



European Commission



# POVERTY AND SOCIAL EXCLUSION IN RURAL AREAS

Final Report

Annex I

## Country Studies

**STUDY ON  
POVERTY AND SOCIAL EXCLUSION  
IN RURAL AREAS**



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**GERMANY**

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## Executive Summary

In official documents and research on poverty in Germany the aspect of rural poverty does not play a prominent role. The National Rural Development Plan 2007-2013 does not mention the problem of poverty at all. In national statistics no distinction between rural and urban poverty is made. Moreover, there is even no single, official definition of rural areas for Germany and different typologies are in use.

Our analysis referring to various available indicators used to measure poverty or characterizing poor living conditions of the population reveal contradictory results on the dimension and patterns of rural poverty in Germany:

- density of social assistance (“*Hilfe zum Lebensunterhalt*”) per 100 inhabitants: According to a report from the Federal Statistical Office the highest densities of social assistance cannot be found in rural areas but in the city-states and large cities in West Germany particularly in the Northern regions and in the Ruhr-area but not in rural areas;
- gross national product (GDP) per capita: According to available information, rural areas reach on average only 80% of the national average whereas the GDP per capita accounts at 136% in concentrated cities. Moreover, the level in East Germany is at over 30 percentage points lower than in West Germany (in cities as well as in rural areas). The available income per capita in rural areas is below the level in cities, but the growth rate is higher in rural areas;
- diverging demographic trends in German rural areas: Rural areas close to large aggregations are characterized by employment growth via migration whereas peripheral rural areas report a continuous drop in population density. This problem is especially prevalent in East Germany which is characterized by an exodus of young adults and a growing share of the older population;
- infrastructure: Over half of the population in rural areas is living close to city agglomerations which offers various possibilities for city-country relations. However, in some remote rural areas, a reduction in public and private services (e.g. retail, postal offices, banks, childcare, libraries, schools, local health services) can be observed - especially in certain East German regions.

German policies against poverty focus primarily on improving access to work and on certain groups but do not differentiate by regional categories: In its second “Report on Poverty and Wealth” the German government states that poverty is highly correlated to unemployment and that measures against poverty should primarily aim at creating employment and integrating the unemployed into the labour market. Besides the group of the unemployed, other at risk groups such as single parents, families with many children and unskilled people are mentioned. Particular policies for rural areas in Germany remain to be strongly focused on the agricultural sector.

## 1. Overview

In official documents and research on poverty in Germany the aspect of rural poverty does not play a prominent role. If at all rural areas are mentioned, no definition is outlined, which gives the impression of ad-hoc definitions. In the most prominent document on poverty, the report on Poverty and Wealth of the Federal Government, poverty is defined as the proportion of persons in households with a needs-weighted net equivalent income below 60% of the median income of all persons, but we cannot call this an “official definition” as research also uses other definitions. Poverty research in Germany focuses on special risk groups like unemployed or lone parents. Measures against poverty and for social inclusion focus on economic growth and the inclusion into employment.

## 2. Main characters of rurality in Germany

### 2.1 The definition of rural areas

There is no single, official definition of rural areas for Germany (cf. also OECD 2007a). A classification of administrative districts (*Landkreise*) provided by the Federal Office for Building and Regional Planning (*Bundesamt für Bauwesen und Raumordnung*, BBR) differentiates nine regional types and classifies four of them as rural areas:

- rural areas in agglomerated regions (< 150 inhabitants per square km) (type 4)
- rural areas in urbanized regions (< 150 inhabitants per square km) (type 7)
- rural areas in rural regions with a relatively high population density (>100 inhabitants per square km) (type 8)
- rural areas in rural regions with a low population density (less than 100 inhabitants per square km) (type 9)

The list indicates that the main characteristic of rural areas is a low population density. This typology is for example used by the Federal Employment Agency for regional analysis of unemployment rates (cf. section 2.2).

A further very common typology is from the OECD, using the following criteria also related to population density:

- A community (*Kommune, Gemeinde*) is classified as rural if the population density is below 150 inhabitants per square km.
- A region is classified as predominantly rural if over 50% of the inhabitants are living in rural communities, as intermediate if between 15 and 50% of the communities are rural and as urban if less than 15% are rural.

In the OECD definition, the existence of an urban centre nearby can shift a rural area to an intermediate area. In the classification of the Federal Office for Building and Regional Planning these areas would still be classified as rural. If a rural region has an urban centre with more than 200,000 inhabitants nearby which counts for at least 25% of the population it will be classified as intermediate. If an intermediate region has an urban centre with over 500,000 inhabitants counting for at least 25% of the population nearby it will be classified as urban.

The main difference between the two definitions frequently used is that the OECD classification is based on a smaller number of regional units going along with the consequence that the criterion of rurality is measured on a higher aggregation level. Whereas the classification of the BBR includes 439 regional units (*Kreise und kreisfreie Städte*) at the NUTS 3 level, the OECD classification comprises 97 regions that are characterised as territorial level 3.

The German federal states use different definitions and even the Federal Office for Building and Regional Planning BBR applies different classifications according to the objective of the analysis, so that we cannot refer to a uniform national definition, but the definitions presented here seem to be the most common. A brief comparison shows that the proportion of rural areas in Germany is estimated as lower or higher depending on the approach and data source:

- According to the OECD (2007a), rural areas account for 29% of the territory, 12% of the population and 9% of the gross domestic product in Germany.
- According to the European Commission (2006: 30), the respective figures (NUTS 3-level) are at 36.5%, 13.2% of the population, 9.7% of GVA and 11.3% of total employment.
- According to the same source, on NUTS 2-level the shares of rural areas in Germany are much lower: Rural areas stand for 9.5% of territory, 4.5% of population, 3.9% of GVA and 4.3% of total employment.

Compared to the European averages on NUTS 3-level, the proportion of rural areas in Germany is below the average for all indicators. However, in comparison to the EU-15 average, the German rates are relatively close to that average in three of four categories (population: 15.5%; GVA: 12.4%; employment: 13.8%) (European Commission 2006: 30).

A national classification provided by the Federal Office for Building and Regional Planning, surprisingly reveals substantially higher proportions of rural areas. The respective figures are at 59% of the territory, 27% of the population and 21% of GDP (BBR 2005 – cited by OECD 2007a: 14). As no explanation of the approach is given here, the reasons for the deviations from the other data remain unclear. However, all in all it can be summarized that the two predominant sources of variation are various definitions of rurality and the aggregation level of the data.

## 2.2 The different typologies of rurality in Germany

The issue of typologies is closely related to the various definitions of rurality described above. For instance, the differentiation of nine types of regions by BBR according to population density and regional location can also be called a typology. Among the four types of rural areas a distinction is made between rural areas in agglomerated regions, rural areas in rural regions with a relatively high population density and rural areas in rural regions with a low population density. According to the analysis of the OECD, these different types of rural areas are confronted with different problems for example with respect to demographic trends.

There are some further criteria that are frequently used to analyze differences between urban and rural areas. The division between East and West Germany is certainly the most relevant criterion, as the East German communities are characterised in general by lower Gross National Product per capita, a sharper ageing of the population, and more remoteness from urban centres (OECD 2007a: 39).

In a further differentiation of its typology, the BBR distinguishes by a cluster analysis six different groups with reference to variable groups from the areas of demography, employment, settlement structure and land use, all regions in general have a population density below 150 inhabitants per square kilometer:

1. Exodus regions with huge economic problems and high population density
2. Exodus regions with huge economic problems and low population density
3. Regions favored by tourists and the resident population
4. Regions from the central German uplands with a good economic structure
5. Peripheral regions of urban centres with a good demographic perspective
6. Relatively unknown but strong regions

In the regions 1) and 2) the situation is particularly worse with huge economic problems and an exodus of the population. Most of them are located in East Germany.

In the National Rural Development Plan, we can also find some incidence for differences between rural areas that could be a starting point for building typologies. In a general remark a distinction is made between peripheral regions and regions close to agglomerations but this differentiation is not consequently used in the further text (BMELV 2006: 5). Part of the further analysis refers to differences among rural areas with respect to economic, social and natural aspects. Especially the objective 1 regions (East Germany and Lüneburg) are characterised by a low gross domestic product per capita (2003: 17,279 € compared to 26,231€ in the other regions for 2003). The objective 1 regions are also typically characterised by high unemployment rates (19% on average) (BMELV 2006: 21f.).

To sum up the findings on typologies in Germany, the most frequent divide is made between East and West Germany which is almost identical with the differentiation between objective 1 and other regions. A second important aspect for typologies is certainly the remoteness of regions. Purely rural areas in rural regions show a decrease in population, whereas the rural areas located close to agglomerations seem to be frequently more attractive with a relatively strong increase in the population.

## 2.3 Main social and economic problems in rural areas

The economic situation of rural areas in Germany is largely diverging. Some rural areas particularly in the south of West Germany are performing very well whereas others (predominantly in East Germany) are characterised by high unemployment rates, unfavourable demographic trends and a low income per capita. Accordingly, in the Western federal states unemployment rates were in 2005 highest in the cities (11.9% on average) while in rural areas they were substantially lower at about 8.4% on average. In the East the relation is vice-versa: the unemployment rates were highest in rural areas (on average 20.4%) and slightly lower in urban areas (19.1%) (OECD 2007a: 53).

