



EU Network of
Independent Experts
on Social Inclusion

Assessment of the implementation of
the European Commission
recommendation on **active
inclusion**

[A Study of National Policies](#)

Germany

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Assessment of the implementation of the
European Commission recommendation on
active inclusion

A Study of National Policies

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COUNTRY REPORT – GERMANY

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1. Summary

In Germany, the European active inclusion strategy has never played an important role in the labour market and social policy debate. One reason was that the activation paradigm had already entered the German policy discourse in the second half of the nineties. While the Hartz reforms have been the major policy reform in the context of active inclusion in Germany, the activation approach was introduced step by step over the following years in other labour market and social policy areas. Since then, the concept of the “activating welfare state” has become the leading paradigm of the German welfare state.

According to this new concept, a series of reforms have been initiated aimed at strengthening the labour-market orientation of the social protection system, redefining the activation and integration measures in active labour-market policy and expanding labour market related services. But up to now, the federal governments have not been willing and able to design a comprehensive strategy for the fight against poverty in general, or for an active inclusion strategy in particular. Nevertheless, with the broad acceptance of the activating paradigm in the German labour market and social policy discourse, new forms of coordination and co-operation have been established to implement more effective and efficient policy initiatives and programmes.

The vertical policy coordination system in federalist Germany is rather heterogeneous and varies in the different social policy areas. Up to now, no single coordination system has been developed for active inclusion strategies. The coordination system varies according to the different policy areas and strands, as well as to the specific target groups.

Because up to now no national active inclusion strategy has been announced or adopted by the federal government, no adequate governance structures have been introduced. If at all, participation by relevant actors in active inclusive strategies takes place in different ways and with differing intensities, depending on the varying framework conditions.

In this report, only a few selected examples of active inclusion policies are examined. The first one is the active inclusion policies for long-term unemployed people in the context of the Social Code Book II. A second one is the active inclusion of migrants in the context of a national integration strategy. A third one is the active inclusion of elderly workers in the context of an age-appropriate working environment. A fourth one is the reconciliation of family and professional life in the context of the “new family policy” in Germany. A brief look at the lack of an integrated strategy to overcome in-work poverty is also included.

Active inclusion policy initiatives are mainly funded by federal tax resources. European Structural Funds play only a minor role in the funding of active inclusion. Labour-market policy in the context of the Social Code Books III and II has become the most intensively evaluated field of social policy in Germany. Other political initiatives in the context of active inclusion have, up to now, not been evaluated in this scope and with such differentiation. But more and more of these initiatives are embedded in monitoring systems.

2. Integrated comprehensive strategies

2.1 Comprehensive policy design

(1) The European active inclusion strategy

On October 2, 2008, the European Commission adopted a recommendation on active inclusion. In this recommendation the Commission stated that the persistence of unemployment and poverty and the growing complexities of multiple disadvantages call for comprehensive, integrated policies. With a view to modernising social protection systems, adequate income support needed to be combined with a link to the labour market and access to quality services in an integrated active inclusion strategy (European Commission 2008: 1).

With this recommendation, the Commission encouraged Member States to take action towards the active inclusion of people excluded from the labour market, and to draw up and implement an integrated comprehensive strategy. The strategy should be composed of the following three strands:

- sufficient income support;
- inclusive labour markets;
- access to quality services.

The actions should support the employment of those who can work, providing the resources required for a dignified life, and promote the social participation and integration of those who cannot work.

The Member States were further recommended to ensure that the inclusion policies are effective. This should be done by combining the above three strands of the strategy in an appropriate manner; implementing the strategy in an integrated manner across the three strands; coordinating the policies among authorities at local, regional, national and European Union (EU) level; and including all relevant actors in the development, implementation and evaluation of the strategy.

In particular, the inclusion policies should take account of fundamental rights, the promotion of equal opportunities for all, the specific needs of disadvantaged and vulnerable groups and the local and regional contexts. In addition, the inclusion policies should contribute to preventing the intergenerational transmission of poverty.

