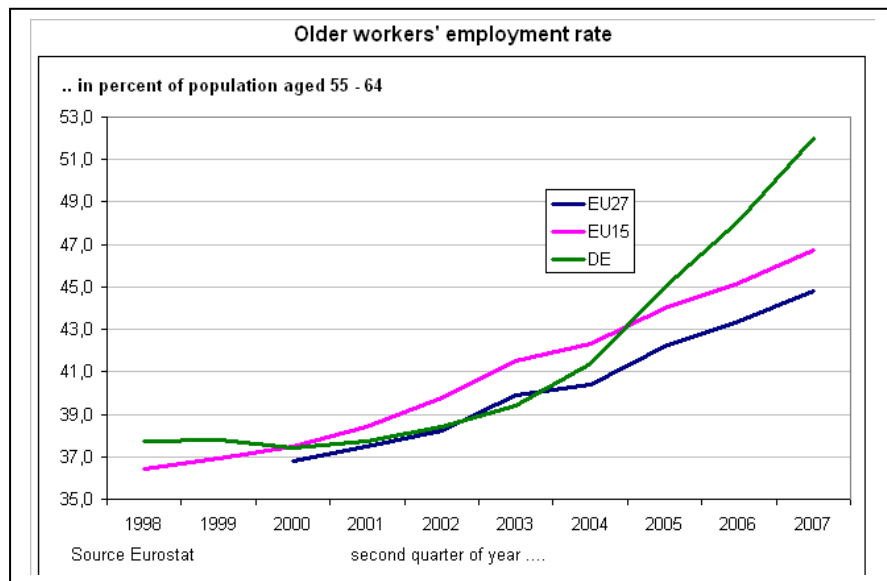


Figure 1: Employment rate of older workers in Germany

The target set by the Lisbon Strategy of at least 50% participation by older people by 2010 has therefore already been exceeded. The Federal Government now aims to increase older people's employment rate further to 55% by 2010. Along with the employment rate, the average age of exit from the labour market has also increased. Between 2004 and 2006, it grew by a further 0.6 years to 61.9 years of age. In 2001 (when the statistics were first compiled), people in Germany left the labour market at an average age of 60.6.

### 1.3. Reversing the trend towards early retirement

Improving the employment situation of older people also benefits the old-age pension schemes. There is a common trend towards postponing retirement. The average age when first drawing a statutory pension insurance old-age pension continued to increase slightly, by 0.2 years, in 2006 compared to 2004, reaching 63.3 for men and 63.2 for women. In 2006, the number of old-age pensions drawn before reaching the statutory retirement age was only 54% compared to around 60% in 2003 and over 70% in 1998. This also reflects the increase in the statutory retirement age for pre-drawn old-age pensions to 65 years, which was introduced in 1997.

The number of people in early retirement is falling as well. Since 1988, there have no longer been any publicly funded early retirement schemes. In principal, payment of an early retirement pension has since been going at the employer's expense, whereby the recipients concerned remain compulsorily insured in the pension insurance scheme. In 1996, almost

<sup>7</sup> Since 2000, the proportion of the younger cohorts (aged 55-59) in that group has risen. Their employment rate is higher than that of the older sub-cohorts.

74,000 recipients of early retirement pensions were registered in pensions insurance from age 50, most of whom (almost 59,000) were under 60 and therefore had not yet reached the minimum age for drawing a pension insurance old-age pension. By 2006, the number of early retirement pension recipients had fallen to only around 10,000.

The trend away from early retirement supports the old-age pension schemes' sustainability. Total pension expenditure in Germany has - according to the figures issued by the European System of Integrated Social Protection Statistics (ESSPROS) - fallen continuously since 2003 from 13.4 to 13.1% of gross domestic product, although the proportion of old-age pension payments in fact rose slightly in the same period. This fall is based on the reduced pension expenditure on early, invalidity and dependents' pensions before reaching the official retirement age, from 2.6 to 2.2% of gross domestic product.

#### **1.4. Access to occupational old-age pension schemes improved**

There has also been an extremely positive trend towards State-assisted additional old-age provision (second and third pillars) in recent years. After years of stagnation, occupational old-age provision has been on a solid path of growth since 2002. At the end of 2001, only half of those in active employment subject to social insurance had acquired rights to an occupational retirement pension. According to a current study, that proportion has since risen steadily.<sup>8</sup> At the end of 2006, it was about 65%. Around 17.3 million people in employment subject to social insurance are therefore entitled to an occupational pension from their current employers (see figure 2, above). Of these, around 12 million are members of private economy pension schemes and around 5.3 million are members of public service schemes. The distribution between men and women is roughly the same overall (more men in the private schemes, more women in the public service schemes).

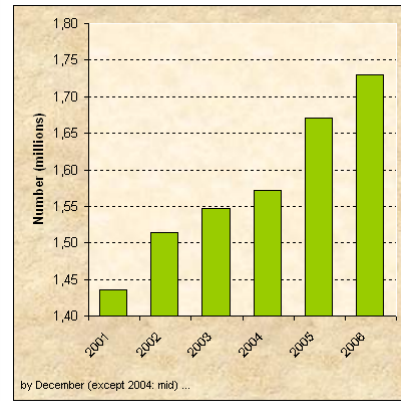
The growth in occupational old-age provision slowed somewhat in the private schemes in 2006. Current Federal Government measures to strengthen occupational old-age provision, in particular rules on continuation of national-insurance-exempt remuneration conversion beyond 2008, will help to stabilise the positive trend in the future.

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<sup>8</sup> TNS Infratest social research study, "Situation and trends in occupational old-age provision in private and civil service pension schemes 2001-2006", commissioned by the Federal Ministry of Employment and Social Affairs.

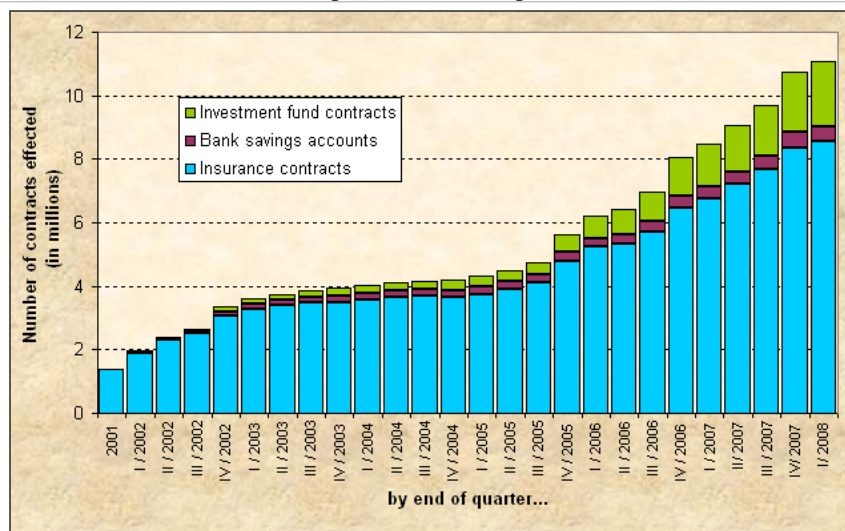
## Development of supplementary pension provision in Germany

### Development of occupational pension entitlements



Source: TNS Infratest

### Development of Riester pensions



Source: Deutsche Rentenversicherung Bund

Figure 2: Trend in additional old-age pensions in Germany



### 1.5. Private pension provision extended

Private pension provision is also expanding further. Since the 2001 pension reform, the State has been promoting specific pension products certified by the certification agency within the Federal Supervisory Authority for Financial Services (BaFin) through fixed supplements and, where appropriate, tax advantages. The circle of the directly entitled comprises people directly affected by the 2001 pension reform who are still actively insured in the respective pension schemes and are therefore acquiring new pension rights. This "Riester pension" is named after former employment minister Walter Riester.<sup>9</sup> Since 2002, support has been set up in four stages. At the beginning of 2008, the Riester pension reached its highest level of support. The basic supplement is now € 154 and the child supplement € 185 per year for each child for whom the beneficiary receives child benefit. For children born from 2008 onwards, the child supplement is as much as € 300. Retirement pension contributions (taking into account the supplement) up to € 2,100 can be offset as additional special expenditure against tax.

Over 11 million Riester pension contracts were concluded by March 2008. Take-up of the Riester pension has accelerated again in the last two years in particular: there were 5.1 million new contracts in 2006 and 2007 (see figure 2 below). Over a million citizens decided for this type of additional pension provision in the last quarter of 2007 alone.

The reason for the increasing popularity of the Riester pension is the attractive design of State assistance owing to the supplement system - which is particularly true for low-income earners subject to pension insurance and for large families. Retroactively coming into effect as from 1 January 2008, Riester assistance is being strengthened again through the "Eigenheimrentengesetz" (Privately Owned Home Pension Act). This law stipulates, i.a., the incorporation of personally used residential property into Riester assistance is being improved.

In addition to the Riester pension, as from 2005, supplementary pension contributions have also received special tax concessions in the form of 'Basis' pension plans, also called 'Rürup' plans. This form of private pension provision is especially attractive for self-employed people, freelancers and business people. This group of people is not eligible for Riester support or occupational pension plans and must therefore make their own provision for retirement. Office employees, manual workers and civil servants who wish to make additional financial provision for their retirement beyond the statutory provision may also, where appropriate, benefit from this form of private provision.

In the first quarter of 2008, just under 67,900 new 'Basis' or 'Rürup' pension contracts were concluded. The number of contracts overall rose to 670,000 (as at May 2008). As was the case with the Riester pension, after some initial reservation the new opportunities for pension provision proved successful. However, the figures are somewhat lower than those for the Riester pension, because the core target group of the 'Basis' or 'Rürup' products is considerably smaller than that of the Riester pension. The average contribution to these

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<sup>9</sup> See 2005 National Strategy Report, Annex IV, section 2.

pension products is, however, more than three times higher compared to other pension insurance products.

Apart from the State-assisted Riester pension and the tax-assisted ‘Basis’ or ‘Rürup’ pension, endowment policy life assurance as an instrument for old-age and survivor provision has been tremendously important for a long time. According to figures produced by the German Insurance Association (GDV), there are currently almost 100 million contracts in existence. Hence, there is a variety of pillars German old-age provision draws on.

## 2. Adequacy of old-age provision (objective (g))

### 2.1. Present situation: Old-age poverty hardly pronounced

Old-age poverty has not been much of an issue so far in Germany. According to the current results of the EU-SILC survey (European Union Statistics on Income and Living Conditions), the German at-risk-of-poverty rate of senior citizens aged 65 and over of 13% in 2005 (-1% compared with 2004) is clearly below the EU average of 19%. Germany belongs to the one-third of EU Member States with the lowest old-age poverty risk. Older people are more or less subject to the same risk of poverty as those aged 0 to 64. The poverty risk of women aged 65 (14%) and over is slightly above average.

Accordingly, a positive trend has been recorded in recent years in the net income of the 65 and over age group. According to the “Old-Age Provision in Germany” study, incomes rose by 11% between 1999 and 2003. In the previous four-year period (1995 to 1999), the increase was 7.5%. This trend has been caused above all by the increased pension rights of women who have reached retirement age meanwhile.

However, the old-age pension system in Germany is not aimed primarily at preventing poverty, but at preserving living standards in old age. This is illustrated by comparing the median income of the over 60s with that of the under 60s. The median equivalised income of older people is 93% of that of the under 60s.

A targeted and efficient instrument in the form of a need-oriented **basic protection in old age or in the case of reduced earning capacity** that guarantees the socio-cultural subsistence minimum was introduced in Germany to prevent old-age poverty. It is a tax-financed basic provision for people with low income in old age or with reduced earning capacity who are thereby normally spared recourse to their children’s income. Basic protection in old age or because of reduced earning capacity is not a statutory pension insurance benefit. To that extent, it is not a “minimum pension”, but a social welfare benefit based on need. Under Section 82 SGB XII, subsistence income is therefore counted in principle as basic protection (lower priority principle under Section 2 SGB XII).<sup>10</sup> At present,

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<sup>10</sup> On basic protection in old age and in the case of reduced earning capacity, see 2005 National Strategy Report, section 3.1.

only 2% of people aged 65 and over need to claim basic protection benefits in old age or because of reduced earning capacity.

Shortfalls in protection can occur in the case of persons who are unemployed over longer spells. One year's receipt of Unemployment Benefit II currently results in a pension entitlement of only € 2.19 per month. The risk of poverty in old age is therefore increased for persons who are dependent on that benefit over a long period of time. The Sachverständigenrat (Council of Economic Experts) has concluded that a large proportion of current male recipients of Unemployment Benefit II (basic protection for jobseekers) over 50 years of age in West and East Germany and the majority of older East German female recipients can expect to receive a pension above the basic protection level in old age because of their generally long periods of employment covered by national insurance. On the other hand, current West German female recipients of Unemployment Benefit II and older people who "came to Germany as first-generation guest workers" run a significantly higher risk of being dependent on basic security benefits in old age because of their shorter periods of employment covered by national insurance.<sup>11</sup>

Whether, in view of such risks, more older people will be dependent on State support in future than at present cannot be forecast reliably. This is, above all, dependent on economic and employment trends and the extent of the future basic protection requirement (which depends, in particular, on the statistically verified consumer spending of people on low incomes and trends in the locally very different rental costs) in relation to the trend in old-age income and the existence of personal assets and further income as well as the employment or retirement income and assets of spouses and life partners.

Low old-age incomes also result from insufficiently long periods of full-time employment subject to social contributions. A further reduction in unemployment and a further increase in workforce participation are therefore most crucial to adequate pension incomes. There has been some progress in this direction: the fall in long-term unemployment shows that the labour market reforms are beginning to take effect. "Good work", fair working conditions and adequate employment income provide the basis for adequate social protection. Sector-specific minimum wages can help to bring about adequate minimum working conditions.

## **2.2. Pensioners' share in the economic revival**

Despite the strong growth in the German economy in the last two years, the continuing positive prospects for 2008 and the distinct improvement in the situation on the employment market, it happened that the trend in wages and salaries (which is the yardstick for pension adjustment) was lower than expected at 1.4%. On that basis, the pension adjustment for 2008 would have been only 0.46%.

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<sup>11</sup> See Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung: 2007/2008 Annual Report, p. 195; IAB Kurzbericht (Institut für Arbeitsmarkt- und Berufsforschung), no. 14/2007.

To enable pensioners stronger participation in the economic revival, statutory pensions were therefore raised by 1.1% on 1 July 2008. This higher indexation is being achieved by temporarily deferring the stages taking effect in the pension adjustment formula (so-called “Riester steps”)<sup>12</sup> in 2008 and 2009 to take account of the change in the old-age provision contribution levels. Accordingly, indexation will be higher by 0.64%-pts. in 2008 and by 0.63%-pts. in 2009. However, the Riester steps are not abolished but only deferred, with the result that the pension adjustments will be correspondingly lower in 2012 and 2013. In this way, account is being taken of the need for long-term stability in financing pension insurance.

The higher adjustment in this and the coming year can be financed without increasing the contribution rate. Because of the improved economic and employment market situation, stabilisation of the pension insurance’s financial situation has already occurred. However, contrary to previous estimates, the contribution rate cannot be lowered in 2011, but only in 2012 and 2013 as a result of that measure.

### **2.3. Second- and third-pillar measures**

#### **2.3.1. Additional old-age provision for all**

Statutory pension insurance is still and will always be the most important pillar of old-age provision. Around two-thirds of all income received by those aged 65 and over comes from the statutory pension insurance. People therefore have great confidence in the pension insurance: according to a current survey, almost three-quarters of the adult population consider the State pension to be an ideal form of old-age provision.<sup>13</sup> However, it is also clear that living standards in old age can only be maintained via supplementary occupational or private pension. The Federal Government therefore aims to achieve the highest possible take-up of the State-assisted additional old-age pension. Through the appropriate payment of contributions and corresponding returns on investment, it is therefore possible to offset the decrease of first-pillar level of provision which is inevitable in the long run.

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<sup>12</sup> On taking the proportion of old-age provision into account in the pension adjustment formula, see 2005 National Strategy Report, p.21.