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In statistics of the Federal Employment Agency, the typology for rural areas of the BBR is used for analysing indicators such as unemployment rates or employment growth. Among the four types of rural areas, the highest unemployment rates typically affect rural areas in East Germany (Bundesagentur für Arbeit 2007):

- rural areas in agglomerated regions (< 150 inhabitants per square km) (type 4): Unemployment rates (July 2007) range from 18.3% in Brandenburg (Mecklenburg-Vorpommern / East) down to 2.9% in Erding (Bavaria / West).
- rural areas in urbanized regions (< 150 inhabitants per square km) (type 7): In this type, only 13 of 61 areas are located in East Germany, but they are all among the 14 areas with the highest unemployment rates – between 21.8% in Görlitz and Saale-Orla-Kreis with 9.6%. The lowest unemployment rate in this type is to be found in Eichstätt (Bavaria / West) with 1.7%.
- rural areas in rural regions with a relatively high population density (>100 inhabitants per square km) (type 8): 11 of 55 areas of this type are located in East Germany and they are among the 20 areas with the highest unemployment rates (between 17.7% in Wismar and 8.2% in Sonneberg). The lowest unemployment rate (3.0%) is to be found in Landshut (Bavaria / West).
- rural areas in rural regions with a low population density (less than 100 inhabitants per square km) (type 9): 19 of 41 areas of this type are located in East Germany and they are among the 25 areas with the highest unemployment rates (between 22.2% in Uckermark and 8.5% in Hildburghausen). Again, with a few exceptions all West German areas have much lower unemployment rates – the lowest at 3.0% in Dingolfing (Bavaria / West).

Moreover, among the ten regions with the overall highest unemployment rates in Germany, six of them come from type 9 and all of them are located in East Germany. Three are classified as rural areas in urbanized regions (type 7) and one is not categorized. So we can conclude that the areas with the highest unemployment rates in Germany are predominantly remote rural areas. The employment rates (not comparable with EU-definitions) in these areas are clearly below the German average (48.1%). However, there are some rural areas among them in which the employment growth in the last year has been relatively strong (Kyffhäuserkreis, Elbe-Elster, Ostprignitz-Ruppin, Görlitz Stadt). However, it is difficult to assess whether this may be an indicator for some improvements of bad situation or mainly a statistical artefact due to the low basis.

Demographic trends are very diverse in rural areas in Germany. Rural areas in agglomerated regions show the strongest increase in the population (+8.4% between 1994 and 2004). In rural areas located in rural regions with a high population density the population has also been increasing (+5.1%). In rural areas located in urbanized regions the increase has been lower (+2.2%) whereas in rural areas located in rural regions with a low population density show a decrease by -2.3%. The situation is especially worsening in East Germany where several regions are faced with an exodus of young adults and a growing share of the older population (OECD 2007a: 43).

By contrast, the rural areas in agglomerated regions seem to be the most attractive, combining employment possibilities and infrastructure with low costs of housing and living (OECD 2007a: 18, 43). Over half of the population of rural areas is living close to city agglomerations which offer various possibilities for city-country relations. This good accessibility of centres is supported by the German basic infrastructure. With some few exceptions it is everywhere in Germany possible to be on a state motorway in less than one hour.

Even in very peripheral areas the access to a basic public infrastructure is provided (e.g. telecommunication, health, education) although the distance to some facilities and the variety of choice is regionally different. However, as described in more detail in section 3.3, in some rural areas, a reduction in services like retail, postal offices and banks, as well as child care and libraries can be observed. Problems in the provision of local health services can occur, if the “critical mass” is not reached for a local basic service. This is especially a problem in the Eastern part of Germany as well as a trend of closing primary schools due to demographic trends (OECD 2007a: 59f.; BMELV 2006).

### 3. Main characters of rural poverty in Germany

#### 3.1 Measurement of poverty in Germany

Until the 1980s, poverty played only a marginal role in research in the social sciences and economics (Bäcker/Hanesch/Krause 2003; Hauser/Neumann 1992). This attitude to the subject of poverty did not change until the late 1990s, when the German government published a Report on Children and Young People with the conclusion that especially children suffer from poverty. The fact that poverty is a problem in industrialized countries – and not only in developing countries – was first neglected by the German government, but the issue of poverty stayed on the political agenda and in 2001 the German government published the first “Report on Poverty and Wealth” (BMAS 2001). In the 2nd report of the Federal Government on “Poverty and Wealth” the poverty risk rate is defined as the proportion of persons in households with a needs-weighted net equivalent income below 60% of the median income of all persons. With this definition the authors refer to a common EU-definition. The report uses besides the new OECD scale also the old OECD scale. The analysis is based on a national survey (*Einkommens- und Verbrauchsstichprobe*) and comes to a poverty rate of 13.5% for 2003 which is an increase of 1.4 percentage points compared to 1998 (BMAS 2005).

The Federal Statistical Office uses the same proceeding and comes to a poverty rate of 13% in 2004, based on data from the EU-SILC (Statistisches Bundesamt 2006a). In another publication, the Federal Statistical Office uses again the same proceeding and comes to a poverty rate of 13.2% for 2005, based on the Socio-economic panel (Statistisches Bundesamt 2006b).

We can state that the definition of a poverty line at 60% of the median equivalised household income is very common in the most relevant reports on poverty. Nevertheless, other definitions are sometimes used like in reports on poverty on the level of the *Bundesländer* or further scientific studies. Besides the poverty threshold of 60% of the median income, also 50% of the median or the arithmetic mean is used. Like the report on poverty and wealth most research on poverty in Germany refers to an income based relative definition of poverty and discusses among other factors labour market participation as an important way out of poverty (e.g. Hanesch/Krause/Bäcker 2000; Büchel et al. 2000; Becker/Hauser 1997).

Table 1 gives an overview on poverty rates for Germany differentiated by East and West and by certain groups for 2004 to which we will refer in the further text as well as other structural characteristics that are discussed in detail in section 5. The poverty rate is higher for East than for West Germany for all groups, but not for pensioners. It should be taken into account, that poverty rates for East and West Germany are always measured against a single poverty threshold. If we use two separate thresholds instead, the poverty rates are very close together at 12.5% in West and 12.6% in East Germany (Engels/Scheller. 2005).

**Table 1: Poverty rates by structural characteristics 2004 (60% of the median equivalised household income), in %**

Groups	Germany	East	West
All	13	17	12
Unemployed	43	46	40
Single parents	30	35	29
Singles	27	35	25
Low-skilled	24	n.a.	n.a.
Pensioners	14	12	15

Source: Statistisches Bundesamt 2006a

The groups with the highest poverty risks in Germany are unemployed, single parents, singles and the low-skilled. According to our assessment, this might be also true for rural areas. Possibly, the rate of single parents in rural areas might be somewhat below average in West German rural areas whereas families with 3 or more children (another group with an over average poverty risk) may play a certain role. However, for rural areas in East Germany, the overall patterns seem to be more likely similar to those for Germany as a whole. Moreover, due to the very high

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unemployment rates in Eastern rural areas, it can be assumed that the poverty risk caused by unemployment will be even higher (cf. 3.2 und 3.3 for more details).

### 3.2 Rural poverty in Germany

As a breakdown of poverty rates by urban and rural areas is not available on NUTS 3-level<sup>1</sup>, we must refer to other indicators and measures in order to assess the dimension of rural poverty in Germany.

One indicator for economic wealth is the *gross national product (GDP) per capita*, which accounts for 80% of the national average in rural areas and for 136% in urban areas. This difference remained stable over the last five years. The level in East Germany is at over 30 percentage points below that of West Germany in cities as well as in rural areas. The available income per capita in rural areas is below the level in cities, but the growth rate is higher in rural areas (OECD 2007a: 47f.).

Another indicator are the *unemployment rates* that differ largely across Germany. Although this indicator does not cover the whole population, it is a good proxy for an assessment of the poverty risk of the group of people in working age. Moreover, as table 1 has shown, the unemployed are the group with the highest poverty risk in Germany. In July 2007, the overall unemployment rate was at 8.9% with large differences between East (14.7%) and West Germany (7.3%). As already mentioned in section 2.3, the unemployment rates in rural areas in rural regions with low population density (type 9 of the BBR classification) range at between 3.0% (Dingolfing-Landau / West Germany) and 22.2% (Uckermark / East Germany) (Bundesagentur für Arbeit 2007).

Moreover, it is worth mentioning that among the 20 German administrative districts with the highest unemployment rates in July 2007, no less than 50% were rural areas in rural regions with low population density range – all of them located in East Germany, frequently being part of Mecklenburg-Vorpommern – the federal state with by far the highest proportion of this type of rural areas (see map in annex).