In its conclusions on active inclusion principles, the Council of the European Union (2008) emphasized that active inclusion is not a single-model approach. With regard to the principle of subsidiarity and on the basis of the common principles, each member state should develop its own active inclusion strategy and define the level of adequate income support and the policy mix best adapted to the specific needs identified at national, regional and local level. The financial allocation should be determined by a balance between increasing work incentives, alleviating poverty and avoiding unsustainable budgetary costs (Council of the EU 2008: 4).

(2) The German adoption of active inclusion

In Germany, the active inclusion strategy and the above-mentioned recommendation of the European Commission have never played an important role in the labour market and social policy debate. One reason was that the activation paradigm had already entered the German policy discourse in the second half of the nineties.

The ongoing mass unemployment and the high level of long-term unemployment had led to a debate on the reasons and consequences of, as well as on possible solutions to the labour market crisis. As a consequence, a deep-rooted re-orientation of German labour market and social policy was initiated. In a first step, a series of labour-market reforms – the so-called Hartz reforms – were adopted between 2002 and 2003 and came into force between 2003 and 2005. This comprehensive labour market reform package included, among other things, a reform of active labour market instruments in the context of unemployment insurance (Hartz I and II) and a reform of the administrative structure of the public employment service (Hartz III). The fourth and most important reform act in this package included the abolition of the former unemployment assistance in the context of the Act on Work Promotion (Arbeitsförderungsgesetz) in the Social Code Book III, and the introduction of the basic income support for job seekers in the new Social Code Book II as a new element of the last safety net in Germany.

The new basic income scheme for those capable of working was based on a specific activating approach, which combines a mixture of financial restrictions and incentives with the expansion of controls and sanctions, new labour market integration services and new activation and integration measures. Up to now, this new benefit and activating system has played a main role in activating and integrating needy persons capable to work in Germany. Even if the Social Code Book II has been reformed several times in its short history since 2005, this legal system has remained unchanged in its basic conception and principles.

Even if the Hartz reforms have been the major policy reform in the context of active inclusion in Germany, the activation approach was introduced step by step over the following years in other labour market and social policy areas. Since then, the concept of the “activating welfare state” has become the leading paradigm of the German welfare state (Dingeldey 2006 and 2011; Hanesch 2012b). According to this new concept, a series of reforms have been initiated aimed at strengthening the labour market orientation of the social protection system, redefining the activation and integration measures in active labour market policy and expanding labour market related services. By contrast, the active inclusion of those not capable of working has up to now not played a major role in the German social policy debate. Only after the ratification of the United Nation’s convention on the rights of people with disabilities in Germany in 2007, did a new policy debate on inclusion of this population group begin. In the year 2009, the Ministry of Employment and Social Affairs (BMAS) has published a first National Action Plan for the coordination of the implementation of the UN convention in Germany (BMAS 2011a).

The activating approach was introduced in Germany in the phase of the first Red-Green Government Coalition (Hanesch 2012b). The new activating welfare state concept was part of a deep-rooted re-orientation of Social Democratic policy, strongly influenced by the British New Labour concepts. The Hartz reforms were defined as integrated elements of the so-called Agenda 2010 of the Red-Green Government Coalition, which was aimed at finding a “third way between socialism and neo-liberalism”, a balance between the requirements of social security and flexibility for the German labour market. Because the aspects of flexibilisation and activation were given higher priority than those of social protection in the period of the Schroeder government, there were no fundamental differences between the ruling parties and the conservative and liberal opposition in the Federal Parliament. As a consequence, this new policy orientation was continued during the so-called Grand Coalition between the Christian Democratic Union/Christian Social Union and the Social Democratic Party. Even during the current period of the conservative-liberal government coalition, the social aspects of the activating policy have only been gradually postponed.