<sup>13</sup> Allensbach Institute for Demoscopy, “Old-age provision in Germany – Allensbach Representative Survey of September 2007 on behalf of the Postbank”, p.6 (multiple references possible).

### Pre-tax level of provision (%)

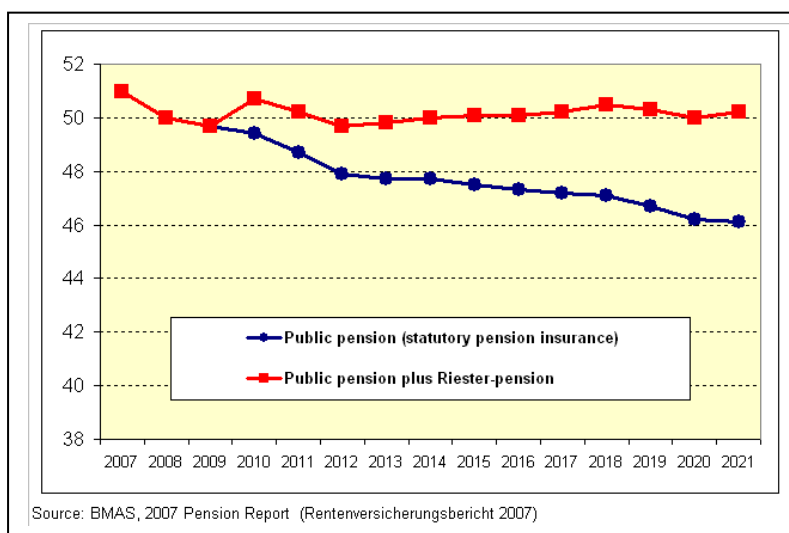


Figure 3: Pre-tax level of provision (%)

The Federal Government's long-term calculations for the 2007 Pension Report indicate that the present level of pension insurance provision (around 51% today) will fall in the long run. However, together with the Riester pension, the present level of provision (for an average earner with 45 years of contributions) can be maintained. This is confirmed by the latest research carried out by the OECD, the Social Protection Committee's Sub-Committee on Indicators and the Ageing Working Group of the Economic Policy Committee. With a doubling of the old-age dependency ratio from presently 26% to 52% by 2050, public old-age pension expenditure will rise by 1.7% of GDP between 2004 and 2050. This will be accompanied by a first-pillar theoretical gross replacement decline by nine percentage-points. However, that fall will be offset by additional private provision. The estimated theoretical net wage replacement rate will even rise by four percentage points by 2050 (compared with 2006).

#### 2.3.2. Making the Riester pension more attractive

The terms of assistance and methods of implementation of the Riester pension were explained in detail in the 2005 National Strategy Report.<sup>14</sup> A major improvement was made last year: in the Act Promoting Occupational Old-age Provision and Amending the SGB III, the Federal Government **increased** the **child supplement** per child from the current € 185 per year to € 300 for each child born from 2008. That is, the new child supplement considerably increases State subsidy to Riester pension contributions - own contributions being already well below 50% under the old legal position in many cases, particularly in the case of low earners with children. Hence, Riester pension will become even more attractive.

<sup>14</sup> 2005 National Strategy Report, section 3.1 and Annex IV.

Example: A married couple with an income of € 30,000 in 2008 and two children saves 4% (€ 1,200) in a Riester contract. In this case, their own contribution (€ 522) is equal to less than half of the total contribution even with the child supplement of € 185 per child. On a monthly basis, the family should contribute € 44. With a child supplement being € 300 per child, the assistance rate rises to three-quarters and the family will still contribute € 292 per year (€ 24 monthly).

The assistance rate increases significantly as incomes decrease because the basic and child supplements are independent of income. The Riester pension is indeed well received by people with low incomes, as revealed by a survey carried out by the agency responsible for granting the supplements within German Pensions Insurance.<sup>15</sup> The income of at least 40% of supplement recipients is below € 20,000 per year and that of around 20% of supplement recipients is even below € 10,000 per year (average earnings per worker in 2007: € 27,000). It is also apparent that the child bonus plays a major role in Riester assistance. In 2004, roughly half of supplement recipients received a child supplement. It should also be noted that the supplement is paid to only one of the parents (usually the mother). If only female supplement recipients are considered, the proportion of recipients with a child supplement was almost 63% in 2004.

A key element of the *Eigenheimrentengesetz* (Privately Owned Home Pension Act) is the **improved integration of personally used residential accommodation** into Riester assistance. In future, mortgage repayments may also be supported. Capital accumulated in a Riester account may also be used to pay off debt from personally used residential accommodation. A supplement granted to young people as they enter into employment is also being introduced via *Eigenheimrentengesetz*: People up to 25 years of age receive a one-off special bonus of € 200 on conclusion of a Riester contract. This will provide a strong incentive to young people to invest in the additional pension in good time taking advantage of often underestimated compound interest effect. Moreover, the circle of those entitled to a **Riester pension** is being **extended to also include people receiving reduced earning capacity or general invalidity** pensions.

### 2.3.3. Tax support to old-age provision through a “Basis” pension (“Rürup” pension)

The so-called Basisrente (“Basis” pension or “Rürup” pension) introduced by the Old-Age Income Act in 2005 has been established alongside the Riester pension as well. The “Basis” pension particularly interesting for self-employed people, members of freelance professions and business people not covered by the statutory pension insurance and therefore not eligible to Riester pension support.

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<sup>15</sup> Ulrich Stolz, Christian Rieckhoff, “Zulagenförderung für das Beitragsjahr 2004 durch die Zentrale Zulagenstelle für Altersvermögen (ZfA), in: RV aktuell 9/2007, p.306 et seq.

The contributions paid into a “Basis”/ “Rürup” pension product may be offset against tax as special expenditure - together with any payment to the statutory pension insurance (employer/employee contributions), agricultural pension funds or pension funds for the free professions,. The contributions made are allowable for tax deduction up to € 20,000 (single persons) or € 40,000 (married couples assessed jointly). However, during a transitional period up to 2025, only a proportion of allowable contributions will be assessed as special expenditure. Thus, in 2008, 66% of contributions paid in may, in principle, be offset as special expenditure. However, any tax-exempt of employer’s contributions to statutory pension insurance already made will be taken into account. In subsequent years, the percentage rate will increase by two percentage points annually. From 2025, 100% of contributions paid in (i.e., a maximum of € 20,000 / € 40,000) may be offset against tax.

#### **2.3.4. Strengthening occupational old-age pension provision: payments into occupational schemes exempt from national insurance contributions**

The attractive State support for occupational old-age provision was further strengthened by the Act Promoting Occupational Old-age Provision of 2007, in which the exemption from social insurance contributions initially limited to the end of 2008 was established on a permanent basis. According to recent surveys, the progress described above in occupational old-age provision coverage since 2001 is primarily due to option of “Entgeltumwandlung” (remuneration conversion) as it was introduced in 2002 by the Retirement Savings Act:<sup>16</sup> Tax- and contribution-free conversion of remuneration means that workers invest part of their remuneration in building up their occupational retirement provision. That part will then be exempt from income tax and social insurance contributions up to a maximum of 4% of the contribution assessment ceiling (€ 2,544 in 2008). Around 2.7 million employees had taken advantage of the possibility of remuneration conversion by the end of 2006 (2.5 million in “Pensionskassen” and 0.2 million in the newly introduced pension funds). On average, an amount of around € 1,200 was converted in that year.

The limitation in time of the exemption from national insurance contributions was presumably the reason why the growth in occupational old-age pensions ultimately slowed down. The exemption from payment of contributions under remuneration conversion was therefore extended indefinitely in the Act Promoting Occupational Old-age Provision.

#### **2.3.5. More flexibility in working life and in occupational old-age pension schemes**

In order make sure that as many workers as possible will be entitled to an occupational pension in the future, the Act Promoting Occupational Old-age Provision will reduce the vesting age for employer-financed occupational pension rights to 25 years as from 2009 - an improvement particularly for young women. According to the previous legal situation, such rights were only preserved for an

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<sup>16</sup> On the legal entitlement to remuneration conversion, see 2005 National Strategy Report, section 3.1, p. 18.

employee after leaving the firm (vesting) if entitlements had been promised to the employee for five years and the employee had already reached 30 years of age before leaving the firm.<sup>17</sup>

### **3. Financial sustainability of old-age pension schemes (objective (h))**

#### **3.1. First-pillar measures**

Major guiding principles of the reforms in previous years were, firstly, ensuring the financial stability of pension insurance by distributing the demographically conditioned burden in a balanced way across the generations and, secondly, strengthening the equivalence of contributions, so that in the future those insured under the statutory pension scheme will have adequate income in old-age. Basing the reforms on these guiding principles was and is necessary if the legitimacy of the system is not to be questioned. However, as considering further measures in the future, it is just as important to ensure that an employee will be able to maintain an adequate standard of living in old age after finishing employment on the basis of his/her statutory pension and the State supported additional pension - and not be dependent on basic social insurance benefits in old age.

##### **3.1.1. More sustainability in financing pension insurance**

A package of measures with medium- and long-term effect was therefore implemented by the Old-Age Pension Insurance Sustainability Act of 2004 in order to ensure pension insurance benefits' sustainable financing as well as their social adequacy. These measures included the increase of retirement age limits for the earliest possible take-up of a pre-drawn old-age pension on grounds of unemployment or following part-time work. The act also included various provisions towards fairly to distribute the demographic burden across the generations and on strengthening the equivalence principle in pension insurance.

The aim was to ensure that neither today's nor future pensioners and contributors are unduly burdened. To maintain the legally established objectives concerning the contribution rate and the level of pensions, the pension adjustment formula was supplemented by factors that cushion pension indexation in the long term.<sup>18</sup>

In order to ensure an adequate level of benefit at the same time, Germany also legally established long-term minimum values for the pre-tax pension level as well as

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<sup>17</sup> The 2001 pension reform had already reduced the minimum age (from 35 to 30 years) and vesting period (from 10 to 5 years).

<sup>18</sup> This concerns (1.) the "Riester-factor" introduced by the 2001 pension reform to the pension indexation formula. The Riester-factor takes into account the changes in employees' expenditure for their old-age provision. (2.) Since 2005, the sustainability factor in the formula (introduced by the 2004 Old-Age Pension Sustainability Act) takes into account the changing ratio of pensioners to contributors and the associated effects of demographic change (increased life expectancy, low birth rate). On the Pension Insurance Sustainability Law, see 2005 National Strategy Report, section 3.1, p.17 et seq.



upper limits for the pension insurance contribution rate in Section 154(3) SGB VI (in the case of the pre-tax pension level it is the wage replacement rate of an average earner after 45 years of contributions). A safety clause concerning the annual pension indexation was also introduced in Section 68 SGB VI. The safety clause prevents pensions indexation from becoming negative as a result of those cushioning factors. In other words: it prevents the cushioning factors from causing a reduction in the monthly pension value.

#### **Statutory contribution-rate and pension level objectives in statutory pension insurance under Section 154(3) SGB VI**

Until 2020, the contribution rate must not exceed a value of 20% and, until 2030, a value of 22%. Currently, the contribution rate is 19.9%. On the other hand, the pension insurance's pre-tax pension level must not fall below 46% until 2020 and below 43% until 2030. The current level is about 51%.

If the medium variant of the annual pension report's 15-year projection suggests violation of these objectives,, the Federal Government must propose suitable measures to the legislative bodies to maintain the minimum levels. According to current forecasts, the safety objectives will be maintained without additional measures.

#### **3.1.2. Further development of the so-called safety clause in pension indexation (Section 68 SGB VI)**

In 2007, this safety clause was further developed by the Retirement Age Adaptation Act. It became evident that such step was necessary after the safety clause unfolded impact already in the first years of its application (2005 and 2006). Hence, the indexation formula would have led to a long-lasting burden on contributors unless the impact from the cushioning factors were compensated for. The safety clause was therefore adjusted: the adjustment cushioning put in abeyance since 2005 will be compensated for from 2011. However, there will be compensation only if a pension increase is possible as a result of the trend in wages. The compensation will be implemented by halving the (positive) pension indexation. As a result, the pension insurance burden will be disburdened and the contribution rate be reduced by 0.6 percentage points until 2030 due to the reform of the safety clause. That is, both employers and employees take benefit from decreasing labour costs.

#### **3.1.3 Long-term progressive increase in the retirement age**

In view of the economic and demographic challenges, the "Rürup-Commission" for the Sustainable Financing of the Social Security Systems set up by the Federal Government at the end of 2002 had already recommended that the retirement age for taking up a standard old-age pension should be increased to 67 years in the long

run. The CDU/CSU and SPD agreed this measure in the coalition agreement of November 2005, and it was finally implemented last year by the Retirement Age Adaptation Act.

The measure's purpose is not only to pursue the objective of sustainably financing the statutory pension insurance. It is part of a long-term strategy that aims

- to increase the employment potential of older people,
- to counteract the imminent shortage of skilled labour,
- to draw more on the experience and knowledge of older people and thereby
- to safeguard and increase prosperity through higher economic growth.

The increase will take effect progressively until 2029. From 2012 (birth cohorts from 1947), the standard retirement age for taking up a standard old-age pension is to be increased initially by one month per birth cohort to age 66 and from 2024 (birth cohorts from 1959) by two months per birth cohort to age 67.

However, there is an important exception to the increase in the standard retirement age. When the progressive increase in the retirement age begins on 1 January 2012, a new old-age pension will be introduced for people with a long insurance record: people who have accumulated at least 45 years through compulsory contributions from employment, self-employed activity and care as well as periods of child-raising up to the 10<sup>th</sup> year of the child will continue to be entitled to an unreduced pension on reaching the age of 65.

The increase in the retirement age for the standard old-age pension will not only affect standard retirement pensions. The pre-drawn old-age pension for long-term insured (with a 35-year creditable record) and the old-age pension for severely disabled people will see a corresponding deferral by two years as well. Premature receipt of those old-age pensions is linked to actuarial reductions. A new development is that the reduction of the "lower" retirement age (the age of earliest possible access to a pension) from 63 to 62 years provided for under original law for long-term insured people is now suspended. In the long term, people of working age will therefore normally be able to accrue their pension no earlier than four years before reaching the retirement age of 67 years. The maximum possible actuarial reduction is therefore 14.4% (48 months at 0.3%). The current pre-drawn old-age pension due to unemployment or after old-age part-time work and the pre-drawn old-age pension for women will cease as from the 1952 birth cohort.

**Survivor pensions** and **reduced earning capacity pensions** are also affected by the increase in the retirement age. The retirement age for receipt of a widow's or widower's pension will be progressively raised by two years to 47 from 2012. The age at which a full reduced earning capacity pension can be drawn will be progressively deferred from 63 to 65 years of age in line with the general increase. However, in the case of insured persons with reduced earning capacity and 35 years

of compulsory contributions (from 2024 40 years of compulsory contributions), the currently applicable reference age of 63 years for calculating the level of deductions will remain as it is. They will also be able to receive a reduced earning capacity pension with unreduced benefits at age 63 in the future.

This measure ensures the effectiveness of the intergenerational contract in the future. Older people's incentive to work will be increased further by the accompanying measures. The legally established contribution-rate and pension-level objectives in the pension insurance can also be met in the long term. The measure achieves financial sustainability and adequacy of benefits objectives in statutory pension insurance at the same time: firstly, the financial burden on pension insurance in respect of contributions and benefits is eased by postponing retirement, so that the contribution rate in 2030 will be about half a percentage point lower than without the measure; secondly, staying longer on the labour market will result in additional acquisition of pension rights, which also ensures an adequate retirement income in the future. Moreover, there are positive feedback effects on the pension indexation formula, so that annual pension adjustments are higher. As a result of the measure, the safety level before taxation will rise by 0.6 percentage points by 2030.

### **3.2. Accompanying assistance to promote the employment of older people**

Along with the increase in the pension insurance retirement age to 67 years, a package of measures was developed in the 50 plus Initiative to increase the participation in employment of older workers, reduce the early retirement of the over-55s from working life, improve the reintegration of older workers and strengthen the participation of older people in further vocational training. The trend in the employment indicators for older workers shows that the measures have been particularly successful in recent years.