The average level of the new basic income for certain types of households compared to the respective poverty line in 2004 is shown in Table 2. It includes 345 € basic benefit for the first adult, reduced rates for further members of the household (depending on their age) and an on top payment for the costs of housing depending on the region and the number of persons living in the household. In the meantime, the benefit levels have risen slightly (347 €), but as the information on poverty lines for 2004 is the most up to date we assumed that it is more adequate to use the benefit levels of 2005.

**Table 2: Benefit level and poverty line by household type (per month)**

Household type	Benefit level 2005 (€)	Poverty line <sup>2</sup> 2004 (€)
Single	662	856
Single with child (4 years old)	1,090	1,113
Couple without children 1	,034	1,284
Couple with child (4 years old)	1,311	1,541
Couple with two children (4 and 12 years old)	1,574	1,798

Source: Statistisches Bundesamt 2006a, BMAS 2004

It comes out from the comparison that for almost each household constellation the benefit level is below the respective poverty line. From this theoretical assumption we can conclude, that the poverty risk for long-term unemployed might be at about 100% after the implementation of the new Hartz regulations of 2005. However, future empirical findings could be slightly different as the benefit level depends on the costs for housing and in the first two years additional benefits can be paid if the former income from employment was very high (e.g. 180 € for a single in the first year of unemployment benefit II if the former gross income was at 3,000 € per month or above). Very recent research by the DIW suggests that the poverty risk of long-term unemployed and recipients of social assistance in Germany have increased from about 52% in 2004 to up to 66.7% in 2005 – with a rate of 63.5% in West and even 71.9% in East Germany (Goebel/Richter 2007: 757).

### 3.3 Multi-dimensional analysis of poverty and social exclusion in Germany

All in all, a high risk of poverty in Germany is first of all related to unemployment, households with only one adult (single parents, singles) and lacking education (Statistisches Bundesamt 2006a).

As data differentiated by rurality is scarce, in the following we try to explore in how far rural areas are affected by poverty and social exclusion in two ways: On the one hand, we analyse poverty by structural characteristics and on the other hand we focus on possible rural-urban differences. However, it is notably in advance that in terms of international comparisons the differences between rural and urban areas are on average comparatively low in Germany (cf European Foundation 2006).

#### *Geographical location*

Regional disparities concerning the standard of living in Germany exist especially between East and West Germany which is still caused by the German unification. The income per capita in East Germany was in 2005 still at only 66.5% of the West German level. The differences in the income per capita between rural areas and cities are more marked in the East than in the West (BMWT 2006: 27). The unemployment rate in East Germany is twice as high as in West Germany (14.7% versus 7.3% in July 2007) and the poverty risk of unemployed is also higher in the East (2004: 40% versus 46%). In East Germany the unemployment rates are highest in rural areas while in West Germany the unemployment rates in rural areas are frequently lower than in urban areas. Thus, the poverty risk in rural areas in the East might be especially high.

#### *Farm employment*

The proportion of agriculture has decreased in Germany over recent years. Agriculture now accounts for only 1% of the GDP. In 2005, around 1.3 million people were involved in this sector – corresponding to about 550,000 full-time equivalents (due to a high proportion of people doing farming as a side job). The share of employees in farming is with about 3% of all employees one of the lowest in the EU-countries. Farm employment is slightly more widespread in rural areas but this is not closely related to poverty.

#### *Economic activities and market structure*

The structure of economic activities and the markets in rural areas are very diverse in Germany. Whereas rural areas in West Germany and particular in the south are frequently performing very well, the situation is worse in many rural areas in East Germany – particularly in the north. This is mainly due to de-industrialisation in several rural areas after the unification and an overall lack of new economic activities to replace the losses. Only a few rural areas have been successful in developing alternatives such as e.g. tourism.

#### *Environment*

The environmental quality tends to be higher in rural areas – except those in Eastern Germany where industries with high pollution were located. However, the de-industrialisation of those area regions has gone along with improvements of the environmental quality. This trend has been also confirmed by a panel survey carried out by BBR (BBR online data base): The satisfaction with environmental conditions which was substantially lower in East German in the early 1990s at 13% (compared to 36% in West Germany) has been increasing over recent years to 59% and now reaches the higher levels in West Germany (57%).

#### *Public transportation and commuting*

The access to public transportation facilities in rural areas is typically worse compared to urban areas. This can be seen in the indicator for the railway density: Whereas in urban regions the density is at 0.16 km per square kilometre, in rural areas the density is only half of this (0.08 km per square kilometre) (SERA 2006).

At the same time, particularly in de-industrialised East German rural areas the mobility requirements for employees are quite high. In order to be employed many people have to accept long distances to go to work and they typically need one or even two cars to come to work (Becker et al. 2006). According to a BBR-survey, the average distance to the workplace is above average in East German rural areas (BBR online data base). Alternatives are weekly commuting (more likely for men) or the migration to urban areas or to West Germany (cf. 3.3.6)

*Migration*

Migration of predominantly well-educated young people is a major issue particularly for remote East German rural areas. If applicable jobs are not available and the quality of living is estimated as low (e.g. due to a thinning of infrastructure), the attractiveness of rural areas decreases and a loss of population is the consequence. This can be a vicious circle as a lower population density may reinforce the problems and the trend of migration.

This demographic trends can be clearly seen in statistical analysis: Between 1995 and 2004 the population in East German rural areas decreased by -7.8%, while in East German cities it decreased only by -1.2%. In West Germany the population increased, especially in rural areas (+3.2%), and at a lower level also in cities (+1.9%) (BBR online data base).

*Access to health and long-term care*

Although traditionally the German health system is largely inclusive (even for poor unemployed people), along with the decreasing population the regional availability of hospitals and doctors appears to become a problem in rural areas, especially in East Germany. The number of hospital beds per 1.000 inhabitants is at 2.2 much lower in rural areas than in urban areas (5.1). The average driving time to the next hospital is at 26 minutes much longer in rural areas than in urban areas (10 minutes) (SERA 2006, data for 2001).

The differences between rural and urban areas can be found in the East and the West, but in the East the access to health care seems in general to be at a lower level. The share of the population that can reach a hospital within 15 minutes is in rural areas in the East at 69.7% extremely low, compared to rural areas in the West (84.3%) and to cities (92.4 East and 97.6% West). Health care authorities are seeking to create solutions in order to keep the provision of health care at an appropriate level, for example by a liberalisation of the contractual relations between physicians and the statutory authority to give incentives for a better distribution of physicians, especially in rural areas in East Germany (European Commission 2007b), but it seems to be not easy to maintain the standards in certain areas. The availability of long-term care services tends to be better as the market is dominated by small providers. However, the access of poor people is worse – as the elderly care insurance only covers the costs up to certain amounts that are not always sufficient.

*Housing quality*

The basic standard of housing in Germany is quite high. The rate of house-owners is typically higher in rural areas what is mainly due to lower cost of land. According to the study of Becker et al. (2006), the proportion of house-owners tends to be higher in East Germany. However, particularly in some rural areas in East Germany the quality of flats and houses may be low – especially for those with low income. E.g. the share of people complaining about humidity of their house is about twice as high among those with a high poverty risk (Statistisches Bundesamt 2006a: 30).

*Access to education*

According to low birth rates in Germany the three-fold structure of the German school-system leads to decreasing numbers of pupils which is a particular problem in rural areas. Some federal states are now intending to create a new type of schools apart from *Gymnasien* (the school type typically functioning as entrance to university education) to solve this problem. The distances to advanced schools increase particular in rural areas. Almost the same applies to apprenticeships. Particularly in Eastern Germany where the rate of apprenticeships provided by companies is relatively low the access to this important type of vocational training is difficult and many young people have to move to other areas to be trained.

Moreover, poverty has a significant impact on the opportunities of children to move up the skills and income ladder. According to a study by Holz et al. (2005) the expected school form for children with a poverty background is with 12.2% the “*Gymnasium*” while the share for children without poverty is at 35.6%.

*Access to capital and credit*

Poor people have definitely substantial problems to get access to credits. However, there is no incidence that people in rural areas may be more affected by this problem than those in urban areas.

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*Age structure*

Demographic trends are very diverse in rural areas in Germany. Rural areas close to large aggregations are characterized by employment growth via migration (+8.4% between 1994 and 2004). Contrary to this, peripheral rural areas with a very low population density report a continuous drop in population (-2.3% between 1994 and 2004). The problem of an exodus of the (especially younger) population and as a consequence the ageing of the population is especially relevant for rural areas in Eastern Germany as well as problems in the provision of infrastructure (OECD 2007a: 30f.).

The proportion of children is much lower in East Germany but this seems to be an overall problem that is not focused on rural areas. The birth rates are lower in rural areas at 10.1 per 1000 head of population compared to 10.9 in urban areas. The children to pensioner ratio is at 96.1 in urban and at 98.6 in rural areas (SERA 2006).

However, not in every aspect the situation in East Germany is worse than in West Germany. For example, the average pension level for new pension entries is higher in the East than in the West – particularly for women. This is mainly due to higher female employment rates and more constant employment biographies in the East. Although the level of economic wealth for older people is not automatically higher in the East as the pensioners there frequently have lower assets and fewer company pensions (HBS 2007), the at poverty risk of pensioners in East Germany is lower than in West Germany (Table 1) .