Federal Government Coalitions in Germany between 1998 and 2013

Years	Government coalitions
1998 – 2005	Government coalition between the Social Democratic Party and the Green Party (Chancellor Schroeder)
2005 – 2009	Government coalition between the Christian Democratic Union/Christian Social Union and the Social Democratic Party (Chancellor Merkel)
2009 – 2013	Government coalition between the Christian Democratic Union/Christian Social Union and the Liberal Party (Chancellor Merkel)

Even if the activation paradigm has become the predominant basis for labour market and social policy reforms during the last decade, it remains an open question as to what extent a comprehensive policy design has been developed for an active inclusion strategy in Germany. In its National Action Plan for the Fight against Poverty and Social Exclusion of 2003, the federal government announced the development of an integrated strategy against poverty and social exclusion in Germany (Bundesregierung 2003). This process was to be accompanied by the national reports on poverty and wealth, whose fourth report will be presented to the public in the second half of this year. But even if a number of reforms have been designed and implemented, a comprehensive, integrated active inclusion strategy, which includes all policy levels and all relevant actor groups, is still missing in Germany.

Between 2005 and 2006, a national awareness raising project for social inclusion in Germany was funded by the European Commission (NAPSENS 2006). The aim of this project was to initiate a debate on a comprehensive strategy for the fight against poverty and social exclusion in Germany. In a number of conferences and workshops on selected aspects of poverty, a broad range of representatives of the three state levels as well as of the social partners and the civil society took part in this process. While the involved states, districts and municipalities were extremely interested in the project, the representatives of the federal state were rather reluctant to participate and co-operate. Instead of this, the Ministry of Employment and Social Affairs (BMAS) organised a series of conferences between 2005 and 2008 under its own leadership, which was focussed on the same topic (ISS 2008). Even if the NAPSENS project was carried by a broad coalition of institutions, including civil society associations, the BMAS was not ready to co-operate at the same eye level. At the end of the Grand Coalition with the participation of the Social Democrat Party, political interest in social inclusion issues dropped sharply. It is therefore in no way surprising that the federal governments up to now have not been willing and able to design a comprehensive strategy for the fight against poverty in general or for an active inclusion strategy in particular. Since the liberal-conservative coalition in the federal parliament came to power in 2009, an adequate anti-poverty policy can hardly be identified (Hanesch 2010 and 2011a).

Nevertheless, with the broad acceptance of the activating paradigm in the German labour market and social-policy discourse, new forms of co-operation have been established to implement more effective and efficient policy initiatives and programmes.

2.2 Integrated implementation

Comprehensive, integrated policy strategies, which include more than one state level, are difficult to design and implement in Germany because of the federalist structure of the German political system (Manow 2005). While the distribution of public tasks between the federal state and the states has recently been re-established in constitutional law by a federalism reform, the communities (including districts and municipalities) have in principle the right of self-governance (Selbstverwaltung) with regard to all aspects of local life not regulated by national or state law. While the communities have a weak position in the federalist system, the position of the states is quite strong.

According to German constitutional law, policy decisions at national level, which are related to the states and the communities, have to be agreed with the states. This is the reason for the strong role in the German legislation system of the Federal Council (Bundesrat), which represents the political interests of the states. In the case of laws not requiring approval (nicht zustimmungspflichtige Gesetze), a veto of the Federal Council can be overruled by a majority of the Federal Parliament (Bundestag). In the case of laws requiring approval (zustimmungspflichtige Gesetze), this is not possible, and the majority in the federal parliament also needs the majority of the Federal Council. In these cases, the mediation committee (Vermittlungsausschuss) plays a crucial role in the negotiations to reach an agreement between the federal state and the states. While many labour market and social policy laws are laws not requiring approval, others, like the laws regulating the different elements of the last safety net and the local social infrastructure, require consent.

Even if there has been and still is a need for co-operation between the different state levels and groups of actors in many areas of social policy, there is no established tradition of co-operation and integrated action. More characteristic is the tradition of trying to play off one against the other. This is also true for the relationship between states and communities, even if the former are obliged by constitutional law to support the latter in their efforts to fulfil their self-governance tasks.