The 50 plus Initiative comprises a package of complementary measures and initiatives.<sup>19</sup> They include targeted measures to promote further training of older workers as well as subsidies for employers and tailor-made employment market policy programmes for older people.

Another such measure is the **New Quality of Work Initiative (INQA)**.<sup>20</sup> "Initiative groups" are being set up under the INQA whose objective is to design modern working conditions adapted to the worker and to develop and promote the employees' health, skills and ability to work (development of tools and instruments for analysis and intervention). The INQA is helping to make firms and employees aware of the demographic challenges, to provide them with examples of modern working practice and to encourage investment in good working conditions. The INQA has also established the demography network among firms, holds conferences and events,

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<sup>19</sup> 2006-2008 National Strategy Report, section 2.2.

<sup>20</sup> 2005 National Strategy Report, section 3.2, objective 5, p.32.

trains demography advisers and assists exchange of experience, e.g. through the INQA database of examples of good practice. The INQA's participation in the "Germany's Best Employers" competition is also part of that objective.

**Good working conditions** are an essential component of a successful employment strategy. It is one of the Federal Government's core objectives that economically active older people should be available to the employment market for longer. Nevertheless, they should be as healthy as possible when they start to draw their pension. This means in practice that jobs must be adapted to the age of the worker and that older employees should enjoy the option of switching to physically and mentally less demanding activities. Humanisation of the working environment is a precondition for managing the demographic challenge. It must take into account the change in the working environment together with new health risks and the different pressures on employees and seek to organise the workplace and working time in a way that better corresponds to an ageing workforce. The statutory accident insurance companies also have an important contribution to make in this area.

In view of the ageing working population and higher unemployment of older people, the **Federal programme Perspective 50 plus - Employment Pacts for Older People in the Regions** was started in October 2005. Under the Federal programme, a total of 62 regional employment pacts, which were selected through an ideas competition by an independent jury in the summer of 2005, are being funded and provided with expertise to implement their idea on their own responsibility for an initial period of two years. Overall, € 250 million was invested in the programme until the end of 2007. Participants in the Federal programme concentrate on long-term unemployed women and men aged 50 and over. The programme's objective is to make them self-reliant and to give them the prospect of earning a living.

The **employment pacts**, in which 93 partnerships (ARGEnS) and approved local authority agencies took part in the programme's initial stage, have developed various approaches to assisting and promoting older long-term unemployed people. They comprise age-specific advisory services on preparing to start a business as well as assistance to staff selection and promoting a mixed-age workforce in firms. Moreover, advisory and support services for businesses in the area of health promotion and adaptation of jobs to ageing workers are also part of agreements. Participants furthest away from the labour market will be mobilised by the pact through intensive, individual support, will gain job-related qualifications and be prepared in a targeted manner for employment on the general labour market through internships. After the conclusion of the initial phase, the Federal programme can claim considerable success with regard to the target group of long-term unemployed people over 50 years of age: from the end of 2005 to the end of 2007, nearly 80,000 older long-term unemployed people were mobilised. Of these, over 22,500 could be placed into employment.

In order to further **exploit the potential of older long-term unemployed people** for the general labour market, the Federal programme's second stage started on 1 January 2008. This second programme stage involves not only an extension of the Federal programme to 2008-2010 but also regional expansion. Nearly 200 agencies in charge with the Basic Social Protection are now participating in the 62 employment pacts. They can reach a target group of nearly 300,000 older long-term unemployed people under the SGB II. The common aim of the employment agreements is to mobilise over 200,000 older long-term unemployed people and reintegrate over 50,000 of them into the general labour market. Federal funds amounting to around € 275 million are being made available for this purpose.

The **Act on Improving the Employment Prospects of Older People**, which implements some central components of the 50 plus Initiative, has been in force since 1 May 2007. Firstly provides **integration subsidies** for employees aged 50 and over (Section 421f SGB III). Under certain conditions employers may receive subsidies for a period as long as between 12 and 36 months, amounting to 30 to 50% of the remuneration. Secondly, it provides for **remuneration to be safeguarded** for employees aged 50 and over (Section 421j SGB III): where recipients of unemployment benefit in that age group take on employment with a lower net wage than before their unemployment, part of the income gap may be compensated for. Where the conditions for receipt of the wage supplement are fulfilled, both a remuneration supplement (50% of the monthly net difference in remuneration in the first year, 30% in the second year) and an additional contribution to statutory pension insurance (increase to 90% of the contributions from the previous gross remuneration subject to social insurance) may be paid for a period of two years. Workers aged 45 and over who work in firms with fewer than 250 employees may also be assisted with further vocational training through **payment of the further training costs** (Section 417(1) SGB III). Last but not least, workers aged 52 and over who have previously been unemployed for at least four months, have received Transferkurzarbeitergeld (transfer short-term allowance) or have participated in publicly funded employment measures under the SGB II or SGB III, are allowed to be employed on a basis of fixed-term contracts with a duration of up to five years without specific reasoning.

Under the Federal programme "30,000 additional jobs for older people aged 58 and over", from July 2005 to December 2009 companies are being reimbursed for the additional expenses they have incurred in providing job opportunities (additional jobs) for up to 30,000 long-term unemployed persons aged 58 years and older for a period of up to three years. Deadline for the approval of funding was 31 December 2006.

#### 4. Modernisation of pension systems (objective (i))

##### 4.1. Adjustment to the change in the structure of employment and recognition of child-raising

One of the core demands of a modern society towards an old-age pension system is it to be sufficiently **flexible** with regard to changes in the social and economic regulatory framework. The adaptability of the old-age pension, reduced earning capacity and basic security systems was clearly improved by the reforms described above. **Protection** from old-age poverty cannot be given unless the employment prospects of low-qualified people in particular are sustainably improved and the extent of long-term unemployment is reduced. However, the significant fall in long-term unemployment - the level of which still being high though - shows that the previous labour market reforms are beginning to take effect.

In this connection, the **change in employment structures** and the increase in self-employed activity must also be regarded as a possible risk factor for the re-emergence of old-age poverty in the future. The majority of self-employed people in Germany is not working subject to statutory pension insurance. Whether they make sufficient private provision for old age voluntarily is their responsibility. In view of the significant rise in the number of self-employed people from 3.5 million (1992) to nearly 4.4 million people (2006), the matter of their social protection in respect of long periods of self-employment is taking on increasing relevance, as periods of self-employment can put security in old age at risk if appropriate provision will not be made. The Council of Economic Experts estimates that some two to three million self-employed people are not protected in a compulsory old-age pension scheme. Half of the people who receive basic protection in old age and because of reduced earning capacity have no statutory pension insurance rights. In view of the changing employment profiles and the increased movement between dependent employment and self-employed activities, old-age provision for self-employed people is increasingly becoming a topic of public discussion.

The example of **part-time work** makes the changing working environment evident. Part-time work is becoming increasingly popular in Germany. According to Federal Statistical Office data, the increasing female employment rate is going hand-in-hand with increasing part-time employment. In 2006, for example, almost half of dependently employed women in the old Bundesländer were employed part-time. However, in the new Bundesländer, the proportion was just over a third. Moreover, employment gaps due to family responsibilities affect women in particular.

The statutory pension insurance was adapted to this situation. As a central pillar of security in old age it provides a well-developed system of benefits related to family policy. Since the 2001 pension reform, contribution periods completed after 1992 are being supplemented by 50% to a maximum of 100% of average income until the child reaches 10 years of age. This child supplement provides an additional employment

incentive for women raising children. "Compensation for disadvantage" is also being provided for people who are raising several children at the same time, irrespective of their employment status.

Further measures for improved **recognition of child raising** within the statutory pension insurance reduce the risk of old-age poverty especially for women with gaps in their employment profile. They include child-raising periods: the first three years after the birth of a child count as compulsory contribution periods and are regarded under pension law as if the person had been employed on average earnings. These additional rights are granted additively. This means that they are not shortened if they coincide with other contribution periods (or the child-raising periods for another child). In the case of women raising children, this normally results in a considerable increase of benefits. In the old Bundesländer, child-raising periods for raising two children currently result in an increase of pension entitlement by almost € 1,900 per year. The contributions for child-raising periods are not paid by the beneficiaries but by the State: in 2007, the Federal Government paid a flat-rate amount to pension insurance of almost € 12 billion (which is an equivalent to 1.2 percentage points in the contribution rate) for child-raising periods.

#### **4.2. Increasing women's retirement income**

For future retirement incomes of women (and hence also the gender-specific differences in old-age provision), their employment situation is even more decisive than flexibility within the benefit side of the old-age protection systems. The observable increasing acquisition of rights can be attributed to the increasing importance of supplementary old-age provision, but also to the improved employment situation of women. In the case of women in the old Bundesländer, an increase in overall employment subject to social insurance is expected - but especially in part-time working. However, this trend is transferable to the new Bundesländer only to a limited extent: younger age cohorts are more affected there than older ones by periods of unemployment, casual employment, part-time work etc.

Supported, inter alia, by a favourable economic situation but also by the Federal Government's measures to promote female employment, the trend towards increasing acquisition of pension rights is already apparent today. The female employment rate rose by five percentage points to 64.0% in the period from 2004 to 2007. It is therefore significantly above the EU average (58.3%). Here too, Germany has now already exceeded the target set by the Lisbon Strategy (60%).

#### **4.3. Improving transparency: monitoring and reporting**

Effective protection of people from insufficient provision in old age requires the greatest possible transparency in old-age provision and comprehensive information on the objectives of provision and the income situation of older people.

Germany has a modern monitoring system that closely observes the developments in old-age provision with regard to its efficiency and financial sustainability. The legally established reporting on old-age provision plays a key role in this. An important instrument is the **Pension Report** under Section 154(1) SGB VI. Once a year, the Federal Government must give detailed information in that report on the prospective financial development of the statutory pension insurance over the next 15 years. Model calculations are made on the basis of various assumptions regarding trends in employment and wages for a broad spectrum of possible economic scenarios. The report also examines whether the pension level and contribution-rate objectives laid down by law will be met in the projection period.

The law also requires that the annual Pension Report should be assessed by the **Social Advisory Council**, an independent advisory body on pension insurance matters. It provides an opinion on the pension policy measures outlined in the report and on the model calculations made by the Federal Government.

Once in every legislative period (i.e. normally every four years), the Pension Report is also supplemented by the **Report on Old-Age Provision** (Section 154(2) SGB VI). This is also the case again in 2008. Besides comprehensive information on old-age incomes from various old-age pension schemes, the Report on Old-Age Provision also analyses the total old-age income of senior citizens. In addition, the report provides information on the coverage of occupational and private old-age provision and the extent of the future total level of provision for typical pensioners from individual age cohorts.

This monitoring has consequences. Where the legally established safety level is not expected to be achieved or the contribution-rate objective is not met, the Federal Government must propose to the legislative bodies suitable measures that take into account the efficiency objectives of pension insurance by ensuring a sufficiently high pension level and contribution-rate stability that is fair to all generations in the long term. Legally established reporting makes up for the greatest possible transparency and helps to ensure that the level of benefit provided by old-age pension schemes will be adequate in the future.

**Broad social participation** in reform projects makes up for additional transparency. Normally, specialist groups and associations (e.g., the two sides of industry, local authorities and social insurance institutions) participate at an early stage in legislative procedures in the area of social security. An example of broad participation in a reform project was the Commission for the Sustainable Financing of the Social Security Systems, better known as the “Rürup Committee” set up by the Federal Government at the end of 2002. Management and unions, the scientific community, the private insurance industry and social security insurance were all represented in that commission. The commission’s proposals on pension insurance were largely implemented by the 2004 and 2007 measures. They include the progressive increase in the retirement age to 67 adopted last year.



#### 4.4. Giving people comprehensive information

However, transparency means providing people with a high level of information about their own old-age provision, in particular about the possibilities for additional old-age provision. Lack of knowledge increases not only uncertainty but also the risk of insufficient retirement income. Obtaining such knowledge is becoming more and more important given the increasing complexity of old-age provision. Although people are increasingly recognising the need for additional old-age provision, some are still hesitant to take concrete steps because of the issue's complexity. It is therefore important not only to correctly assess one's own situation, but also to be able to use that information for targeted action. Provision of targeted information and knowledge about procedures and methods relating to the various options available is necessary to strengthen the personal sense of responsibility for old-age provision. The Federal Government and German Pension Insurance are therefore providing in-depth information about individual pension rights and opportunities for additional old-age provision.

The initiative "**Altersvorsorge mach Schule**" (Old-age provision is coming to schools, see [www.altersvorsorge-macht-schule.de](http://www.altersvorsorge-macht-schule.de)) should be mentioned in that respect. The Federal Government has launched it in conjunction with the German Adult Education Association, German Pension Insurance, the German Trade Union Federation and the Confederation of German Employers' Associations. "Old-age provision is coming to schools" is a so-far unique educational approach. Since February 2007, independent pension insurance advisers have been providing information in adult education centres throughout Germany on all matters concerning financial provision for old age. The participants in the initiative are given an enhanced basic ability to estimate their old-age provision needs and assess the options for their old-age provision. During 2007, well over 5,000 participants took part in over 500 courses - and gave a favourable testimonial. Almost all participants (97%) felt "well" or at least "partially well" informed. 96% of the participants described the courses as a suitable support when planning personal old-age provision and almost half of them described them as a very good support. The education campaign will be continued and initially be supported by the Federal Government until the end of 2009.

German Pension Insurance is aiming to make the subject of old-age provision more transparent for young people in particular through the "**Rentenblicker**" (Pension Viewer) initiative. Young people can receive targeted information about German old-age pension schemes on an Internet site ([www.rentenblicker.de](http://www.rentenblicker.de)). Educational materials on the subject of old-age provision have been designed for schools, and may be explained in more detail where required by pension insurance specialists.

At individual level, people insured under statutory pension insurance from age 27 onwards with an insurance record of minimum 5 years have been receiving the annual "**Renteninformation**" (provisional pension forecast) from the German Pension Insurance since 2005. German Pension Insurance sends out a total of 42

million pension information leaflets per year. They provide information on the current position of the pension insurance account and on present and expected future (potential) pension entitlement. This is an important element in planning old-age provision and makes it possible to identify individual additional needs at an early stage. From the age of 55 onwards, there is a **legal entitlement to receive a “Rentenauskunft”** (full pension statement). The pension statement provides information on the level of pension rights acquired so far. The insurance history contains a list of all the data stored in the insured person’s account. Although there is no legal entitlement before age 55, the pension insurance institution also provides younger people with a statement on request.

#### **4.5. Involving the industry**

Finally, the **insurance industry**, for example the German Insurance Association, provides comprehensive information about options for additional old-age provision and the relevant products.

To create more transparency in planning provision, the insurance industry (life assurance companies, pension schemes and pension funds) introduced the so-called **Eigenvorsorge-Report** (report on own provision) in 2006. This is enclosed with annual statements and information on profits. The report is a simple system by means of which citizens can obtain their own overview over the total benefit (monthly pension) they can expect from all three pillars of old-age provision including benefits in the case of invalidity. It enables the total benefit to be cross-checked against the provision objective set by the individual. Gaps in provision can thereby be identified and closed up. The design of the report builds on the existing components of the statutory “Renteninformation” and the annual statements from insurance companies administering occupational and private pensions. A note on inflation ensures that the receiver can better relate expected benefits to their current income’s purchasing power. The Eigenvorsorgereport is supported in parallel by a website ([www.eigenvorsorge-report.de](http://www.eigenvorsorge-report.de)).

A **German Insurers’ Information Centre** was set up in 1999. It does not make any specific product recommendations or comparisons, but is a neutral contact point for consumers on subjects related to future planning and provides up-to-date tips and suggestions prepared for specific target groups on old-age provision. Besides information brochures about the need for provision in various phases of life and about types of insurance products, comprehensive consumer Internet portals, free consumer hotlines and information in multimedia format are among the services available at the information centre. Educational materials on the subject of saving and old-age provision are also being designed in cooperation with the Stiftung Jugend und Bildung (Youth and Education Foundation). Numerous forms of cooperation exist with other private and public stakeholders.