*Household composition*

Nationally, the most problematic households from a poverty standpoint are those of long-term unemployed and single parents. However, the latter is unlikely to be a major issue for rural areas, as the incidence of lone parents is generally lower than in urban areas (Becker et al. 2006). However, the rate of single parents is higher in East Germany and this may also apply to rural areas. But the main rural problem is more likely related to – particularly in East Germany – high unemployment rates.

According to the average size of households, it comes out from data provided by the BBR that it is highest in rural areas. This applies to both – East (2.15 persons) and West Germany (2.27 persons). However, the differences to the overall numbers for East and West are relatively small (2.15 in West and 2.03 in East Germany) (BBR online data base).

*Gender*

In East Germany, 17% of men and 21% of women are living in poverty, while the figure for the whole of Germany is 11% for men and 16% for women. The poverty risk is especially high for single parents (30%) with a higher level in the East (35%). Of all single parents about 90% are women (ZEFIR 2003; cf. also section 5.2).

Although applicable data is not available for rural areas in Eastern Germany, in contrast, there is some evidence that young unemployed men may be a particular risk group for social exclusion whereas young women tend to migrate to West Germany more frequently. For rural areas in general the share of women is at 50.5% slightly lower than in urban areas (51.4%) (SERA 2006).

*Ethnicity*

The unemployment rates among non-nationals and people with a migration background are above average in Germany. As regards non-nationals, 25% of women and 23% of men are living in poverty. However, the majority of those groups do not live in rural areas. In West Germany the share of non-nationals is in cities (12.2%) more than twice as high as in rural areas (5.8%). In East Germany the share of non-nationals (4.6%) is in general less than half of that in West Germany (9.9%). In rural areas in East Germany, it is at 1.9% extremely low.

*Crime*

Problems relating to public order are of much less significance in rural areas. However, in certain rural areas in Eastern Germany right wing extremist tendencies have been increasing over recent years – which are closely related to high rates of unemployment, poverty and social exclusion. Moreover, the closure of small police stations in rural areas may cause insecurity feelings among the rural population.

*Child poverty*

Increasing child poverty is a major concern in Germany – much more pronounced than in many other countries although the level of public expenses for families is among the highest. According to a report of the *Kinderhilfswerk* published in November 2007, more than 2.5 million children are affected by poverty – i.e. one of six of the under 18. The poverty risk of those with a migration background is even twice as high (FAZ.NET 2007).

According to the current OECD study “Babies and Bosses” (OECD 2007b), this is mainly due to the lack of child care services which prevents particularly mothers from participating in the labour market. It is difficult to assess to what extent this problem applies to rural areas. In West Germany, female labour market participation rates in rural areas tend to be lower than in urban areas, but unemployment rates in the latter are higher on average. In East Germany, the rates of female labour market participation are typically higher. Thus, it can be assumed that mainly unemployment rates matter in both rural and urban areas.

The labour market participation rates coincide with the shares of children under 15 in the population, which are at 11% much lower in East than in West Germany (15.3%). In rural areas in the West the share of children under 15 is at 16% higher than in cities (14.8%), while in the East it is the other way around (10.8 in rural and 11.4% in agglomerated areas) (BBR online data base). This also coincides with the fact that labour market participation of women in West German rural areas is lower than in Western urban areas.

**Notes**

<sup>1</sup> Free access is only provided on NUTS 2-level for Germany. A further differentiation on NUTS 3-level would have to be paid and the available restricted budget did not cover such extra cost.

<sup>2</sup> 60 % of the equivalised median income.

## 4. Rural poverty and policies

### 4.1 Rural poverty and social policies in Germany

According to the data already presented above, the overall poverty rate in Germany is at 13% (2004) and accordingly about 10.6 million persons in Germany are living in poverty. An analysis of the poverty risk before transfer payments has shown that it is much higher 43.7% and at 23.7% if pensions are not accounted as transfers (Statistisches Bundesamt 2006a: 44). This indicates that social policies help to reduce poverty to a certain extent. Moreover, even among those remaining below the poverty line the income levels are increased.

Taking into account that the poverty risk is highly correlated to unemployment (risk at 46% in East and 40% in West Germany) and that unemployment rates in East German rural areas are particularly high it can be assumed that the contribution of social transfers to reduce poverty risks may be particularly important in those areas.

This assumption is reinforced by a further important issue that seems to be frequently neglected in this regard: Although the median income in East Germany is still substantially lower than in West Germany (in 2003 the median earnings of full-time employees in East Germany are only at about 75.4% of the West German median – cf. Bosch/Kalina 2007: 31) the level of unemployment benefit II is the same for East and West. Accordingly, the relative position of long-term unemployed in East Germany compared to the typical pay level of employees is higher. As already mentioned earlier, a differentiated poverty line would account for this fact but there are also good arguments in favour of the uniform level of benefits.

According to the high proportion of unemployed at poverty risk, the Federal Government argues in its second “Report on Poverty and Wealth” that measures against poverty should predominantly aim at creating employment and integrating the unemployed into the labour market. Because of external shocks, structural change to a service and knowledge based economy and the ageing of the population it is concluded that a paradigmatic change in social policy is necessary. The policy of financial redistribution has reached its limits and the new paradigm should focus on enabling people to react flexible on the challenges of the service and knowledge economy (BMAS 2005).

With this focus on promoting employment as the most important way to fight poverty they state the following three topics as being the most important aims of social policy:

- Setting up a political framework that promotes participation by economic growth and measures that improve the competitiveness of the national economy.
- Encouraging the participation of the individuals, especially by means of education and further training. This policy is reflected in the “encouraging and requiring” principle that was established in the agenda 2010 by the red-green coalition and emphasizes the equality of opportunities instead of financial dependency from the state by redistributive measures.
- Guaranteeing a provision for basic need which is enabled by the social security system (health insurance, insurance against accidents, disability, care insurance, unemployment insurance and the pensions system). In addition to this, single parents and families with children should be in the focus of social policy.

Although this new orientation of policies may sound neutrally in terms of regional disparities, it tends to have a bias towards urban areas as the provision of services is much easier to be realized there whereas in rural areas the low population density makes it more difficult and expensive to provide an appropriate infrastructure.

### 4.2 Rural poverty and main policies affecting rural areas

This section will give an overview about policies influencing rural areas in Germany. Two policies of the European Union are highly relevant: The common agricultural policy (CAP) and policies funded by the European Structural Funds.

The common agricultural policy (CAP) of the European Union is organised in two distinct pillars: The first pillar is the market organisation, which seeks to guarantee market stabilisation, a fair standard of living for farmers and increases in productivity in agriculture. Also the provision of the population with food should be guaranteed. The second pillar is rural development which was introduced in 2000 as an integrated approach to ensure the survival of rural areas. This pillar includes measures of environmental protection, diversification of the rural economy

(tourism, biological fuel) and the protection of the rural cultural heritage (cf. European Foundation 2007b).

The European Union set a framework for the second pillar of the common agricultural policy (CAP) by the “European Agricultural Fund for Rural Development“ (EAFRD) for the period 2007-2013. For Germany the EAFRD is implemented by the GAK (*Gemeinschaftsaufgabe “Verbesserung der Agrarstruktur und des Küstenschutzes”* – common task “improving of the agricultural structure and the coastal protection”) (cf. Nölting 2006). In some aspects such as the funding of small companies without involvement of farmers the EAFRD is more openly structured than the GAK because the latter must have a connection to agricultural issues according to the German constitution (BMELV 2007). For 2007, the GAK had a funding of 615 million € from the national level and further 400 million € from the federal states. In addition to this 1.2 billion € from EAFRD and further funding from the federal states can be used, totalling in a funding of 2.3 billion € per year for the period of 2007-2013.

Besides the GAK, the GWR (*Gemeinschaftsaufgabe “Verbesserung der regionalen Wirtschaftsstruktur”* – common task “improving of the regional economic structure”) and the EU structural funds provide further funding for rural development. These measures provide more funding than the second pillar of the EU agricultural policy, but besides measures for rural areas they also provide funding for urban areas.

The following section will first assess the influence of rural development policy and then refer to a wider policy framework by the EU-structural funds.

#### 4.2.1 Rural and agricultural policies

The main elements of *rural and agricultural policies* are described in the national strategy plan for rural development 2007-2013 of the federal government (BMELV 2006) and are clearly related to the objectives outlined in the report provided by the European Commission on “rural development in the European Union”. They are organised along three axes:

- improving the competitiveness of agriculture and forestry,
- improving the environment and the countryside,
- improving the quality of life in rural areas and encouraging diversification of economic activity.

As a fourth axis the LEADER concept offers a possibility of funding for more integrated approaches, that need not be limited to the agricultural sector.

In general, the funds for the development of rural areas (EAFRD) are taking into account the objectives of the Lisbon and Göteborg strategy (competitiveness, economic growth, employment and sustainability). This is especially relevant for the creation of new employment opportunities which are important for fighting poverty.