#### **4.6. Promoting generation management in businesses**

In view of demographic change, the extension of working life and preserving the capacity for work and employment of older workers are already the subject of numerous **model projects and initiatives**. The EU project “Smart Region - Age management in innovative regions” was successfully implemented by German Federal Pension Insurance, which had lead responsibility for the project between 2004 and 2006. In the project’s forefront was regional assistance for small and medium-sized enterprises (SMEs), in particular through individual advice, analysis and raising of awareness on the subject of ageing workforces. To supplement this, a practical test for the model project “Generation management in working life (GeniAL) - Extension of the advisory service from the information and advice centres and from the common service agencies for rehabilitation under German pension insurance” funded through the New Quality of Work (INQA) initiative was started in January 2008.

In the “GeniAL” model project, model **advisory services on generation management in working life** for small and medium-sized enterprises are being tested. In the model region of Berlin-Brandenburg, access to SMEs, which do not have extensive personnel resources, is to be improved by targeting existing advisory resources on matters relating to demographic change. Starting from the advisory process, in which both insured people and their employers participate, strategies to manage demographic change are to be addressed in addition to existing statutory mandatory services. This raising of awareness is a prelude to more far-reaching organisational measures within businesses, such as age-appropriate organisation of work or health-promoting workplace design. In addition, longer participation in employment can be assisted in individual cases through payments to integrate health-impaired workers. After the project successful implementation and its evaluation, raising of awareness and initial advice on generation and health management are to be established nationwide with all pension insurance institutions.

## Annex: Primary old-age provision indicators

|  | Year        |             |
|--|-------------|-------------|
|  | 2004        | 2005        |
| <b>Poverty risk rate of persons aged 65 and over at 60% of the median</b>  |             |             |
| Women  | 17%         | 14%         |
| Men  | 11%         | 11%         |
| <b>Total</b>   | <b>14%</b>  | <b>13%</b>  |
| <b>Aggregated wage replacement rate</b>  |             |             |
| (median of the individual annuities and pensions of persons aged 65 to 75 in relation to the individual median income of those aged 50 to 59; no account is taken of social transfers) |             |             |
| Women  |             |             |
| Men  | 0.45        | 0.49        |
| <b>Total</b>   | 0.47        | 0.48        |
|  | <b>0.46</b> | <b>0.46</b> |
| <b>Relative income median ratio</b>  |             |             |
| (median income of persons aged 60 and over compared to those under the age of 60)  |             |             |
| Women  |             |             |
| Men  | 0.94        | 0.93        |
| <b>Total</b>   | 0.97        | 0.95        |
|  | <b>0.94</b> | <b>0.93</b> |

Source: Eurostat, EU-SILC

| Trend in public expenditure on old-age provision between 2004 and 2050<br>(as % of GDP) | Trend in theoretical wage replacement rate between 2006 and 2046 (in percentage points) |                        |                        |                            |
|---|---|------------------------|------------------------|----------------------------|
|   | Net total   | Gross replacement rate |                        |                            |
|   |   | Total                  | 1 <sup>st</sup> pillar | Additional old-age pension |
| <b>1.7</b>  | <b>4</b>  | 3                      | -9                     | 12                         |

Source: Social Protection Committee's Sub-Committee on Indicators / OECD

| <b>Expenditure on old-age provision (as % of GDP)</b> |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
|   | 2000        | 2001        | 2002        | 2003        | 2004        | 2005        |
| <b>Total</b>  | <b>12.9</b> | <b>13.0</b> | <b>13.2</b> | <b>13.4</b> | <b>13.2</b> | <b>13.1</b> |
| Including:  |             |             |             |             |             |             |
| Old-age pension                                       | 10.3        | 10.4        | 10.6        | 10.8        | 10.8        | 10.9        |
| Early old-age pension                                 | 1.3         | 1.3         | 1.2         | 1.1         | 1.0         | 0.9         |

Source: Eurostat, ESSOSS

|   | 2000 <sup>1)</sup> | 2004 <sup>1)</sup> | 2005 <sup>2)</sup> | 2006         | 2007         |
|---|--------------------|--------------------|--------------------|--------------|--------------|
| <b>Employment rate ages 15-64</b>               |                    |                    |                    |              |              |
| Women   | 57.8%              | 58.5%              | 60.6%              | 62.2%        | 64.0%        |
| Men   | 72.7%              | 70.0%              | 71.3%              | 72.8%        | 74.7%        |
| <b>Total</b>                                    | <b>65.3%</b>       | <b>64.3%</b>       | <b>66.0%</b>       | <b>67.5%</b> | <b>69.4%</b> |
|   | 2000 <sup>1)</sup> | 2004 <sup>1)</sup> | 2005 <sup>2)</sup> | 2006         | 2007         |
| <b>Employment rate ages 55-64</b>               |                    |                    |                    |              |              |
| Women   | 28.7%              | 33.1%              | 37.5%              | 40.6%        | 43.6%        |
| Men   | 46.2%              | 49.8%              | 53.5%              | 56.4%        | 59.7%        |
| <b>Total</b>                                    | <b>37.4%</b>       | <b>41.4%</b>       | <b>45.4%</b>       | <b>48.4%</b> | <b>51.5%</b> |
| Employment rate ages 55-59, total <sup>3)</sup> | 56.4%              | 61.3%              | 63.4%              | 64.5%        | 66.8%        |
| Employment rate ages 60-64, total <sup>3)</sup> | 19.6%              | 25.3%              | 28.1%              | 30.0%        | 33.2%        |

1) Extrapolated full-year value according to Eurostat

2) Break in series

3) Provisional values from 2005

Source: Eurostat, Workforce Survey

|   | 2001        | 2002        | 2003        | 2004        | 2005 <sup>1)</sup> | 2006        |
|---|-------------|-------------|-------------|-------------|--------------------|-------------|
| <b>Average age at which gainful employment ends</b> |             |             |             |             |                    |             |
| Women   | 60.4        | 60.3        | 61.4        | 61.1        | :                  | 61.6        |
| Men   | 60.9        | 61.1        | 61.9        | 61.4        | :                  | 62.1        |
| <b>Total</b>  | <b>60.6</b> | <b>60.7</b> | <b>61.6</b> | <b>61.3</b> | :                  | <b>61.9</b> |

1) In calculating the age at which gainful employment ends, two successive years are compared with each other. No value can be calculated for 2005 because of the change in the survey carried out in that year.

Source: Eurostat, Workforce Survey

**Secondary indicators**

| <b>Year</b>   | <b>2004</b> | <b>2005</b> |
|---|-------------|-------------|
| <b>Poverty risk rate of persons aged 0 to 64 years at 60% of the median</b> |             |             |
| Women   | 12%         | 13%         |
| Men   | 12%         | 12%         |
| <b>Total</b>  | <b>12%</b>  | <b>13%</b>  |
| <b>Variance around the poverty risk threshold</b>                           |             |             |
| Poverty risk rate of persons aged 65 and over at 50% of median, total       | 7%          | 7%          |
| Poverty risk rate of persons aged 65 and over at 70% of median, total       | 23%         | 22%         |
| <b>Poverty risk rate of retired persons at 60% of median</b>                |             |             |
| Women   | 15%         | 14%         |
| Men   | 12%         | 12%         |
| <b>Total</b>  | <b>13%</b>  | <b>13%</b>  |
| <b>Relative poverty gap</b>   | 17%         | 17%         |

Source: Eurostat, EU-SILC

**Context indicators**

| Age quotient  | 2007  | 2010  | 2030  | 2050  |
|---|-------|-------|-------|-------|
| 65+/15-64   | 29.9% | 31.2% | 45.2% | 55.5% |
| 67+/15-66* (standard age limit from 2030: 67 years) |       |       | 37.6% | 48.6% |

Source: Federal Statistical Office: 11<sup>th</sup> Coordinated Population Forecast, 2006

## **IV. National Strategy Report on Health and Long-Term Care<sup>21</sup>**

### **1. Challenges, political priority and objectives**

The demographic change towards increasingly high life expectancy in Germany is both an opportunity and a challenge for health and long-term care policy. While many people can look forward to more years of healthy life, the health and long-term care system must focus on both the financing and benefit aspects of the ageing population.

The guiding principles for the development of the health and long-term care system are the “Common values and principles in EU health systems” adopted by the EU health ministers on 2 June 2006. According to those principles, it is the duty of the EU Member States to guarantee the overarching values of universality, access to good quality health care, equity and solidarity. These overarching values are essential elements of the European Social Model.

According to the EC Treaty, European health and long-term care policy cannot mean harmonising the various systems. There will not therefore in the future be any common European health system similar to the common European internal market or common European environmental policy. The differences between the systems will remain and must also in future be subject to competition to provide the most efficient and comprehensive form of health provision.

In spite of the differences between the social systems, it is agreed that there are unifying aspects of health care provision that make Europe distinct from the rest of the world. These common values of European social policy have become central to the future European debate on the overarching “European Social Model”. The most important elements are: solidarity, equitable distribution and adequate access to high-quality health and long-term care.

Solidarity means that all citizens have access to medically necessary treatment and long-term care services. Even insured people who would receive insurance protection against pre-existing conditions in the private insurance system, albeit at enormous cost, can therefore be insured in a community based on solidarity. In long-term care insurance, the solidarity principle is realised as partial provision supplemented by elements of private provision. In so far as insured people are protected by statutory accident insurance, the accident insurance companies assume the cost of care services. As a final safety net, social welfare assumes the care costs of people without income or assets that are not covered by long-term care insurance.

<sup>21</sup> This is the normal term used in the EU context, which substantively equates to the term “Pflege [= just “care”] ” that is customary in German parlance and is used in the original German version of the following text.

Solidarity in statutory health and long-term care insurance firstly means that the risk is shared between young and old people, as older people claim benefits more often. However, it is also shared between poorer and richer citizens, since, although the contributions paid by people on wage and income support are lower, they have a legally enforceable right to full benefits under the health and long-term care insurance schemes. Finally, the risk is shared between healthy and sick people, as sick people also tend to need more benefits.

Equitable distribution is ensured in the German social insurance system primarily through income-related contributions. Up to a certain limit (currently a monthly income of € 3,600), all insured people pay a percentage of their income and no flat-

Access to adequate benefits is the third common element of the European Social Model. It applies to the catalogue of services, in other words the range of services made available, and to the length of time for which the services are received. The benchmark for this is the medical and long-term care need for social benefits.

The Federal Government has tackled these challenges by reforming health and long-term care insurance. The most recent **health reform** (Law on strengthening competition in statutory health insurance), which is almost completely implemented, entered into force on 1 April 2007. This paved the way to ensuring access for all to health care provision up to the current state of medical knowledge and to continual improvement of the quality of health care. From 2009, no citizen in Germany will be without health care provision in the event of illness. Access to insurance protection is thereby guaranteed irrespective of the individual's risk of illness or the economic situation. A new financial architecture in statutory health insurance is also improving the financial sustainability of the system by ensuring fair competition.

Competition at various levels of the health system must be improved further and used to increase efficiency and quality. Dovetailing of the various service sectors must be further developed by means of suitable incentives. The contributory basis of statutory health insurance as the primary insurance system for roughly 90% of the population must be protected and strengthened further to safeguard the solidarity principle in the long term.

As a result of the **long-term care insurance reform**, which entered into force on 1 July 2008, long-term care benefits will be better geared to people's needs and the financial sustainability of the contribution rate now established for that branch of insurance will be ensured at least until 2015. Deciding on changes to the long-term financing of long-term care insurance remains a challenge for the Federal Government, which it must tackle in the coming legislative period. An integral part of the reform is the **Law on Long-Term Care**. The Law on Long-Term Care provides that employees may take unpaid leave from work to care for dependants.

In parallel with the implementation of the reforms already adopted, **preventive health measures and health promotion** are to be expanded. Sickness prevention



can make a vital contribution to overcoming the demographic challenge. Special attention is to be paid in this regard to the fair distribution of health prospects throughout the population, irrespective of age, sex and social or economic status.

## **2. Health**

### **2.1. Progress in relation to the 2006-2008 National Strategy Report and the 2007 Joint Report on Social Protection**

Germany has already announced further reforms for the long-term provision of a comprehensive, high-quality and affordable health system in the last National Strategy Report. The Law on modernising the health system (GMG), containing elements on financial and structural reform of statutory health insurance, entered into force in January 2004. The 2007 health reform (Law on strengthening competition in statutory health insurance (GKV-WSG) introduced further necessary measures to restructure the health system from 1 April 2007. The Federal Government was particularly concerned that the effects of both reforms should be distributed fairly and on a shared basis.

The main objectives of the GKV-WSG are:

- Insurance protection for all citizens,
- Improving the quality of care,
- Increasing the efficiency of care by increasing transparency and intensifying competition
- Extending the options and decision-making scope of insured people,
- Reducing bureaucratic expenditure for all concerned,
- Lump-sum repayment of health insurance fund expenditure on tasks for society as a whole from Federal Budget funds

These objectives are primarily to be achieved by the following measures:

- Promotion of competition for statutory health insurance contracts by extending individual contract opportunities for insurance funds and service providers, promotion of particular forms of care (e.g. GP-centred care, integrated care) and introduction of optional tariffs for insured people,

- Optimising drug provision by improving the “discount contracts” instrument and introduction of cost-benefit assessment of drugs,
- Reorganisation of financing by introducing a uniform contribution rate and a Health Fund from 2009, annual increase in Federal subsidising of the Health Fund until 2016,
- Further development of risk structure compensation through standardised, morbidity-focused Health Fund allocations to the health insurance funds,
- Further development of the organisational structure by enabling mergers of health insurance funds, tightening the structures linking the health insurance funds and allowing all health insurance funds the possibility of becoming insolvent,
- Reform of the medical remuneration system by adopting a new euro-fees system and flat-rate remuneration in combination with fee-for-service payments and by transferring the morbidity risk to health insurance funds,
- Reforms in private health insurance (PKV) by introducing a basic tariff (legal obligation for health insurers to accept contracts of doctors – without risk exclusions or risk surcharges) and introducing portability of age reserves,
- Progressive increase in Federal Government subsidising of statutory health insurance to the amount of € 14 billion by 2016.
- 

## **2.2. Improving access (objective (j))**

Nearly 90% of citizens are insured under the statutory health insurance scheme. Income-related contribution rates and additional payment limits ensure that nobody is overburdened financially. A further 10% of the population (civil servants, self-employed people and higher-income office workers) have substitute full private health insurance (PKV). Financing of the health care of people in need and the socially vulnerable is provided through social welfare. Only around 0.2% of the population, for various reasons, do not have health insurance or any other form of provision in the event of illness.

### **2.2.1 Health insurance protection for all**

The 2007 health reform created the conditions for everybody to be able to have health insurance protection in the future. The new statutory insurance requirement for people without any other entitlement to health provision in the event of illness, who are to be

insured under statutory health insurance, has been in force since 1 April 2007. Ultimately, people covered by statutory health insurance without insurance protection turn to their former health insurance fund, which must accept them again. Since then, over 120,000 people have acquired health insurance protection on the basis of that new regulation. Of the initial number, most people without any other entitlement to health provision in the event of illness have taken advantage of the new regulation and have become members of statutory health insurance schemes. Other people have returned as employees to statutory pension insurance schemes because of the good economic situation.<sup>22</sup>

Private health insurance companies are obliged by the new provisions of the GKV-WSG to give persons without any other entitlement to health provision in the event of illness, and who are to be insured under private health insurance, insurance protection according to the basic tariff that must be offered by all companies from 1 January 2009. The range of services is comparable to that of the GKV; a legal obligation for health insurers to accept contracts of doctors also applies here, and risk exclusions and risk surcharges are not allowed. Since 1 January 2007, the PKV standard tariff that was already in existence, but had previously been limited to older insured people, has been opened to the above category of persons. From 1 January 2009, the requirement to be insured also applies to people who are to be insured under private health insurance. In that case, insurance protection must at least cover out-patient and in-patient therapeutic treatment.

### **2.2.2. Ensuring equality of care provision**

The legally established full entitlement to services of insured people covers a broad range of medical services. The German health care system stands out from the rest of Europe because of its high number of doctors, hospital beds and preventive care and rehabilitation establishments. 315,000 doctors (of whom nearly 138,00 are established), 65,000 practising dentists (of whom around 56,000 are established), 2,104 hospitals with 511,000 beds, 1,255 preventive care and rehabilitation establishments with 173,000 beds and around 22,000 pharmacists provide health care (as at 2006/2007). Around 4.3 million people are employed in the health service. Despite the generally high level of provision, there are also regional differences that are currently the subject of public discussion as the level of provision is regarded as insufficient in some places (especially in rural areas). However, measures have been adopted and incentives have been created in the Law amending panel doctor regulations (VÄndG) of 2006 and the GKV-WSG of 2007 in order to counteract any shortages in care. They include additions to care provision instruments such as care provision supplements, improving the employment prospects of doctors, facilitating the establishment of a branch practice, making it possible to work in a hospital and a practice at the same time and price incentives to control where doctors choose to establish themselves.

<sup>22</sup> This new provision also applies to many foreigners. Only European Union citizens who have the right to freedom of movement without being employed (they must already have adequate health insurance protection) and foreigners who must prove that they can support themselves in order to have their residence permit extended are excluded from the lower priority insurance requirement.

### **2.2.3. Ensuring equality of access – Socially fair additional payment**

All people who have statutory health insurance are equally entitled to health treatment irrespective of their income or the amount of their contribution payments, i.e. there are neither waiting lists nor regional or income-related disparities. Access to health care including the services of specialist doctors is therefore equally wide-ranging in statutory health insurance for all insured people according to the solidarity principle. Upper contribution limits protect people on low incomes and the chronically ill from being overburdened financially in so far as additional payments are provided for by law. This ensures that nobody experiences social hardship through illness.

The amount of additional payments is limited in the case of the chronically ill to 1% of their gross subsistence income and in the case of all other insured people to 2%. Also, increasingly less account is being taken of spouses and children who are insured without paying contributions in determining the upper limits. Moreover, the most recent (2007) reform has given the statutory health insurance funds many new ways of reducing the additional payments made by insured persons. By participating in bonus programmes, insured people can, for example, undertake to take part regularly in early diagnosis tests and receive an additional payment reduction for this purpose, and by participating in family practice models where they undertake to consult the family doctor first in the event of falling ill, insured people can similarly be exempted from medical consultation fees. Health insurance funds also have new authorisation to conclude discount agreements and sell medicines without requiring additional payments, in so far as they fall below the fixed amounts established. The new legal provisions led to a fall in the volume of additional payments of 13% from 2005 to 2007, thereby considerably reducing the burden on the insured. The most significant reduction in additional payments and relief was in medicines (minus 23%).

### **2.2.4. Improved payments for especially affected groups**

After some service restrictions had to be made by the GMG to stabilise statutory health insurance from 2004, the 2007 health reform was the first reform for many years that did not provide for increases in additional payments or service exclusions. All opportunities to strengthen areas of care were taken by the Law to strengthen competition in statutory health insurance. This includes, in particular, making rehabilitation services and treatment at family health spas compulsory services instead of discretionary services provided by the individual health insurance funds. This change reinforces the trend towards more preventive care and rehabilitation. Medical preventive care and rehabilitation measures make an important contribution to increasing health and preventing diseases. Other notable improvements in services are the introduction of specialist out-patient palliative care and the provision of domestic medical care in new types of accommodation that are particularly geared to the needs of the seriously ill and older people.

### 2.3. Increasing quality (objective (k))

Great importance is attached to quality assurance in the German health system. The obligation to ensure quality is enshrined in law. A statutory requirement to ensure quality exists for all service providers in out-patient and in-patient care and rehabilitation, making them expressly responsible for the quality and efficiency of their services. This also includes the obligation to provide further regular certified medical training.

#### 2.3.1. Systematic quality management of service providers

The legislature has made panel doctor<sup>23</sup> hospitals and out-patient and in-patient preventive care and rehabilitation establishments responsible for carrying out **internal and external quality management**. The specific quality management and quality assurance requirements for both the out-patient and in-patient sectors are laid down by the Joint Federal Committee (G-BA). In May 2007, the G-BA decided to significantly extend quality assurance across establishments in hospitals. The most recent evaluation of the results of external

in-patient quality assurance showed that in 2006 German hospitals again provided a high level of quality care, while at the same time indicating that there is still potential for improvement.

Hospitals are also required by law to issue every two years a structured **quality report on the nature and number of services provided in the hospital** and the measures carried out to improve quality. Specific requirements as to the structure and content of the quality report are likewise laid down by the G-BA. The G-BA decided to impose additional requirements for the 2007 edition of the report that increase the information content especially on the quality of service processes and outcomes and thereby contribute to improved comparability of hospital services in Germany.

#### 2.3.2. Ensuring cross-sectoral and patient-oriented quality

The quality assurance requirements were further developed in the Law to strengthen competition in statutory health insurance of 2007. The legal **mandate of the G-BA** to lay down uniform and cross-sectoral quality assurance requirements as far as possible in the various areas of the health system was therefore reinforced. Moreover, the G-BA is to be assisted in future by an independent scientific institute in further developing and implementing quality assurance across health establishments (e.g. in determining quality indicators).

By order of the G-BA, the **Institute for Quality and Efficiency in the Health System (IQWiG)** founded in 2004 also deals primarily with matter of fundamental importance for the quality and efficiency of the services provided under statutory health insurance. In particular, it examines and assesses diagnostic measures, medical treatments, operational procedures and medicines according to the principles of evidence-based medicine from the point of view of their usefulness for patients.

<sup>23</sup> This covers psychotherapists as well as doctors.

Special forms of care such as integrated care, family practitioner networks, health centres, the opening of hospitals for out-patient care, quality-assured treatment programmes for chronically ill people and bonus programmes for health-conscious behaviour promote the quality of care and intensify competition between health insurance funds and service providers.

Quality improvements are also being achieved through **more patient-oriented health care**. After several initiatives in this connection had been started in previous years (development of the patients' charter, legal obligation of health insurance funds to promote independent establishments providing patient counselling and information, appointment of Federal Government Commissioners for Patients' Affairs, strengthening patients' representatives' right of scrutiny in various health bodies), the participation rights of patients' representatives in statutory health insurance bodies were further increased by the Law amending panel doctor regulations, which entered into force on 1 January 2007. The extent of the right of scrutiny at Land level was clarified and the necessary financial provision for effective performance of their tasks was improved. Pursuant to the GKV-WSG, the Joint Federal Committee must also provide organisational and substantive assistance to the patient side in the performance of its tasks.

### **2.3.3. Improving quality of early diagnosis and treatment of cancer**

Ensuring the quality of health treatment and prior early diagnosis requires constant, careful monitoring. An important example is the early diagnosis and treatment of cancer. Germany has a very high level of prevention, early diagnosis, treatment, after-care and palliative care of cancerous diseases. This is due in particular to the fact that many of the actions required in Europe under the "Overall programme to fight cancer" started in 1979 have been implemented. However, the Federal Government will also examine how cancer care can be improved further under a National Cancer Plan, in particular through:

- Further development of early cancer diagnosis
- Further development of oncological care structures and quality assurance
- Ensuring efficient oncological drug therapy
- Increasing patient-oriented care

A further priority of the Federal Government's cancer campaign strategy is the introduction in 2008 of a standardised, quality assured and nationwide mammography screening programme based on the European guidelines for quality assurance in mammography screening (see examples of good practice in Annex 1).

### **2.3.4. Quality and efficiency by means of the electronic health card**

The progressive introduction of an electronic health card in Germany was adopted in the Law on modernising statutory health insurance, which will help to bring about more quality and efficiency in health care. The electronic health card is currently being tested in seven Bundesländer. It is planned to introduce it nationwide, starting in one region. After panel doctors

are provided with reading equipment from the 2<sup>nd</sup> quarter of 2008, the health insurance funds will subsequently be in a position to issue electronic health cards to the people insured with them.

## **2.4. Ensuring sustainability (objective (I))**

The financial and structural reform components of the 2003 and 2007 health reforms have made a vital contribution to safeguarding the financing of statutory health insurance. According to provisional financial results, statutory pension insurance recorded a surplus in 2007 of around € 1.78 billion and is therefore entering a new year with a surplus for the fourth time in a row. Financial consolidation of statutory health insurance has therefore largely been achieved. At the end of 2007, it again had total positive financial reserves of around € 3.2 billion. It therefore helped Germany to record a balanced national budget including social insurance for the first time in many years, which in turn enabled Germany to fulfil the European Union's stability criteria.

All health insurance schemes will be debt-free by the end of 2008 at the latest. The new financial architecture for the start of the Health Fund will therefore be on a stable footing in time for the beginning of 2009.

An international comparison shows the successes of the health policy reforms of recent years: the OECD figures prove that the increase in expenditure in the German health service in recent years was significantly lower than in all other industrialised countries. The per-capita expenditure on health in Germany between 2000 and 2005 rose by 1.3% per year on average in real terms. On the other hand, the average annual increase in all OECD countries was 4.3%. The OECD expressly attributes this to Germany's success in reducing costs.

### **2.4.1. Strengthening competition in statutory health insurance**

The stability in the financing of statutory health insurance will be further improved in the coming years by strengthening competition. The cornerstone of this new approach will be the introduction of the Health Fund and the new risk structure compensation arrangement from 2009. From January 2009, all members and all employers will pay a uniform contribution rate for statutory health insurance laid down by regulation. The resources based on these contributions and the increasing Federal subsidy will be combined in the Fund. All health insurance funds will receive standardised payments for the people insured by them from the Fund, which will be supplemented by morbidity-focused allocations. This will offset the variations in income distribution and the variations in health-risk distribution. Health insurance funds with many low-income, old or sick people will no longer be disadvantaged. Their competitiveness is to be focused on providing high-quality care. Where a health insurance fund finds its financial resources to be insufficient, it can take advantage of the many new possibilities provided for by the Law on strengthening competition in statutory health insurance, where appropriate by levying an additional contribution, the amount of which is, however, limited by social contract.

The health insurance funds can use the competition instruments provided for by the 2007 reform law: there are now more ways of providing quality-based and efficient forms of care and of offering special care tariffs:

- Individual agreements with doctors or pharmacists
- Calls for tender for equipment
- Discount agreements with pharmaceutical companies
- Special tariffs (non-reimbursable portions of medical expenses, cost reimbursement, participation in special forms of care)

Health insurance funds can negotiate drug prices and discounts or take advantage of the new possibilities for price setting.

#### **2.4.2. More choice for the insured**

At the same time, the insured have more opportunities for choice between the various health insurance funds, tariffs, care services and service providers: all health insurance funds must offer family practitioner rates in future. Health insurance funds have to offer various tariffs where insured parties decide on special forms of care such as integrated care or participation in structured treatment programmes. Furthermore, all health insurance funds can offer tariffs for non-reimbursable portions of medical expenses and cost reimbursement.

#### **2.4.3. Strengthening sustainability through better coordination of care**

Stability in financing statutory health insurance is also reinforced by structural measures, in particular greater integration of the services offered (e.g. improved management of patient discharge from hospitals, continuation and extension of integrated care including incorporation of long-term care in integrated care, Medical Care Centres) as well as guideline-based structured treatment programmes (DMPs). There are currently over 5,000 integration contracts and over 800 Medical Care Centres, and over 4 million insured people (6%) are registered in one of the structured treatment programmes covering 6 illnesses. The number of people insured under statutory health insurance who were registered in one of these programmes in 2006 was around 2.5 million, i.e. 3.6% of all insured people.

#### **2.4.4. Prevention – Requirement of a forward-looking health policy**

The risk of chronic illnesses increases as society becomes older. Effective and efficient health promotion and prevention can improve people's health, quality of life, mobility and capacity for work on a lasting basis and reduce the majority of the otherwise necessary sickness costs, especially in respect of chronic illnesses. In this sense, health promotion and prevention must be understood as being not just health policy requirements but the duty of society as a whole. Investment in prevention and health promotion can increase citizens' prospects for a longer,



independently determined life with less interference and more quality of life. The earlier prevention is started (ideally in childhood and adolescence), the better the health effects. In this way, the risk of illness resulting from unhealthy lifestyles and life's stresses can be reduced.

Despite many successes and positive signs in individual areas of health promotion and prevention, transparency, integration, coordination, and cooperation in that sector as a whole, targeting and systematic quality assurance must be improved further. The prevention and health promotion services provided by the health insurance funds must be provided more extensively than before in people's direct living environment, for example, in daytime child care institutions, schools, firms and establishments for senior citizens, and in districts as well as town centres. They also help to bring about equal prospects for a healthy life. These services are being accompanied by publicity measures to increase public awareness. Prevention and health promotion are to be expanded as a separate pillar of health care.

#### **2.4.5. National Action Plan on diet and exercise**

A major priority in increasing health promotion and prevention is prevention of poor nutrition, lack of exercise, obesity and related diseases. The National Action Plan to prevent poor nutrition, lack of exercise, obesity and related diseases ("IN FORM – Germany's initiative for a health diet and more exercise") drawn up under the joint lead of the Ministry of Food, Agriculture and Consumer Protection and the Ministry of Health was therefore adopted in the Cabinet on 25 June 2008. The action plan lays down specific objectives, areas for action and measures to further improve awareness of the connections between a balanced diet, adequate exercise and health, assist people in Germany in their efforts to lead a healthy lifestyle with a balanced diet and adequate exercise and improve the relevant regulatory framework. A national campaign is planned to coordinate the various activities on the subject of diet and exercise and thereby promote a more healthy everyday existence.

It is a primary objective to improve diet and exercise behaviour on a lasting basis by 2020. This should have the effect that

1. adults live a more healthy life, children grow up more healthy and enjoy a higher quality of life and increased capacity for achievement in education, work and their private lives.
2. diseases caused by an unhealthy lifestyle because of an unbalanced diet and lack of exercise decrease significantly.

Preventive health measures such as maintaining a healthy diet and taking adequate exercise are a cross-cutting task that affects various areas and levels of policy. It therefore requires cooperation beyond a single department. The essential structures incorporating all political levels and the relevant policy areas were created through the establishment of an inter-ministerial working group and a Federal Government-Länder-local authorities working group. Civil society, the business world and the scientific community were also involved in the process of developing ideas and measures through written opinions, workshops and expert discussions.

These structures are also being used to assist the further organisation and implementation of the National Action Plan (see example of good practice in Annex 1).

#### **2.4.6. Improving basis of data by increased health monitoring**

Continuous health monitoring will be conducted at the Robert Koch Institute to improve the targeting of preventive medical measures and health care. Health monitoring is a combination of regular telephone (Health Interview Survey: HIS) and examination surveys (Health Examination Survey: HES). Up to 28,000 people in all age groups are interviewed by telephone every year. In addition, a total of 7,500 people are examined over a period of three years, whereby adults, children and adolescents are examined in rotation. The figures on people tested are representative for Germany up to the level of medium-sized Bundesländer. The first results of the HIS will be available in 2009, those of the HES in 2011.

Establishing such nationwide health monitoring will considerably improve the data on which health policy measures are based, especially in the area of prevention. Where possible, reports from the Länder should also be incorporated into prevention planning. Health monitoring is designed to be compatible with planned EU activities such as the Health Interview Survey (HIS). Health monitoring is so organised that modules on various lines of enquiry can be tacked on to the regular main surveys, such as on mental health or a medicines, environmental or addiction survey.

The child and adolescent cohorts of the KIGGS will be integrated into health monitoring. In the Child and Adolescent Health Survey (KIGGS), the Robert Koch Institute examines and interviews a representative sample of children and adolescents of 0 to 17 years of age nationwide in order to improve the health data on the upcoming generation in Germany and close any gaps in information. Between May 2003 and May 2006, 17,641 boys and girls in 167 locations in the Federal Republic took part in the study and provided, in combination with the data furnished by their parents, a unique pool of information.