The policies in the axis one (improving the competitiveness of agriculture and forestry) are also relevant in this regard as agriculture is still offering employment for about 1.3 million people and about 300,000 additional seasonal workers. The number of about 400,000 companies has decreased by about 3% every year. The costs of production in German agriculture are high in international comparison. Thus, one aim of agricultural policy is the improvement of productivity. Another aim is the opening of new business areas like the cultivation and production of biological fuel or the development of tourism. On the one hand, the mentioned measures help to stabilise employment opportunities in rural areas and accordingly to prevent or reduce poverty. On the other hand, Germany can be characterised as a post-industrialised economy in which employment in agriculture has only a marginal share in total employment. Accordingly, more integrative policy approaches can be regarded to be more forward-looking than policies focused solely on the agricultural sector.

Axis three (quality of life) is very relevant to reduce poverty and social exclusion as it refers to infrastructural issues. Objectives mentioned in this regard for rural areas are creating employment and increasing income, securing and improving the quality of life and to guarantee a minimum provision with goods and services. A further aim is to take into account the local strengths as for example tourism or regional products.

In axis four (LEADER) the main objective is to build networks of local actors and to support the other axis, especially axis three. For the past especially the LEADER approach is regarded as very successful, as it helped to establish regional and local groups with various new actors to tackle the various problems in regionally differentiated cross-sectoral strategies. The needs, expectations and potentials of the local population could be integrated into projects.

#### 4.2.2 Policies without focus on the agricultural sector

The main source of funding for rural development besides the second pillar of the common agricultural policy is the European structural policy which is described in the National Strategic Reference Framework for the use of EU structural funds in Germany 2007-2013 (BMWT 2006). Regional disparities are mainly seen between East and West Germany with a much lower income per capita in the East (66.5% of the West level) and an unemployment rate about twice as high as in the West. For the period 2007-2013 the East German federal states are funded according to the objective “convergence” whereas the West German federal states are funded according to the objective “regional competitiveness and employment”. There are four general objectives for the use of the EU structural funds:

- 1) Innovation and competitiveness,
- 2) Attractiveness of the regions,
- 3) Labour market and employment creation,
- 4) Development of regions.

The convergence regions in East Germany are especially burdened by the shrinking population, which causes problems in the maintenance of infrastructure which has been already discussed as a major problem of rural areas in section 2. This problem is tackled in the National Strategic Reference Framework under *objective 2 (attractiveness of the regions)* and *4 (development of regions)*. The following deficits are mentioned:

- deficits in the accessibility of agglomerations/transport infrastructure
- school infrastructure
- technical infrastructure like water supply

Solutions are seen in the following aspects: adaptation of the technical infrastructure to changing demand, securing social and cultural infrastructure, maintenance of the cultural heritage, use of the growth potentials of tourism, expansion of information- and communication services, improvements of the environmental quality and use of this potential.

As a more general policy approach, the agglomeration of rural population around small or medium sized cities is discussed as well as the development of new concepts for organising public services such as education, health, public transport are mentioned, but these concepts are not specified any further.

The issue of minimum standards in infrastructure is relevant for poverty in a wider sense, as it concerns participation in wealth development and social inclusion. For example, the access to public transport, education or social or cultural infrastructure is not only relevant for special groups with a high poverty risk, but it might be especially relevant for them as they cannot compensate deficits in the public infrastructure due to their low income.

Regional disparities are especially relevant comparing East Germany (all Eastern federal states are convergence regions) with West Germany. The most severe problems in the East are unemployment and missing opportunities for an integration in the regular labour market, two problems that are especially tackled under *objective 3 (labour market and employment creation)*. The main objective is seen in the widening of the economic basis and the creation of new employment. From the past experience it is regarded as positive that the discrepancy in the per capita income has decreased over recent years. A potential in the convergence regions is still the high skills level of the work force. A main policy challenge is to stabilize this level in the next years.

For rising of the skills level of younger people it is regarded as especially important to guarantee a sufficient supply with apprenticeship places as well as an improvement of the dual system of vocational training. A further focus is to raise the skills level of the active population in general, especially via further training. The skills oriented approaches can be focused on target groups like older or low-skilled workers or on companies like small and medium sized companies as well as on regions. For women, for example, a policy focus is on increasing the participation in employment in a life cycle oriented approach. This refers to the reconciliation of employment and family, income differences, different mobility chances and an increase in the number of women in leading positions. For migrants the focus is on language skills, advice and information and the network-building of actors. Policies improving the skills level of the population are highly relevant for the prevention of poverty as the poverty risk of unskilled is particularly high.

### 4.2.3 Assessment of the policies

Compared with former versions of the German national strategy plan for structural policy or rural development the orientation on risk groups and regional problem constellations seem to be more elaborated. However, it remains to be seen how the federal states will implement the programs on the regional level.

According to the assessment of OECD (2007a: 92ff), the focus of Germany policies for rural areas is still too strong on the agricultural sector which is estimated as not appropriate to tackle the current challenges. Even in East Germany where cross-sectoral measures are more widespread, the focus is mainly on the regeneration of villages (*Dorferneuerung*) and is not targeted on a diversification of the rural economic structures. Moreover, it is pointed out that regional development policies in Germany have an urban bias and pay not enough attention to the dynamics of rural areas and the importance of interrelations between urban and rural areas. The development of a strategic approach to support and frame the provision of services in rural areas is regarded as a further particular demanding challenge that needs to be addressed more specifically. All in all, the OECD misses a clear and sustainable vision for the future rural development and innovative approaches to tackle the various problems that reinforce social exclusion.

Another main issue of the critical assessment by the OECD is related to the governance. The policy in Germany remains predominantly a top-down approach and decentralisation frequently stops on the level of the federal states – with few exceptions: More regionalised and diversified programmes such as LEADER (see section 6) and REGIONEN AKTIV that also include cross-sectoral measures are highly appreciated by the OECD but regarded as strongly underfunded. Accordingly, the assessment is that they will not exert any significant effects.

## 4.3 Significant measures affecting poverty and groups at risk in rural areas

The level of poverty in rural areas can be affected by both national (country-wide) measures to reduce poverty on the one hand and particular measures focused on rural areas on the other hand. In the following we assess the impact of selected measures on poverty and groups at risk in rural areas.

### *Unemployment benefit II*

The main overall system to ensure a minimum level of living in Germany to people in working age is the so-called "unemployment benefit II" (for people being basically able to work) and the „social allowances“ for the other member of their households (children, elderly, disadvantaged). The payments are means tested in the household context (cf. 5.1 for more details). Although – as shown in section 3.2 – the level of the transfers is typically below the poverty threshold we assume that their impact on a reduction of (extreme) poverty is significant and that East German (rural) areas are particularly affected. This is further reinforced by the fact that the level of transfers is higher in relative terms compared to the median income in East Germany as it is in West Germany (cf. 4.1). As the basic allowance is also available for employees with low earnings if they are not sufficient to cover the household's minimum need, even lower wages in East Germany are compensated to a certain extent.

Although it is highly disputed whether the level of the transfers is appropriate or too low the basic insurance system can be regarded as one of the main measures to reduce (extreme) poverty in Germany. Moreover, this particularly applies to Eastern Germany and its numerous areas with very high unemployment rates – among them a high proportion of rural areas.

However, as already mentioned in section 3.2, there are first indications that the poverty risk of the long-term unemployed has been substantially increasing in 2005 due to the Hartz IV-reforms. This particularly applies to East Germany with an at-poverty-risk of recipients of unemployment benefit II or social assistance at about 71.9% (compared to 56.7% in 2004). One underlying reasons may be that the aim of the reforms has not been primarily the reduction of poverty risk but a "carrot and stick approach" – i.e. the increase of incentives to take up even low-paid work.

### *Pensions and minimum pension*

The level of pensions in Germany is largely related to the level of earnings during the life course and the duration (continuity) of employment. Additionally, there are some compensations for people with children and derived entitlements for married couples (after the death of the wife or husband). Due to the traditional gender-specific distribution of childcare and house work, the level of female pensions is typically lower. However, this mainly affects West Germany whereas the labour market participation of women in East Germany has been traditionally much higher and the gender pay gap is much lower than in West Germany. Accordingly, the average level of pensions in

East Germany is higher and the overall poverty risk of pensioners is lower. As a recent study on average levels of pensions differentiated on NUTS 3-level has shown, even in rural areas the rates are higher than in West Germany.

A further particular measure to ensure a minimum standard of living for the elderly has been the introduction of an overall minimum pension in January 2003. If the own entitlements for the pension is below a minimum threshold pensioners can apply for additional (means tested) payments aside from „social assistance“ which is frequently not applied by elderly people – mainly due to shame and the fear that children will have to pay. According to the higher level of pensions in the East, the impact of this measure might be lower than in West Germany.