The aim of the present more in-depth evaluation is to identify the most important problem areas in the health of children and adolescents so that appropriate priorities in health policy can be established. However, important existing health policy activities, such as the campaign against obesity and adiposity, will also be supported by the improved information

#### **2.4.7. Involvement of partners in a pluralistic health system**

The German health system is characterised by the subsidiarity principle and strong autonomy. The autonomous partners, consisting of the service-provider organisations and health insurance funds, are therefore continually involved in the development and implementation of health strategies and reforms, as are the Länder and patients' organisations. All the relevant organisations concerned are normally consulted and included in parliamentary discussions of planned legislation and relevant health policy measures.

### 3. Long-Term Care

#### 3.1. Progress in relation to the 2006-2008 National Strategy Report and the 2007 Joint Report on Social Protection

Since the introduction of long-term care insurance in 1995, all citizens have been receiving insurance protection against the need for long-term care. Long-term care has attained a high degree of acceptance with insured people and those people requiring long-term care, and its services help many people in need of care to be cared for at home in accordance with their personal wishes. Moreover, the services under SGB XI help those needing long-term care and their families to bear the financial costs associated with a long-term care requirement.

Long-term care insurance is currently on a solid footing, but it is also faced with future challenges that are confronting the social insurance systems of Europe as a whole because of low birth rates and the rising life expectancy of the population. Rising life expectancy also increases the risk of becoming chronically ill or needing long-term care; under the terms of the Law on long-term care insurance, currently

- in the under-60 age group            0.6% need long-term care
- between the ages of 60 and 80    around 4% need long-term care
- in the over-80 age group            around 28% already need long-term care.

The Federal Government therefore considered that there was clearly a need to further develop the social insurance branch of long-term care insurance in order to be armed against the challenges posed by future trends; this was already established in the last National Strategy Report (see *ibid*, p.48 et seq.). In the Law on further development of long-term care, the Federal Government is establishing essential cornerstones of the reform legislation announced in the coalition agreement of 11 November 2005, which take greater account of the “out-patient before in-patient” principle than before. The coalition agreement provides that social long-term care insurance will continue to be an autonomous branch of the social insurance system. The risk of a substantial and severe need for long-term care is still insured on a collective risk-sharing basis. Long-term care insurance is still a “core protection system” in accordance with the basic idea at its inception. Nor is its status as basic insurance to be changed. At the same time, long-term care has been given a secure foundation for future generations as well. This reform is part of the Federal Government’s overall plan to improve support and care for needy, disabled and older people.

### **3.1.1. Improvements through the Law to promote competition in the statutory health insurance system**

The Law to promote competition in the statutory health insurance system has introduced a number of improvements for the insured that also directly benefit long-term care:

- **Improving discharge management after stays in hospital**

It is particularly important from the viewpoint of patients simultaneously requiring care to prevent “revolving door effects” and “the feeling of being sucked into the care home”. When a person is being discharged from hospital, the service providers (acute care, rehabilitation, home medical care) must ensure appropriate follow-up care with the support of the health insurance funds. It is specified by the long-term care reform that long-term care institutions must be included in discharge management and that there must be close cooperation with the long-term care advisers who are contacted at the same time.

- **Strengthening the principle of “rehabilitation before long-term care”**

Rehabilitation for older people is being improved so that older people do not have to go into a nursing home after an accident or illness. That way, they can continue to organise their daily life as they wish. Care can be provided near their home or by mobile “rehab” teams. It is thereby ensured that patients receive necessary rehabilitation services to prevent them from needing long-term care or to prevent their condition from getting worse where they already actually need long-term care.

- **Expansion of domestic medical care**

As with “discharge management”, the statutory health insurance reform aims to bring about a situation where more consideration is given to the individual’s particular living circumstances in the provision of domestic medical care. Following an expansion of the concept of domesticity, domestic medical care may in future be provided as a service in new forms of accommodation such as community residences and in exceptional cases in care homes. This is important for many people requiring care, since the Federal Government considers that in many cases new forms of accommodation can only be used if the occupants are not cut off from domestic medical care services.

- **Right to specialised out-patient palliative care**

The statutory health insurance reform has also introduced a right to specialised out-patient palliative care, which will help to provide support for the most severely ill patients requiring care even in their familiar domestic environment where this is desired. The service is available to palliative care patients with limited life expectancy who have a special need for care because, for example, of the particular severity and frequency of various symptoms, even though they can receive out-patient care. It is a multi-professional comprehensive service incorporating medical and nursing elements, including coordination between them, which can be provided round the clock where necessary. Health insurance funds conclude contracts for this purpose with suitable service providers. In the course of this, consideration should be given to the structures already in place. There should be close cooperation with the hospice movement. As a result of the establishment of this right in the statutory health insurance reform, special out-patient palliative teams may also be called upon in in-patient care institutions. The relevant contracts govern whether the service is provided by the contractual partners of the health insurance funds in the care establishment or by staff of the care establishment.

### **3.1.2. 2008 long-term care reform brings important structural changes**

The Law on the structural further development of long-term care insurance (Long-Term Care Further Development Law), which entered into force on 1 July 2008, contains important new provisions especially in the field of long-term care insurance law which signify great progress for the life situations of millions of people requiring long-term care, their relatives and carers and introduce fundamental structural changes for those concerned. It is especially desired to significantly improve the often difficult situation for people who are dependent on long-term care and also for those who are caring for other people out of moral duty or voluntarily in the home environment. The long-term care reform will generally help to reinforce the establishment and extension of new high-quality care structures near to people's homes.

### **3.1.3. Revision of the concept of need for long-term care**

The concept of need for long-term care, as defined by Paragraphs 14 and 15 of SGB XI, and the assessment procedure to establish the need for long-term care will be progressively revised in the medium term in accordance with the Federal Government's aims and objectives. In accordance with the requirements of the coalition agreement of November 2005, an advisory council set up by the Federal Ministry of Health is currently drawing up the decision-making

bases for that revision. At the end of the process (which is expected to be at the end of 2008), the advisory council will submit a proposal on this to the Federal Ministry of Health. The work in this subject area goes beyond the content of the long-term care reform mentioned above both substantively and in time. Courses of action must also be prepared and tested before the legislature decides to amend the concept of need for long-term care and the assessment procedure. In the process, it must be clarified how the amendment will affect long-term care insurance and/or other social service areas, especially financially. In agreement with the Federal Ministry of Health and the advisory council, the central associations of the long-term care insurance funds are implementing a comprehensive model project to prepare and test a new assessment instrument.

### **3.2. Improving access (objective (j))**

#### **3.2.1. Organisation of financial services**

Long-term care insurance was fundamentally conceived of as basic insurance. It will remain so under the long-term care reform. This means that long-term care insurance services will still only cover a part of the costs that the insured person must pay for long-term care. However, the burden on people needing long-term care and their families can be significantly reduced by long-term care services. In this respect, the progressive increase in the expenditure on and extent of services provided for under the Law on further development of long-term care takes on special importance. This is especially so in the case of domestic care and the care of people with dementia and in respect of the improvements in day and night care services in combination with domestic care services and the more generous level of benefits.

#### **3.2.2. Generation-spanning civil commitment**

The committed involvement of citizens in long-term care is also reinforced by the long-term care reform. Committed citizens and self-help groups and organisations will in future be better integrated into networked care services and may be given training. This concerns, for example, care services at local authority level and support groups for people with dementia.

#### **3.2.3. Out-patient care according to personal need and relief for family members providing care**

Out-patient care is basically strengthened by the long-term care reform, especially as the possibilities for advice to people needing long-term care are being extended. As the range of services being provided for long-term care is becoming more and more

complex, long-term care insurance funds are being obliged from 2009 to offer an individual advice, support and monitoring service to insured people needing long-term care and their families by means of **long-term care advisers**, who coordinate and arrange assistance and support services for the people concerned. They are to gather together all information and be the contact point on all matters. Long-term care advisers are to be established at a so-called long-term care support point. Studies show that the greatest burden on the families of people needing long-term care and others involved is initially not so much the task of caring, but the preparation and organisation of the long-term care situation that has suddenly arisen. Anyone who was in the situation of having to organise support and care for a family member was previously confronted with a huge mountain of many unanswered questions. There was no central contact point that would answer all questions, although there were many individual ways of obtaining advice. The Federal Government considers that in future “long-term care support points” should provide the remedy as places where meetings can be arranged with suitable contacts such as the above-mentioned long-term care advisers within reach of home.

Also, serious illnesses that result in a family member becoming a carer can often be disconcerting for family members who need some time to adjust to the new situation. In the short term, employees may in future take up to 10 days' leave from work to organise appropriate care for such a situation of acute need and provide nursing care during that time. Moreover, employees are entitled to unpaid, but socially insured, release from work for a period of up to 6 months where their employer has over 15 employees (so-called “long-term care period”).

The day-care service provided under long-term care insurance is normally best used by people needing care where their family members are employed throughout the day. The beneficiaries receive their meals, have company and are physically and mentally stimulated. Day and night care services were increased under long-term care reform, which, like the “long-term care period”, will help to relieve the burden on private households with family members needing long-term care.

#### **3.2.4. Services for people with limited everyday skills**

In future, people suffering from dementia and mentally ill people cared for on an out-patient basis will no longer only receive an amount of up to € 460 per calendar year to reimburse the costs of using specific quality-assured care services (day, night and short-term care in establishments approved by the care agreement, special support services of approved long-term care services, low-threshold support services recognised under

Land law). According to the extent to which their everyday skills are limited, they will receive a monthly amount of up to € 100 (basic amount, in the case of relatively low relevant support expenditure) or up to € 200 (increased amount, in the case of relatively high relevant support expenditure). For the first time, these services will also be received by so-called Care Level 0 patients with limited everyday skills (in particular people with dementia) who do not yet fulfil the Care Level 1 criteria. The raising of the day and night care benefits will also have a positive impact, especially for people needing care with dementia.

The further extension of low-threshold support services to support and care for people with dementia is being given increased financial assistance. The assistance is being increased from € 20 to 50 million per year and should help to improve the care of people suffering from dementia.

The service provision in care homes is also being improved through the addition of separate services for people needing care with dementia. In full-time institutional care establishments, additional support staff can be used for residents of care homes with considerable general need for support, as the long-term care insurance funds are financing one full-time support-staff member for every 25 care home residents with considerable general need for support (or a proportionate number in the case of more or less than 25 care home residents) by means of remuneration supplements. The financing of this staff must be contractually agreed between the care home and the long-term care insurance funds in such a way that the dementia sufferers do not incur any costs for using these services.

### **3.2.5. Consideration of the development of new forms of accommodation**

Out-patient supported forms of accommodation and community residences for senior citizens are playing an increasingly important role. In particular, community residences offer the possibility of leading an independent life in old age whilst being in the company of other people. The Law on further development of long-term care makes appropriate provision for this change. The long-term care reform makes it

possible, for example, for several occupants of community residences to jointly use out-patient long-term care services or individual care staff (so-called “pools” of services). Several people requiring care can package the support services needed by them as collective use, such that the care staff can stay longer in the community residence than the actual time required to provide the support. The packaged services may be used jointly not only in a community residence, but also in the immediate neighbourhood.



### **3.2.6. Strengthening prevention and rehabilitation in long-term care**

The efforts of long-term institutional care establishments in the areas of enabling care and rehabilitation are being assisted with financial incentives. That is to say, the establishments that succeed, after increased enabling and rehabilitation efforts, in reducing the needs of a person in care to a lower care level will receive a one-off payment.

### **3.3. Increasing quality (objective (k))**

#### **3.3.1. Development and implementation of expert standards in long-term care practice**

People needing long-term care have a right to be cared for in a humane way according to the generally recognised state of medical and nursing knowledge. The long-term care reform therefore entrusts the relevant authority at Federal level with the task of ensuring that expert standards are developed and updated (responsibility for ensuring the provision of adequate services). Expert standards specifically define the generally recognised state of medical and nursing knowledge on a specific subject, e.g. on preventing bedsores (expert standard on decubitus prophylaxy in long-term care), and are compulsory in all approved long-term care establishments.

#### **3.3.2. Transparency of quality-assurance measures**

At the same time, the Law on further development of long-term care is also extending the area of quality assurance and creating more transparency. For example, the results of the inspection reports of the Health Insurance Medical Service will in future be published in easy-to-understand, consumer-friendly terms. It is also intended to provide outsiders with an assessment system, e.g. using a traffic light or star system, to enable them to recognise whether a long-term care establishment provides “good long-term care”. The reform will also promote the quality of long-term care establishments on a lasting basis, among other things, because the care homes will be inspected more often and the inspection reports must subsequently be displayed by the care home managers in an appropriate place.

#### **3.3.3. Medical care in long-term care homes**

Medical care in long-term care homes is being improved by the Law on further development of long-term care. In future, long-term care insurance funds should ensure that care homes enter into cooperation agreements with established doctors. Long-term care homes are also allowed to engage doctors to work in the homes where such cooperation cannot be achieved. Moreover, long-term care specialists are to be incorporated more into health care in the future. Provision for model projects relating to the Law on further development of long-term care is also being made.

### **3.4. Ensuring sustainability (objective (I))**

Increasing ageing also creates problems for the financing of social long-term care insurance, which is largely financed from contributions: decreasing numbers of young people must pay for services for increasing numbers of old people. It therefore continues to be the cross-cutting concern of all the Federal Government's reforms to safeguard the financial foundations of social-long-term care insurance on a sustainable basis in the long term by, in particular, stabilising contribution rates, making it more oriented towards patients and people needing long-term care, ensuring quality and improving efficiency.

When long-term care insurance was introduced, it was already apparent that adjustments would have to be made because of the demographic trend. The 0.25 percentage point increase in the contribution rate provided for under the current reform is expected to be sufficient to finance the planned service improvements and the additional expenditure resulting from the demographic trend until the year 2015. A decision on the long-term financing of long-term care insurance has to be made in the medium term. According to the model calculations of the Council of Economic Experts, if the financial structures remain unchanged, the contribution rate for the year 2050 would have to be in the order of 2.5% compared with 1.95% from the middle of 2008. By that reckoning, the relatively moderate increase needed in the contribution rate over a period of more than 40 years shows that the challenges resulting from the demographic trend for long-term care insurance should be manageable. Moreover, the moderate increase in the contribution rate from the middle of 2008 is offset by a considerably greater reduction in the contribution rate for unemployment insurance of 0.9 percentage points from the beginning of 2008.