#### *Labour market policies*

In order to improve the opportunities to find a job or at least to maintain or increase employability a broad range of instruments of active labour market policies is available – ranging from subsidies for employment (public or private) to various types of training courses. Recently, an additional federal programme for 100,000 additional publicly funded jobs in regions with over average unemployment rates (*Kommunal-Kombi*) has been initiated. It can be expected that a successful implementation will exert effects particularly in East Germany and the rural areas with particularly high unemployment rates.

A further important measure for long-term unemployed are the so-called “work opportunities” (*Arbeitsgelegenheiten*) which are substantially more widespread in East than in West Germany. They aim at the reintegration of long-term unemployed to work at least for several months in order to maintain or increase their employability. Work opportunities are not to be seen as regular employment relations but represent a particular type of public schemes that should not replace other employees but provide services that are additional and in public interest. The participants receive a supplement to their transfer benefit of about 1 to 1.50 € per hour – i.e. depending on the working time a plus of up to 120 to 180 € per month. In several areas with very high unemployment rates (i.e. particularly rural areas in East Germany) they provide both – a temporarily higher income on top of the unemployment benefits and an improvement of the social or public infrastructure. Accordingly they can be regarded as a measure against poverty and social exclusion. However, from a more critically standpoint, one can also complain that other measures of publicly funded employment (such as *Arbeitsbeschaffungsmaßnahmen*) with higher pay and longer duration have been replaced by the increasing number of work opportunities.

#### *Child allowance supplement*

The child allowances supplement has been introduced in 2005 in order to prevent parents who earn enough to cover their own living but not for their child/ren from applying for supplementary unemployment benefit II (BMAS 2006: 23). The maximum amount of the supplement is 140 € per child and month and maximum period is 36 months. Although the supplement is a positive approach to improve the standard of living of single parents and families with low income (which may also be important in rural areas) the measure is under discussion because of high administration expenses and a high rate of denied applications (more than 80%). Several proposals to simplify the procedure have been developed but not yet agreed upon.

#### *Programmes for regional development*

There are several programmes already mentioned above such as LEADER, LEADER plus and “Active Regions – The Countryside Shapes the Future” with a huge number of projects developed on a local level and frequently focused on rural areas in order to promote economic development or increase social cohesion by improvements of the regional or local (social) infrastructure. Although it can be assumed that they exert positive impacts a precise assessments of their effects is difficult which is mainly due to the heterogeneity of measures (c.f. 6).

#### *Agricultural funding*

The several types of direct or indirect subsidies to farmers may partially contribute to reduce poverty in rural areas but according to the assessment of OECD (2007a) they may also hamper more suitable and broader approaches for the development of rural areas (cf. 4.2.3). Thus we do not go into detail here.

## 5. Poverty and groups at risk: case studies on significant groups at risk

The groups with the highest poverty risks in Germany are unemployed people (43%) – particularly those who are long-term unemployed – and single parents with a poverty risk of about 30%. Although in West Germany, the proportion of single parents and unemployed in rural areas might be somewhat lower than in urban areas, it can be assumed that this does not apply to East Germany in the same way. Indeed, for both groups at risk, the incidence is even higher in East Germany and it can be assumed that rural areas are particularly affected (long-term unemployment) or at least to a comparable extent compared to other regions (single parents). Thus, in the following these two groups at high risk will be analyzed in more detail.

### 5.1 Long-term unemployed

#### *History*

A high rate of long-term unemployment in terms of international comparisons has been typical for Germany over recent years. This was frequently explained by a relative high level of unemployment benefits which were typically related to the former earnings at work (53 to 57%). In 2005, however, in the course of the German labour market reforms (referred to as “Hartz IV”), the unemployment assistance and the social assistance have been replaced by a new benefit called “unemployment benefit II”. The former income-related benefits of long-term unemployed have been replaced by the means-tested benefits of “*Arbeitslosengeld II*” (unemployment benefit II) which tends to be lower primarily for those whose former earnings were above average. However, according to available research on that issue, the situation of other groups such as single parents has probably been improved.

Another major change is related to the fact that the new system tends to be very inclusive in terms of international comparisons as not only the unemployed are covered but also all adult members of the household – regardless of they have been looking for a job before. This systematical change has also led to an increasing number of recipients of the new unemployment benefit II compared to the former two systems.

With the Hartz reform the long-term unemployed are now part of the claimants of unemployment benefit II. Other persons getting this benefit are unemployed with a benefit level from unemployment benefit I below that of unemployment benefit II (according to a very low income in their former job) and also the children and partners of all claimants.

#### *Elements of risk*

In 2004, about 43% of all unemployed were characterized as poor (income below 60% of the equivalence-adjusted national median). With 46% the risk of poverty in East Germany was higher than in West Germany (40%). The risk of poverty for unemployed had been increasing over time from about 33% in 1998. The recent effects of the Hartz IV reform on poverty rates among unemployed are not clear as applicable data is not yet available by now but there is some evidence that there may have been a further substantial increase (Goebel/Richter 2007) – e.g. according to the increasing poverty rates of children which are closely related to the unemployment of their parents.

The share of long-term unemployed in all unemployed is higher for older people. The poverty risk is due to the low level of the allowances which probably can also have side effects like social deprivation because of lacking possibilities to participate in social and cultural activities. Although unemployed are not excluded from the German social security system, the degree of inclusion differs: Whereas contributions to the state pension system are very low, inclusion in health insurance is also guaranteed for the unemployed. However, poor people tend to have more problems to cover the co-payments required for doctors’ consultations and medicine.

The risk of poverty and social exclusion is not a temporary phenomenon for the individual, because the long-term unemployed are per definition more than one year in the status of unemployment and the chances to return to employment tend to decrease with the length of the period of unemployment.

#### *Dimension and location*

In East Germany the overall unemployment rate was at 14.7% (July 2007) more than twice as high as the rate in West Germany (7.3%). As already described in sections 2.3 and 3.2, in some East German rural areas the unem-

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ployment rates are largely above the average in Germany as a whole and even above the higher East German average rate. Rural areas located in rural regions are particularly affected as they are far away from regions with a better labour market situation where the opportunities of getting a job might be higher.

The share of unemployment benefit II claimants in total unemployment is higher in East (71.4%) than in West Germany (65.8%) in 2007 and ranges from 53.1% in Bavaria to 81.3% in the city state of Bremen. The number of long-term unemployed is smaller than the number of unemployment benefit II claimants. Their share in the total number of unemployed is at 39.3% for Germany (38.2% in West and 41.3% in East Germany). However, while the share of long-term unemployed in the East increased only slightly (from 40.3% in 2005 to 40.9% in 2007), it increased in the West strongly from 32.9 to 39.4%.

The share of long-term unemployed is particularly high in the federal states of Eastern Germany (between 40.7% in Berlin-Brandenburg and 43.6% in Saxonia) and in the Northern federal states (43.5% in North Rhine-Westphalia and 44.7% in Bremen), while it is much lower in the Southern federal states (32.6% in Baden-Wuerttemberg and 31.9% in Bavaria) (data from the Federal Employment Agency, November 2007). The share of long-term unemployed is especially high in East German regions like "Altenburger Land" (55.6%), "Zwickauer Land" (53.2%) and "Chemnitzer Land" (52.5%). These areas are not characterized as rural according to the BBR typology (cf. section 2.1), they are classified as condensed or highly condensed regions. The rural area with the highest share of long-term unemployed is "Oberspreewald-Lausitz" (51.3%) that is characterized as rural area in agglomerated regions and is located in East Germany.

### Gender

In May 2007, 50.5% of all people in the new basic allowance system were female. However, the proportion of those registered as unemployed was higher for men (51.2%) than for women (44.6%). The unemployment rates for both sexes were at about 12% in May 2007. However, there are certain differences between East and West Germany: The proportion of women with children who state that their availability for taking up a job is limited or not applicable at all is much higher in West than in East Germany (Brand et al. 2007). This may be related to both the traditionally higher orientation of East German women to participate in the labour market and the more developed public childcare facilities in the East (cf. European Commission 2007a for more details).

As data on unemployment rates by region is frequently not available differentiated by gender, it is difficult to estimate the extent and particularities of gender-related problems of unemployed in rural areas. However, it can be assumed that long-distance commuting or a total absence from home for several days in a week (because of a workplace in another region far away from the home town) is much more difficult to manage for mothers than for fathers in both parts of Germany. This is due to the fact that the higher labour market participation of women in East Germany has not gone along with substantial changes in the distribution of responsibilities for childcare and home work among men and women.

### Institutions

In the past, the Federal Employment Agency was the main institution concerned with the problem of (long-term) unemployment at the national and regional level. Since the Hartz reform in 2005, the institutions concerned with long-term unemployed are the job centres which are operated jointly by local federal employment agencies and local public authorities or (in 69 experimental cases) run solely by local public authorities ("*Optionskommunen*" or "*zugelassene kommunale Träger*"). This so-called "experimental clause" with two main types of responsibility competing is being subject to scientific evaluation until mid-2008.