The Federal Government will also expand the essential payment of benefits under SGB XI in the area of long-term care in the future. On the other hand, private provision and the maintenance of efficient structures will continue to be a lasting requirement, especially in out-patient care. The long-term care reform and the guidance contained in it on ensuring high-quality long-term care have considerably aided the discussion p

## Annex 1: Examples of good practice

### 1. Federal Government initiative: mammography screening programme

| Description of measure   | Member State  |
|--|---|
| Establishing a standardised, quality assured, nationwide and population-related mammography screening programme based on the European guidelines for quality assurance in mammography screening  | Germany   |
| Purpose of measure   |   |
| Reducing the mortality rate from breast cancer in the target population of the mammography screening programme (all women from 50 to 69 years of age)  |   |
| Summary of key results   |   |
| <p>Start of the transfer of the mammography screening programme to regular care January 2004. Nationwide introduction of the programme was largely concluded the middle of 2008. The mammography screening programme has therefore been introduced in Germany extremely quickly.</p> <p>Germany now has the biggest and most technically modern mammography screening programme in the EU.</p> |   |
| Target group   | Policy emphasis   |
| General population<br>Children<br>Single parents<br>Unemployed people<br>Older people<br>Young people<br>People with disabilities<br>Immigrants/refugees<br>Ethnic minorities<br>Homeless people<br>Special ailments/illnesses<br>Other [please specify:]  | Social exclusion<br>Health<br>Long-term care<br>Governance  |
|  | Geographical scope  |
|  | National<br>Regional  |
|  | Implementing institution  |
| Women between 59 and 69 years of age   | Kooperationsgemeinschaft Mammographie in der ambulanten vertragsärztlichen Versorgung GbR (KoopG) |

| <b>Context/background of the initiative</b>  |  |
|--|--|
| <p>Early diagnosis of breast cancer was implemented in a non-standardised way in Germany in the past.</p> <p>A central problem was so-called non-quality-assured “grey screening”, i.e. early diagnosis of breast cancer was made in many cases in a supposedly “curative” scenario.</p> <p>Because of the lack of standardisation and inadequate quality assurance of “grey screening”, it resulted, firstly, in often false positive findings that prompted unnecessary further clarifying investigation. Secondly, incidences of breast cancer were too often disregarded in international comparisons.</p> |  |
| <b>Details of the initiative</b>   |  |
| <b>1.</b>  | <b>What is/was the time frame for implementing the initiative?</b>   |
|  | <p>2001 and 2002: Initiation of three pilot projects that examined the feasibility and acceptance of a mammography screening programme in Germany based on the European guidelines.</p> <p>The introduction of a quality-assured, nationwide, population-related mammography screening programme for women between 50 and 69 years of age according to the European guidelines on quality assurance in mammography screening was approved by the cross-party Bundestag decision of 28 June 2002.</p> <p>Decision of the former Federal Committee of Physicians and Health Insurance Funds on 15 December 2003 to introduce a quality-assured nationwide and population-related mammography screening programme for women between 50 and 69 years of age according to the European guidelines on quality assurance in mammography screening (entry into force of the decision on 1 January 2004).</p> <p>Appointment of the heads of the reference centres in December 2004.</p> <p>Certification of the first screening units in April 2005.</p> <p>The nationwide introduction of mammography screening is almost concluded. 89 of the 94 screening units nationwide are already in operation. The remaining 5 screening units are either already certified by the Kooperationsgemeinschaft Mammographie or are still in the process of certification and will start operating shortly. This means that the remaining 10 million women between 50 and 69 years of age can soon be invited to the screening to which they are entitled (as at 28.05.2008).</p> |
| <b>2.</b>  | <b>Specific objectives</b>   |
|  | Reducing the mortality rate from breast cancer in the target population through the mammography screening programme (all women from 50 to 69 years of age).  |
| <b>3.</b>  | <b>How were those objectives implemented?</b>  |
|  | See above.   |
| <b>Monitoring and assessment</b>   |  |
|  | <b>How is/was implementation of the measure followed up/assessed (“monitoring”)?</b>   |

|                |   |
|----------------|---|
|                | <p>From the results of the pilot projects on the feasibility of a mammography screening programme in Germany based on the European guidelines, it could be concluded that mammography screening in Germany can reduce the mortality rate from breast cancer in the target population in the long term (Final Report from the year 2006).</p> <p>The Kooperationsgemeinschaft is responsible for providing a nationwide assessment and for implementing quality assurance measures in connection with the mammography screening programme. The assessment is made on various legal bases ("Cancer Early Diagnosis Guidelines", Federal Framework Agreement – Doctors and Substitute Funds, Land Cancer Register Laws) and provides a mortality rate assessment. The KoopG submits the annual data evaluations of the quality assurance measures for assessment of the programme to the Joint Federal Committee and the partners of the Federal Framework Agreements.</p> |
| <b>Results</b> |   |
| <b>1.</b>      | <b>To what extent were the specific objectives achieved?</b>  |
|                | The first evaluations relating to the quality assurance measures since introduction of the mammography screening programme into regular health care confirm the positive results obtained from the pilot projects. More comprehensive assessment reports will be available during 2008.   |
| <b>2.</b>      | <b>What obstacles/risks were encountered in implementing the initiative?</b>  |
|                | The challenge for Germany continues to be the transfer of the EU recommendations to the national context. The German health system differs from that of many other smaller States and those with a more centralist structure that offer mammography screening. The introduction of an organised population-related screening programme also represents a profound change in mentality for the German health system, which is traditionally doctor-oriented. This is the first time that mammography is being offered as a mass screening exercise, to which all 10 million entitled women between 50 and 69 years of age receive an invitation by post.   |
| <b>3.</b>      | <b>How did you tackle those obstacles and risks?</b>  |
|                | Involving the relevant stakeholders at the level of Federation, Land and joint self-regulating authorities.<br>A persuasion campaign by health authorities and specialists in order to gain the acceptance and trust of the stakeholders and the public in the mammography screening programme on a permanent basis.<br>Progressive establishment of a mammography screening programme which fulfils the highest quality requirements and also makes them transparent.  |
| <b>4.</b>      | <b>Were there unexpected benefits or problems?</b>  |
|                | Detailed logistical problems (e.g. relating to the invitation process and protection) have been identified and are being tackled.   |

## 2. “mammaNetz” initiative

| Description of measure   | Member State   |
|--|--|
| “mammaNetz – Case management in cross-sectoral for women with breast cancer”   | Germany  |
| Purpose of measure   |  |
| Ensuring comprehensive, patient-oriented and cross-sectoral organisation and coordination of the treatment and care process for women with breast cancer by using a case manager.  |  |
| Summary of key results   |  |
| MammaNetz is a practically tested and scientifically evaluated model of a support and guidance centre that improves networking between institutions and stakeholders in the health system as well as the care of women with breast cancer. This generally applicable case management model can be transferred to other establishments and other patient groups (e.g. stroke patients). |  |
| Target group   | Policy emphasis  |
| General population<br>Children<br>Single parents<br>Unemployed people<br>Older people<br>Young people<br>People with disabilities<br>Immigrants/refugees<br>Ethnic minorities<br>Homeless people<br>Special ailments/illnesses<br>Other [please specify:]<br>Women   | Social exclusion<br>Health <b>x</b><br>Long-term care<br>Governance  |
|  | Geographical scope   |
|  | National<br>Regional <b>x</b>  |
|  | Implementing institution   |
|  | Cross-sectoral network of 250 establishments from the Augsburg region (including Augsburg clinic, regional clinics, established doctors, advice centres, self-help groups) |

|   |  |
|---|--|
| <b>Context/background of the initiative</b> |  |
|   |  |
| <b>Details of the initiative</b>            |  |
| <b>1.</b>                                   | <b>What is/was the time frame for implementing the initiative?</b>   |
|   |  |
| <b>2.</b>                                   | <b>Specific objectives</b>   |
|   | <ul style="list-style-type: none"> <li>- Continuous cross-sectoral and patient-oriented support for patients</li> <li>- Multi-professional networking between out-patient, in-patient, acute rehab and general sectors,</li> <li>- Structuring, documentation and optimisation of the treatment process.</li> </ul>  |
| <b>3.</b>                                   | <b>How were those objectives implemented?</b>  |
|   | <p>The support centre consists of a multi-professional team of colleagues (oncologically experienced nurses, social education workers, a gynaecologist, a psychologist, a pastor and an administrative staff member).</p> <ul style="list-style-type: none"> <li>• Care is provided in a cross-sectoral network consisting of 250 establishments from the Augsburg region (Augsburg clinic and other regional clinics, established doctors including 42 gynaecological practices, rehab clinics, therapists, advice centres, self-help groups, paramedical units, wig makers, prosthesis specialists etc.)</li> </ul> <p><b>Case management</b> is divided into the following stages:</p> <p><b>1. Intake:</b><br/>It is clarified in an initial discussion whether case management is needed and whether targeted information is sufficient.</p> <p><b>2. Assessment:</b><br/>The individual's care needs, the patient's present situation and the care resources available are identified.</p> <p><b>3. Guidance and help plan:</b><br/>The individual care objectives are defined, the course of action is planned and the distribution of tasks among those responsible is established.</p> <p><b>4. Intervention</b><br/>The agreed action is carried out. The case manager coordinates this.</p> |
| <b>Monitoring and assessment</b>            |  |
|   | <b>How is/was implementation of the measure followed up/assessed ("monitoring")?</b>   |

|                |   |
|----------------|---|
|                | <p>The provision of services and associated documentation is checked in same time period. This check should determine the extent to which the objectives have been achieved, reveal any shortcomings in quality and obtain data for performance verification and quality assurance. Where shortcomings become apparent, the help plan is adjusted accordingly. also adjusted in the event of changes in the patient's personal situation</p> <p>A decision is made on whether the support services are to be terminated, continued and the success of the intervention together with the expenditure needed is reviewed.</p> <p>Besides implementation of the support centre for women with breast cancer, the model project also includes scientific monitoring in the form of a feasibility study, which examined the effects of the implementation of case management in practice on selected aspects of care. It studied the effect of the support on the health-related quality of life and anxiety of the women, its influence on the patients' awareness and skill in dealing with their illness, its effects on the organisation and process of treatment and on after-care and the satisfaction and acceptance of the patients and network partners.</p> |
| <b>Results</b> |   |
| <b>1.</b>      | <b>To what extent were the specific objectives achieved?</b>  |
|                | <ul style="list-style-type: none"> <li>- Case management support improves the health-related quality of the study patients, reduces fears about the effects of the illness and strengthens the patients' skill in dealing with their illness.</li> <li>- The "mammaNetz" has a positive effect on the organisation and process of treatment and on after-care.</li> <li>- The network partners observed positive effects in the patients and the support made their work easier.</li> <br/> <li>- The study patients showed a high degree of acceptance and were very satisfied with the support.</li> </ul>  |
| <b>2.</b>      | <b>What obstacles/risks were encountered in implementing the initiative?</b>  |
|                |   |
| <b>3.</b>      | <b>How did you tackle those obstacles and risks?</b>  |
|                |   |
| <b>4.</b>      | <b>Were there unexpected benefits or problems?</b>  |
|                |   |



### 3. National Action Plan on Diet and Exercise

| Description of measure   | Member State  |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
|--|---|------------------|--|---------------------|----------|----------------|--|------------|--|--------------------|--|----------|----------|----------|--|--------------------------|--|---|--|
| National Action Plan to prevent poor nutrition, lack of exercise, obesity and related diseases ("IN FORM – Germany's initiative for a healthy diet and more exercise")   | Germany   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| Purpose of measure   |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| The National Action Plan essentially aims to support changes in behaviour through information and motivation to follow a balanced diet and take more exercise and further develop health-promoting structures to prevent poor nutrition, lack of exercise, obesity and related diseases. A national campaign is planned to consolidate the various measures and coordinate stakeholders. The main concept is to improve dietary and fitness behaviour in Germany on a lasting basis. |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| Summary of key results   |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| The National Action Plan was drawn up under the joint lead of the Ministry of Food, Agriculture and Consumer Protection and the Ministry of Health in agreement with the relevant departments, Länder, local authorities and civil society and was adopted in the Cabinet on 25 June 2008. A total of € 30 million has been provided for in the Federal Budget for the years 2008-2010 to implement the plan.  |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| Target group   | Policy emphasis   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| General population<br>Children<br>Single parents<br>Unemployed people<br>Older people<br>Young people<br>People with disabilities<br>Immigrants/refugees<br>Ethnic minorities<br>Homeless people<br>Special ailments/illnesses<br>Other [please specify:]<br>Depending on specification  | <table border="0"> <tr> <td>Social exclusion</td> <td style="text-align: right;"> </td> </tr> <tr> <td>Health (prevention)</td> <td style="text-align: right;">  <b>x</b></td> </tr> <tr> <td>Long-term care</td> <td style="text-align: right;"> </td> </tr> <tr> <td>Governance</td> <td style="text-align: right;"> </td> </tr> <tr> <th colspan="2" data-bbox="820 1196 1369 1234">Geographical scope</th> </tr> <tr> <td>National</td> <td style="text-align: right;">  <b>x</b></td> </tr> <tr> <td>Regional</td> <td style="text-align: right;"> </td> </tr> <tr> <th colspan="2" data-bbox="820 1397 1369 1435">Implementing institution</th> </tr> <tr> <td colspan="2" data-bbox="820 1442 1369 1556">Federal Ministry of Food, Agriculture and Consumer Protection, Federal Ministry of Health</td> </tr> </table> | Social exclusion |  | Health (prevention) | <b>x</b> | Long-term care |  | Governance |  | Geographical scope |  | National | <b>x</b> | Regional |  | Implementing institution |  | Federal Ministry of Food, Agriculture and Consumer Protection, Federal Ministry of Health |  |
| Social exclusion   |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| Health (prevention)  | <b>x</b>  |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| Long-term care   |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| Governance   |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| Geographical scope   |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| National   | <b>x</b>  |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| Regional   |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| Implementing institution   |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| Federal Ministry of Food, Agriculture and Consumer Protection, Federal Ministry of Health  |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| Context/background of the initiative   |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |
| The National Action Plan dates from an initiative of the German Presidency of the EU Council in 2007 (known as the Badenweiler Memorandum) and is closely linked with initiatives at European and international level (in this case the WHO in particular).  |   |                  |  |                     |          |                |  |            |  |                    |  |          |          |          |  |                          |  |   |  |

|  |   |
|--|---|
| <b>Details of the initiative</b>           |   |
| <b>1.</b>                                  | <b>What is/was the time frame for implementing the initiative?</b>  |
|  | The time frame for implementation is initially three years.   |
| <b>2.</b>                                  | <b>Specific objectives</b>  |
|  | See above.  |
| <b>3.</b>                                  | <b>How were those objectives implemented?</b>   |
|  | The various measures of the individual participants will not be incorporated into the initiative until the National Action Plan is adopted in the summer of 2008. |
| <b>Monitoring and assessment</b>           |   |
|  | <b>How is/was implementation of the measure followed up/assessed (“monitoring”)?</b>  |
|  | Provision has been made for a monitoring procedure for each of the individual measures. The results of this are not yet available.                                |
| <b>Results</b>                             |   |
| Results are not yet available (see above). |   |

#### 4. “Life has Weight” initiative

| Description of measure   | Member State                   |
|--|--------------------------------|
| “Life has Weight” initiative – united against the mania of slimness”   | Germany                        |
| Purpose of measure   |                                |
| The initiative is being launched with a package of measures to prevent eating disorders and disrupted eating behaviour.  |                                |
| Summary of key results   |                                |
| <p>The objectives of the initiative were set in December 2007 (see <a href="http://www.leben-hat-gewicht.de">www.leben-hat-gewicht.de</a>). The following measures, among others, are to be concluded by the end of 2008:</p> <p>Incorporation of initiatives into the Federal Government’s National Action Plan to prevent poor nutrition, lack of exercise, obesity and related diseases.</p> <p>Adoption of voluntary undertakings by the fashion and advertising industries not to use thin models.</p> <p>Raising awareness and prevention work with especially affected young girls, in particular by means of a youth event and information material supplied by the Federal Centre for Health Education.</p> <p>Promotion of self-help with eating disorders by means of a model project. The self-help potential of those affected is to be promoted and recommendations for collaborative action by the advisory institutions with self-help are to be drawn up on a model.</p> <p>Targeted research projects should lead to rapid application of the research findings in practice.</p> |                                |
| Target group   | Policy emphasis                |
| General population   | Social exclusion               |
| Children   | Health (prevention)   <b>x</b> |
| Single parents   | Long-term care                 |
| Unemployed people  | Governance                     |
| Older people   |                                |
| Young people   |                                |
| People with disabilities   |                                |
|  | Geographical scope             |
|  | National   <b>x</b>            |
|  | Regional                       |
|  | Implementing institution       |

|  |   |
|--|---|
| Immigrants/refugees<br>Ethnic minorities<br>Homeless people<br>Special ailments/illnesses<br>Other [please specify:]<br>Depending on specification | Federal Ministry of Health, Federal Ministry of Education and Research, Federal Ministry for Family Affairs, Women, Senior Citizens and Youth |
| <b>Context/background of the initiative</b>  |   |
| The initiative is linked with campaigns at European and international level.   |   |
| <b>Details of the initiative</b>   |   |
| <b>1.</b>  | <b>What is/was the time frame for implementing the initiative?</b>  |
|  | The initiative is in its start phase, which is set to last for one year.  |
| <b>2.</b>  | <b>Specific objectives</b>  |
|  | See above.  |
| <b>3.</b>  | <b>How were those objectives implemented?</b>   |
|  |   |
| <b>Monitoring and assessment</b>   |   |
|  | <b>How is/was implementation of the measure followed up/assessed (“monitoring”)?</b>  |
|  | Provision has been made for a monitoring procedure for each of the individual measures. The results of this are not yet available.            |
| <b>Results</b>   |   |
| Results are not yet available (see above).   |   |

## Annex 2: Data on Health and Long-Term Care in Germany

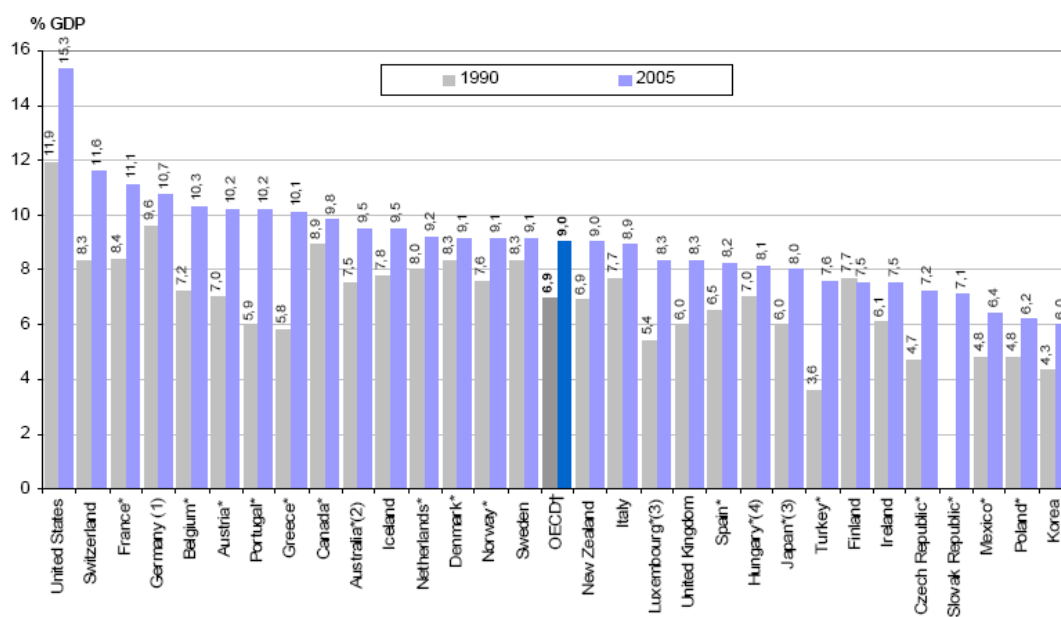
### TOTAL EXPENDITURE ON HEALTH

#### Expenditure on Health

| Indicator                               | Year | 1995  | 2000        | 2006  |
|---|------|-------|-------------|-------|
|   |      |       | (€ billion) |       |
| Total health expendit                   |      | 186.5 | 212.4       | 245.0 |
| Health expenditure<br>proportion of GDP |      | 10.1  | 10.3        | 10.6  |
| Health expenditure<br>inhabitant        |      | 2,280 | 2,580       | 2,970 |

Source: Health expenditure audit

### International Comparison of Health Expenditure in 2005 (% of GDP)



Source: OECD Health Data

## STATUTORY HEALTH INSURANCE

### Trends in health insurance funds and people insured under statutory and private insurance

|  | 1999 | 1998 | 2003 | 2004 | 2006 | 2007 |
|--|------|------|------|------|------|------|
| Health insurance funds                   | 1,12 | 482  | 318  | 254  | 250  | 241  |
| <i>Insured people/members (millions)</i> |      |      |      |      |      |      |
| Total statutory insured                  | 71.1 | 71.3 | 70.5 | 70.5 | 70.4 | 70.0 |
| of whom: retired people <sup>1</sup>     | 15.1 | 16.6 | 18.2 | 18.3 | 18.3 | 18.0 |
| Total statutory members                  | 50.1 | 50.7 | 50.8 | 50.4 | 50.5 | 50.0 |
| of whom: retired people                  | 14.1 | 15.2 | 16.7 | 16.9 | 16.9 | 16.0 |
| <i>Insured people (millions)</i>         |      |      |      |      |      |      |
| Private insured                          | 6.3  | 7.2  | 8.1  | 8.4  | 8.5  | 8.5  |

(Source: Statutory and private health insurance statistics). Statutory figures as at 1 July 2007; private figures as at year-end.)

<sup>1</sup> including co-insured family members.

**For information: As at 1 May 2008, there were 218 health insurance funds.**

### Statutory health insurance: income, expenditure and contribution rate

|                               | 1999 | 2000 | 2001 | 2003  | 2004 | 2005 | 2006 | 2007 |
|-------------------------------|------|------|------|-------|------|------|------|------|
| € billion                     |      |      |      |       |      |      |      |      |
| Total income                  | 127  | 135  | 139  | 140.8 | 144  | 145  | 149  | 155  |
| Total expenditure             | 127  | 138  | 143  | 145.2 | 140  | 143  | 147  | 153  |
| Surplus/deficit               | +0.  | -2.6 | -3.4 | -3.44 | +4.0 | +1.6 | +1.6 | +1.7 |
| Statutory expenditure/GDP (%) | 6.   | 6.1  | 6.2  | 6.7   | 6.4  | 6.4  | 6.4  | 6.5  |
| Average contribution rate (%) | 13.  | 13.1 | 13.1 | 14.3  | 14.1 | 13.2 | 13.3 | 13.9 |

(Sources: KJ1 and KG1 statutory health insurance statistics, own calculations). <sup>1</sup> Surplus/deficit relates to the balance of risk structure compensation payments; the figure stated in each case does not therefore correspond to the balance of income and expenditure. <sup>2</sup> Excluding a special contribution by statutory health insurance members of 0.9%.

**For information: As at 1 May 2008, the average general contribution rate to statutory health insurance (excluding special contributions) was 13.96%.**

### Major areas of statutory health insurance expenditure (2007)

| Expenditure area                      | Expenditure (€ billion) | Proportion of total expenditure (%) |
|---------------------------------------|-------------------------|-------------------------------------|
| Medical treatment*                    | 23.11                   | 15.04                               |
| Dental treatment                      | 7.88                    | 5.13                                |
| Tooth replacement                     | 2.84                    | 1.85                                |
| Medicines                             | 27.76                   | 18.07                               |
| Aids                                  | 4.74                    | 3.08                                |
| Appliances                            | 3.89                    | 2.53                                |
| Hospital treatment                    | 50.80                   | 33.07                               |
| Sickness benefit                      | 6.01                    | 3.91                                |
| Net administration costs <sup>2</sup> | 8.13                    | 5.29                                |

(Sources: KJ1 statutory health insurance statistics) \* excluding material dialysis costs and sociotherapy

<sup>2</sup> Gross administration costs less reimbursements from other branches of social insurance for collection of health insurance contributions.

## SERVICE PROVIDERS

### Trend in the number of employees in the health service

|                                   | 1991        | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  |
|-----------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|
|                                   | (thousands) |       |       |       |       |       |       |       |
| Employees in the health service   | 4,100       | 4,000 | 4,100 | 4,180 | 4,200 | 4,200 | 4,200 | 4,300 |
|                                   | (%)         |       |       |       |       |       |       |       |
| Proportion of all employed people | 10          | 10    | 10    | 10.7  | 10    | 10    | 11    | 11    |

(Source: Federal Statistical Office health manpower audit; own calculations; Federal Government health reports)

### Trend in hospitals

| Year      | Hospitals             | Beds    | No. of cases (millions) | Average stay (in days) | Staff (in thousands) |
|-----------|-----------------------|---------|-------------------------|------------------------|----------------------|
| 1991      | 2,411                 | 665,560 | 14.6                    | 14.0                   | 1,112                |
| 1998      | 2,263                 | 571,620 | 16.8                    | 10.1                   | 1,125                |
| 2003      | 2,197                 | 541,900 | 17.3                    | 8.9                    | 1,105                |
| 2004      | 2,166                 | 531,330 | 16.8                    | 8.7                    | 1,080                |
| 2005      | 2,139                 | 523,820 | 16.5                    | 8.7                    | 1,071                |
| 2006      | 2,104                 | 510,760 | 16.8                    | 8.5                    | 1,072                |
|           | Increase/decrease (%) |         |                         |                        |                      |
| 1991/2006 | -12.7                 | -23.3   | +15.1                   | -39.3                  | -3.6                 |

(Source: Federal Statistical Office hospital statistics and own calculations)

Total hospitals, i.e. including psychiatric institutions.

\* Converted into full-time employees, the number of employees in German hospitals fell from 876,000 to 792,000, i.e. by 9.6 per cent, between 1991 and 2006. A (slight) fall in full-time employees from 976,000 to 792,000 was also recorded between 2005 and 2006.

### Trend in the number of doctors

| Year | Practising doctors and dentists |                       |                     |                        | Doctors participating in doctor care <sup>1</sup> |                       |
|------|---------------------------------|-----------------------|---------------------|------------------------|---|-----------------------|
|      | Practising doctors              | Population per doctor | Practising dentists | Population per dentist | Number  | Population per doctor |
| 1991 | 244,238                         | 329                   | 54,970              | 1,460                  | 102,300   | 784                   |
| 1998 | 287,032                         | 286                   | 62,270              | 1,317                  | 125,000   | 656                   |
| 2003 | 304,117                         | 271                   | 64,600              | 1,277                  | 130,500   | 632                   |
| 2004 | 306,435                         | 269                   | 64,990              | 1,269                  | 131,100   | 629                   |
| 2005 | 307,577                         | 268                   | 65,200              | 1,264                  | 131,800   | 626                   |
| 2006 | 311,230                         | 265                   | 65,460              | 1,257                  | 132,800   | 619                   |

(Source: Federal Ministry of Health, Statistical Pocket Book on Health in 2005 and for 2005/2006: German Medical Association, Federal Association of Panel Doctors)

<sup>1</sup> = Panel doctors, partnership doctors, employed doctors and licensed doctors. To these should be added 12,728 psychological psychotherapists and 2,705 child and adolescent psychotherapists participating in panel doctor care (2006, source Federal Association of Panel Doctors).

**Trend in pharmacies**

| Year | Number of pharmacies | Number of pharm | Total number employees | Turnover (€ billion) |
|------|----------------------|-----------------|------------------------|----------------------|
| 1994 | 20,903               | 41,959          | 124,280                | 20.7                 |
| 1998 | 21,556               | 45,465          | 134,791                | 24.7                 |
| 2003 | 21,305               | 46,140          | 137,148                | 32.1                 |
| 2004 | 21,392               | 46,014          | 136,804                | 32.0                 |
| 2005 | 21,476               | 46,276          | 139,961                | 34.4                 |
| 2006 | 21,551               | 46,953          | 143,774                | 35.2                 |
| 2007 | 21,570               | 47,766          | 143,585                | 36.7                 |

(Source: Federal Union of German Associations of Pharmacists)

**Trend in the pharmaceutical industry in Germany**

| Turnover (€ billion)         |         |         |
|------------------------------|---------|---------|
| 1995                         | 2000    | 2006    |
| 18.0                         | 21.0    | 29.4    |
| of which exports (€ billion) |         |         |
| 6.4                          | 10.2    | 16.2    |
| Number of employees          |         |         |
| 1997                         | 2000    | 2006    |
| 115,300                      | 114,000 | 113,000 |

Sources: Federal Pharmaceutical Industry, Association of Research-Based Pharmaceutical Companies on the basis of Federal Statistical Office data

**LONG-TERM CARE INSURANCE****Expenditure**

Expenditure on social and private long-term care insurance and on social assistance for long-term care totalled around € 22 billion in 2007. This corresponds to around 0.9% of GDP. Of this, social long-term care insurance alone accounted for € 18.3 billion in 2007, half for out-patient and half for in-patient services.

**On the services of statutory long-term care insurance and the care infrastructure in detail:**

Around two thirds of those in need of care (1.45 million) are cared for at home by family members, neighbours or out-patient care establishments. Around 710,000 people in need of care are cared for as full in-patients in care homes or in establishments that offer help for disabled people.



### Out-Patient Help with Long-Term Care

|  |                   |
|--|-------------------|
| <b>Social Long-Term Care Insurance: 1.36 million benefit recipients*</b>   |                   |
| (as at: 31.12.2007)  |                   |
| <b>Level I</b><br>€ 205 long-term care cash benefit<br>up to € 384 non-cash benefit  | 804,628 (= 59.2%) |
| <b>Level II</b><br>€ 410 long-term care cash benefit<br>up to € 921 non-cash benefit                                       | 426,855 (= 31.4%) |
| <b>Level III</b><br>€ 665 long-term care cash benefit<br>up to € 1,432 non-cash benefit<br>In hardship cases up to € 1,918 | 126,718 (= 9.3%)  |

\* To these should be added around 93,000 recipients of benefits under private mandatory long-term care insurance (as at 31.12.2006)

### In-Patient Help with Long-Term Care

|  |                   |
|--|-------------------|
| <b>Social Long-Term Care Insurance: 0.67 million benefit recipients*</b>     |                   |
| (as at: 31.12.2007)  |                   |
| <b>Level I</b><br>€ 1,023 per month  | 273,090 (= 40.7%) |
| <b>Level II</b><br>€ 1,279 per month   | 266,222 (= 39.7%) |
| <b>Level III</b><br>€ 1,432 per month<br>In hardship cases € 1,688 per month | 131,772 (= 19.6%) |

\* In private mandatory long-term care insurance, there were around 41,000 recipients of in-patient benefits on 31.12.2007.

### Number of out-patient and part-time and full-time institutional care establishments

| Number of establishments | Out-patient care establishments | In-patient care establishments | Breakdown by type of service*  |              |                           |
|--------------------------|---------------------------------|--------------------------------|--------------------------------|--------------|---------------------------|
|                          |                                 |                                | Full in-patient long-term care | Short-term   | Part-time in-patient care |
| <b>Total end 2005</b>    | <b>10,977</b>                   | <b>10,424</b>                  | <b>9,414</b>                   | <b>1,529</b> | <b>1,779</b>              |
| <b>Total end 2003</b>    | <b>10,619</b>                   | <b>9,743</b>                   | <b>8,775</b>                   | <b>1,603</b> | <b>1,720</b>              |
| <b>Total end 2001</b>    | <b>10,594</b>                   | <b>9,165</b>                   | <b>8,331</b>                   | <b>1,436</b> | <b>1,570</b>              |
| <b>Total end 1999</b>    | <b>10,820</b>                   | <b>8,859</b>                   | <b>8,073</b>                   | <b>1,621</b> | <b>1,487</b>              |

\* Care homes with more than one care service are listed several times here

Source: Federal Statistical Office

### Employees in the long-term care sector

|                                 | 1999                               |                                   | 2005                               |                                   | Change         |             |
|---------------------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|----------------|-------------|
|                                 | in out-patient care establishments | in in-patient care establishments | in out-patient care establishments | in in-patient care establishments | absolute       | (%)         |
| Carer for the elderly           | 25,456                             | 83,705                            | 36,484                             | 122,333                           | 49,656         | 45.5        |
| Assistant carer for the elderly | 3,869                              | 12,755                            | 5,010                              | 16,527                            | 4,913          | 29.6        |
| Nurse                           | 58,144                             | 47,300                            | 71,425                             | 61,238                            | 27,219         | 25.8        |
| Auxiliary nurse                 |                                    |                                   |                                    |                                   |                |             |
| Other care staff                | 10,243                             | 21,027                            | 8,698                              | 18,563                            | -4,009         | -12.8       |
|                                 | 86,070                             | 276,153                           | 92,690                             | 327,736                           | 58,203         | 16.1        |
| <b>Total</b>                    | <b>183,782</b>                     | <b>440,940</b>                    | <b>214,307</b>                     | <b>546,397</b>                    | <b>135,982</b> | <b>21.8</b> |

Source: Federal Statistical Office

**Trend in the number of people needing long-term care**

According to the Rürup Committee's forecasts, the trend in the number of people needing care under social long-term care insurance assuming a constant age-specific probability of long-term care is as follows:

|      |              |
|------|--------------|
| 2005 | 1.95 million |
| 2010 | 2.13 million |
| 2020 | 2.64 million |
| 2030 | 3.09 million |