### National/local policy

Before the labour market reform in 2005 (Hartz IV), there were several programs effecting long-term unemployed such as "*Arbeit für Langzeitarbeitslose*" (work for long-term unemployed) which was an employment-creation measure with a maximum of about 28,000 participants in 2004. A further measure coordinated by the federal employment agency were the "*Beschäftigungshilfen für Langzeitarbeitslose*" (employment accompanying measures for long-term unemployed) with nearly 40,000 participants in 2001, 36,000 in 2002, 8,000 in 2003 but only 10 participants in 2004. These measures follow the general trend of a reduction of employment-creation and employment accompanying schemes.

With the introduction of the Hartz reforms in 2005, the governance and customer management of the Federal Employment Agency were modernized. The merging of the systems of unemployment benefit and social assistance into the new benefit called "unemployment benefit II" should create unified single gateways for all unemployed and job-seeking persons, called "job centre". These job centres should create individual taylor-made "back to work

agreements” (*Eingliederungsvereinbarungen*) for each of the unemployed, using a wide variety of measures, contrary to single measures before the reform. The treatment may include individual profiling, case management by personal advisors, and measures especially tailored for the situation of the individual unemployed (e.g. organising child care, advisory services for debtors).

One important measure in this context are the work opportunities (*Arbeitsgelegenheiten*), offering the possibility to top up the benefits by a low income from paid work. These work opportunities must be offered by employers in addition to regular jobs and should be in public interest. They do not constitute regular employment and are paid with very low hourly rates (about 1 € per hour). From about 740,000 entries into work opportunities in 2006, about 28% were long-term unemployed which makes this measure very important for long-term unemployed. However, according to recent evaluation results the aim of focusing on the most disadvantaged groups has been failed by now.

### *EU funds*

Several projects and programs for long-term unemployed were co-funded by the EU. One topic relevant for this group might be the aspect of employability in the context of the EQUAL program. An example for the use of EU-funds is the program “*Hilfe zur Arbeit*” (help to work). This project in the period from 1994 to 1999 got about 560,000 € from the European Social Fund and 1.2 million € from national sources. The aim was to integrate long-term unemployed into the first labour market by a vocational retraining.

A further current ESF co-funded program is the “*Kombilohn NRW*” (combination wage NRW). The target groups are long-term unemployed with special placement obstacles. The program focuses on the integration of the target group into employment via wage subsidies. The subsidies should initiate the creation of additional employment in the low-wage sector. Long-term unemployed are a prior target group in many regional programs for wage subsidies. For the period 2000-2006 for the European Social Fund the fight against long-term unemployment is mentioned as a key challenge.

### *EU rural development policy*

In the national strategy plan for rural development 2007-2013 unemployment is mentioned as a focal societal problem. Based on the results of this analysis the creation of employment is one main policy objective (BMELV 2007).

### *Effects of national/EU policies*

Precise information on the effects of the new system of benefits to the long-term unemployed are not yet available but evaluations of various instruments to promote the re-integration to work reveal mixed results. For some measures the effects are slightly positive (particularly training) whereas others do not show any positive effects or even negative effects on the probability to take up a job (compared to control groups). However, it has to be taken into account that reintegration is not the only indicator for success but social inclusion (at least for a limited period) may be also important – particular for long-term unemployed and in (rural) areas with high unemployment rates.

## **5.2 Single parents**

### *History*

Due to changes in individual attitudes, the stability of family composition, and a rising number of divorces, the number of single parents has been increasing constantly over recent years from 2.2 million in 1996 to 2.5 million in 2006. According to data provided by the Federal Statistical Office, the share of single parents among all families increased from 17% in 1996 to 20.4% in 2005. In East Germany (25.5%), the proportion of single parents is even higher than in West Germany (19.2%).

### *Elements of risk*

The poverty risk for single parents was at 30% in 2004. In East Germany it was at 35% higher than in West Germany (29%) (Statistisches Bundesamt 2006a). The group is at particular poverty risk for two main reasons: The households of single parents typically consist of only one adult person who can work. However, the employment rate of female single parents is higher than among married women with children. Due to a lack of public childcare facilities (particularly for small children under 3 and especially pronounced in West Germany) the reconciliation of work and family is particularly difficult. This actually affects all people with (small) children but the problem is more pronounced for single parents (as there is no partner in order to share the burden of the organization of work and family).

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Basically, the former partner (mother or father) is obliged to pay an income-related monthly financial support for the child or children (and partially for the person in which the child or children live/s) but quite frequently they cannot pay or at least do not pay. For children under 12, the state pays in advance (*Unterhaltsvorschuss*) if the separated father or mother does not pay (in 1996, this was the case for 495,000 children).

In 2004 the average monthly equivalent available income of private households with children was 1.388 €, for lone parents it was at 1.026 € much lower, whereas families with two partners and one child had on average 1.540 € per month. Families with two partners and more children had a lower available equivalent income (1.454 € with two children and 1.267 € with three and more children). The proportion of single parents' households living in poverty is at 30% much higher than for other family types (two partners with one child: 10%). In East Germany, the proportion of poor single parents is even substantially higher (35%) than in West Germany (29%) (Statistisches Bundesamt 2006a).

Among the recipients of the new basic allowance for job seekers in Germany (unemployment benefit II or "Hartz VI"), one half of all households with children under 15 are single parents (640,000 with around 950,000 children). Moreover, according to a recent study, in 2005 single parents showed the lowest mobility from Hartz IV into paid work (Graf/Rudolph 2006): More than two third of them stayed in Hartz IV over the whole year 2005.

As the study of Becker et al. (2006) indicates, the availability of a car is the main precondition for being able to have a paid job in rural areas because commuting is frequently necessary for being employed. However, this might be a vicious circle for poor single parents: Owning a car is frequently an important precondition for getting a job but the income level for the (long-term) unemployed typically does not allow to own and hold a car.

#### *Dimension and location*

The data on the number of single parents in Germany varies which is mainly due to diverging definitions. The main issues of variation are the age of children (up to 15, up to 18, no age restriction) and to the question how to classify single parents living together with a new life partner in the same household.

According to data from the German Statistical Office, in 2002 2.2 million children under 18 lived in a single parents' household (15% of all 14.9 million children in Germany). The number of single parents (without a life partner in their household) in 2004 was about 2.5 million (among them 387,000 men).<sup>3</sup> According to another analysis based on *Mikrozensus* data, there were 2.1 million single female parents in 2004 which corresponds to a proportion of 18.3% of all mothers among German nationals and 13.1% of non-national mothers.

The proportion of single parents tends to be lower in rural than in urban areas. However, as it is generally higher in East Germany it can be assumed that in rural areas in the East, their number may be substantial. Moreover, the poverty risk of single parents may be higher in rural areas given the fact that – on average – the lack of (whole day) childcare facilities is more pronounced in rural areas. Another hampering factor may be the lower availability of part-time jobs in rural areas.

#### *Gender*

According to data of the German Statistical office, the large majority (about 85%) of single parents are women. Among those in Hartz IV, the share of women is even at around 95%. Male single parents are less likely to be affected by low incomes.

#### *Institutions*

On the national level, the job centres (responsible for the implementation and organization of Hartz IV) now take care for single parents being unemployed or earn a low income. At regional and local level, the youth administration as a public authority is also responsible for the group (e.g. provision of childcare facilities, subsidies for childcare, other advice and support). There are also several public and private initiatives to support single parents in various regards.

#### *National/local policy*

National policies have changed substantially in recent years: While up to 2003, many jobless single parents received "social assistance" (*Sozialhilfe*) at local level, they are now among the clients of the job centres and shall be promoted and supported in finding both – a job and a care arrangement for their child or children.

In the course of the reform of the German unemployment benefit system in 2005 (Hartz IV), the new job centres taking care for the long-term unemployed are now also responsible for the support of job seekers with children

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with regard to the provision of child care facilities (if necessary to be able to take up a job). This is particularly important for single parents but also for couples with children – especially the women who frequently are in practice mainly responsible for the child care and cannot take up employment without finding a solution for the child care arrangement. The job centres can organize their support with regard to the provision of child care in different ways – e.g. by a cooperation with the local public youth office (*Jugendamt*) or networks of day care providers.

The new job seeker allowance in Germany contains the obligation to take up any reasonable paid work if available and consequently it must be accompanied by support of those job seekers with children who need child care. This is particularly important for single parents who cannot share the responsibility for their children with a life partner. Particularly the poverty risk of female single parents is largely above average which is closely related to restrictions related to the low availability of public child care facilities especially in rural areas and regarding full day care. In this context the new obligation of the job centres to provide support in child care can be regarded as a measure to prevent poverty. The measure is also in line with the national strategy to improve of the quantity and quality of child care facilities in Germany. Both aspects help to prevent poverty and social exclusion of job seekers and their children.

As the reform of the German unemployment benefit system (Hartz IV) has taken place in 2005 the implementation and evaluation of its effects and impacts is still in progress. This also applies to the results of the job centres' obligations to support job seekers with children. Although evaluation results are not yet available it can be assumed that this responsibility will contribute to improve the availability of child care facilities in a couple of terms. It provides more transparency on the need for child care and more support for job seekers to find an appropriate arrangement. Particularly for single parents and families with a low household income a better child care provision is an important precondition to take up paid work and to reduce their poverty risk.

For the social policy objective of improving the income situation of individuals with children the measure is one important step in a broader set of the national aim of improving the child care facilities. This is also increasingly regarded as necessary in order to reduce social exclusion and poverty and the currently highly segmented opportunities of children for a good education.

Another important feature are the public initiatives to increase and improve child care facilities and all day schools in recent years. As regards children under 3, the available child care facilities shall be increased substantially to up to one third of all children under 3 by 2010. As a good practice in this context the project “Out-of-school care for children living in disadvantaged areas” can be seen, which covers projects providing care for school children or flexible care arrangements (European Foundation 2007a).

A further political approach aimed at the introduction of the child allowance supplement (cf. 4.3.4) for families with low income in 2005. This bonus is not restricted to single parents but in fact they are an important target group of the subsidy. However, the preconditions of this bonus are complex and include several restrictions. Thus, the proportion of applications rejected is very high (around 80 to 90%).

### *EU funds*

Several projects were co-funded by the EU – e.g. special initiatives train and support single parents by various approaches and to promote their access to employment and childcare (or both).

### *Effects of national/EU policies*

On a national level, first effects of the initiatives to increase the number of child care facilities and longer school-days by promoting all-day schools are visible. This applies to both urban and rural areas – however with some distinct outcomes for rural areas in East and West Germany: According to a statistical review on the availability of public childcare facilities in 2002, the availability tends to be very low in West German rural areas whereas the child care facilities in East German rural areas even exceed the availability in most West German urban areas. This particularly applies to facilities for the children under 3 and above 6. For instance, in “Altmarkkreis Salzwedel” in Saxonia (a rural area of type 9), 54 places per 100 children under 3 and almost 40 places per 100 children over 6 are available and accordingly the provision is even better than in Berlin – the urban area with the overall highest rates (Statistische Ämter des Bundes und der Länder 2004).

### Notes

<sup>3</sup> According to a European study based on ECHP data, in 2001 the number of single parents in Germany was much lower (766,000) or at about 8% of all households with dependent children which is close to the European average (9%) whereas the proportion of single parents was highest in Sweden (22%) and the UK (17%). Cf. Lehmann/Wirtz 2004: 2.

## 6. Conclusions

In official documents and research on poverty in Germany the aspect of *rural poverty* does not play a prominent role. Accordingly, neither the National Report on Welfare and Poverty nor the National Rural Development Plan 2007-2013 do even mention the problem of rural poverty.

In national statistics, no distinction between rural and urban poverty is made. However, a distinction between East and West Germany is often available - indicating lower income levels and higher poverty rates in East Germany and infrastructural differences between East and West. Especially the peripheral rural areas in East Germany are faced with very high unemployment rates.

As a differentiation of poverty rates on NUTS 3 level is not available, several other indicators are used to assess the extent and characteristics of rural poverty and social exclusion in Germany. The gross national product (GDP) per capita in rural areas is at 80% of the national average and at 136% in urban areas. This difference remained stable about the last five years. The level in the East is at over 30 percentage points below that of the West in cities as well as in rural areas. The available income per capita in rural areas is below the level in cities, but the growth rate tends to be higher in rural areas.

As poverty in Germany is highly correlated to unemployment the unemployment rates are a further good proxy to assess the extent of poverty. The analysis shows that the highest unemployment rates affect (remote) rural areas in East Germany whereas the pattern in West Germany is largely different: Particularly southern rural areas frequently have very low unemployment rates.

Multi-dimensional analysis reveals several other problems of rural areas. Demographic trends are particularly negative in peripheral East German rural areas with a very low population density. A further severe problem enforcing social exclusion is the thinning of infrastructure in some rural areas where a reduction in services like retail, postal offices and banks, as well as child care and libraries can be observed. Problems in the provision of local health services can occur, if the "critical mass" is not reached for a local basic service. This is especially a problem in the Eastern part of Germany, as well as a trend of closing primary schools due to demographic trends.

Policies fighting against poverty are mainly framed and organized at the national level and largely focused on (un-)employment issues in Germany. Very important in this regard is the unemployment benefit II-system which does not only provide payments to unemployed but also to employees with a low income on household level. However, a current analysis indicates that the reform in 2005 has substantially increased the poverty risk of the long-term unemployed (from 52% in 2004 up to 66.7%).

Policies for rural areas in Germany are still strongly focused on the agricultural sector. The policy approach in Germany remains to be a predominantly top-down approach. Although there are also several more regionalised programmes with innovative elements for instance in order to improve the local infrastructure, their impact tends to be limited as these programmes are partly underfunded by now.

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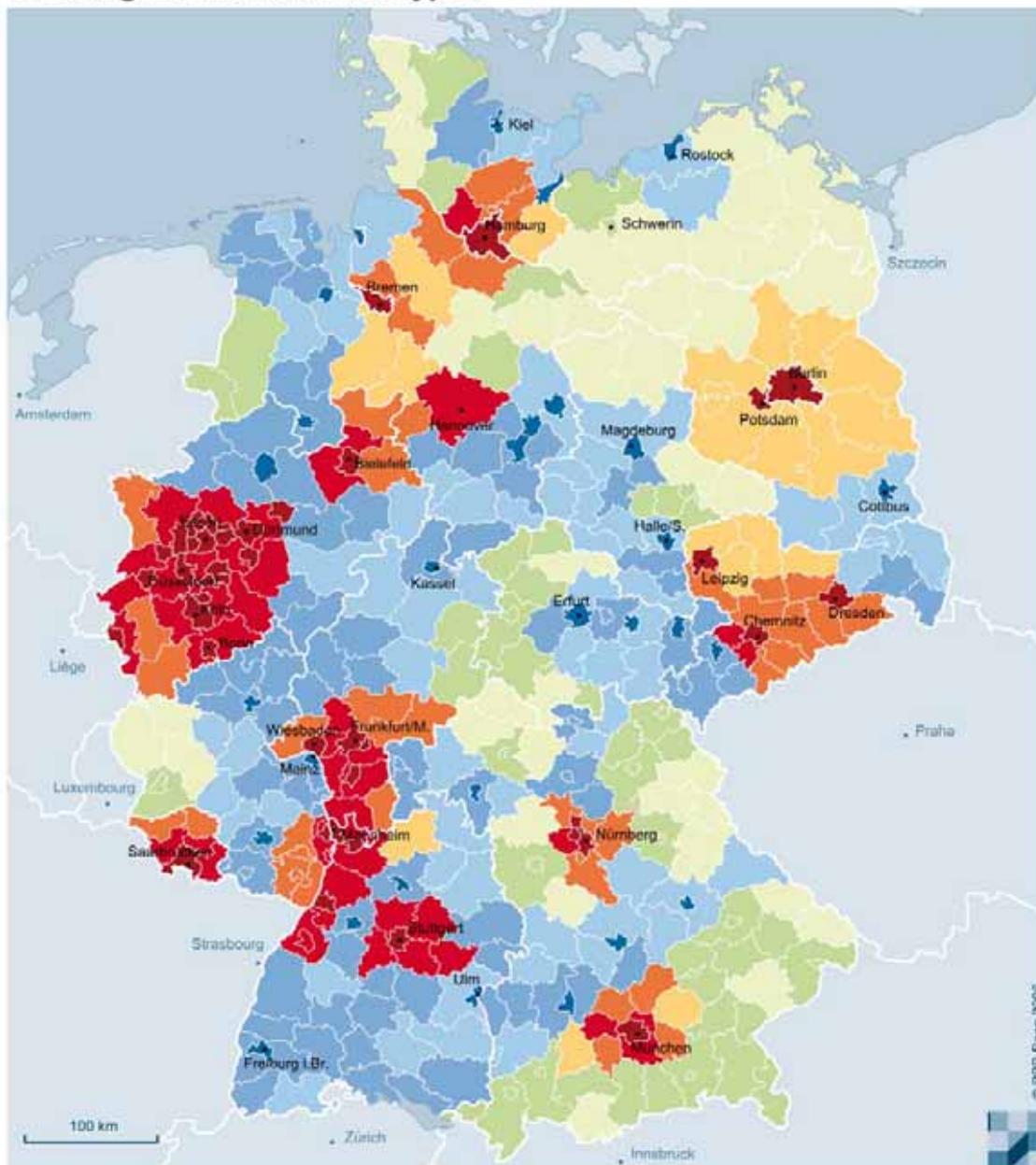
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## Annex

Map on the location of rural areas in Germany  
(shown in light orange, light blue, light green and light yellow)

### Siedlungsstrukturelle Kreistypen



#### Agglomerationsräume

- Kernstädte
- Hochverdichtete Kreise
- Verdichtete Kreise
- Ländliche Kreise

#### Verstädterte Räume

- Kernstädte
- Verdichtete Kreise
- Ländliche Kreise

#### Ländliche Räume

- Ländliche Kreise höherer Dichte
- Ländliche Kreise geringerer Dichte

Datenbasis: Laufende Raumbewertung des BBR  
Geometrische Grundlage: BKG, Kreise, 31. 12. 2004