The coordination requirements of active inclusion strategies for long-term unemployed shall be examined as an example. Such strategies require co-operation between the local public employment services on the one hand, and on the other the local communities who have both to fulfil certain legal tasks and are responsible for the job centres, according to the Social Code Book II. At the same time, the local job centres normally have to co-operate with the National Public Employment Service (Bundesagentur für Arbeit), that steers the operating processes in the job centres for the Ministry of Employment and Social Affairs (BMAS) in a quite centralized way. Only a limited number of communities, who have opted for the sole fulfilment of the legal tasks of the SGB II, can operate their job centres in a relatively autonomous way and are only legally controlled by their states. At local level, the local job centres have to cooperate, among others, with the local private agencies offering job placement, training and employment services, as well as with the local public and private agencies offering social, educational or health-care services.

2.3 Vertical policy coordination

In Germany, the vertical coordination of active inclusion policies has to be structured in a separate way in each policy area and with regard to each strategy. This is because of the lack of general coordination institutions and committees at national level, and because of the division of competences with regard to regulating, implementing and funding policies, which differs in each social policy area.

(1) Adequate income support

The national benefit schemes are regulated by the federal state and implemented by the social insurance bodies or by the states. The provision of the different elements of the last safety net are either in the self-governance competence of the communities (social assistance and needs-based pension supplement in old age and in the event of reduced earning capacity), or are, as a rule, in the dual competence of the public employment services and the communities and require close co-operation between these two institutional groups (basic income support for job seekers), or else are in the competence of the states but offered by the communities, requiring co-operation between these two state levels (basic support for asylum seekers).

(2) Inclusive labour markets

Active labour market policies, including activating and integrating measures and employment-oriented services, are regulated at national level, but implemented at local level by the public employment service or the job centres. While the use of the active labour market instruments according to Social Code Book III is steered by the local public employment service, the activating and integration instruments according to Social Code Book II are offered by the local job centres. In both cases, however, the local labour market integration programmes are determined by the highly centralized steering and control of the National Public Employment Service. Only those communities, who have opted for the sole fulfilment of the legal tasks of the SGB II, can decide on their labour market integration programme at local level. Additional labour market programmes, offered by the federal state or the states on a voluntary basis and funded by federal or state tax or by the EU Structural Funds, provide additional fiscal resources for active labour market policy.

(3) Access to quality services

Most parts of the local social infrastructure are in the legal self-governance competence of the communities (districts and municipalities) - with regard to regulation, implementation and funding. At the same time, the states are obliged to support the communities in their efforts to fulfil their self-governance tasks. Besides the allocation of basic funds to the communities, especially to those with high fiscal needs, the states offer state funds through specific state programmes, for which the communities can apply. Only a small range of services, like educational and further educational services, are in the sole jurisdiction of the states. Other services, like health or care services, are offered by public or private providers and steered by social insurance agencies. It is up to the local communities to co-ordinate the different providers and actor groups so as to achieve a comprehensive and needs-oriented supply of high quality services.

In summary: The vertical policy coordination system in Germany is rather heterogeneous and varies in the different social policy areas. Up to now, no single coordination system has been developed for active inclusion strategies. The

coordination system varies according to the different policy areas and strands, as well as to the specific target groups.

2.4 Active participation of relevant actors

The European Commission's recommendations and the Council of Europe's principles have stipulated that the active inclusion strategies in the member states should be based on a broad involvement and participation by the different state levels and groups of actors. Up to now, these requirements have not been fulfilled in the case of Germany.

The design of the National Action Plans Social Inclusion since 2001, and later of the National Strategy Reports Social Protection and Social Inclusion in Germany, has been embedded in a governance structure, which included a broad range of actors at national level. The states, the national representatives of the communities, of the social partners and of the civil society associations were invited to take part in a board of consultants and to contribute to the national plans and reports. Since the transition to the Europe 2020 Strategy, the national social inclusion process is no longer embedded in such a broad governance process. Only after massive complaints by the representatives of the civil society associations did the BMAS offer to reinstall such a board and to coordinate the consultation process with, so far, rather disillusioning results (Hanesch 2011a, 2012a).

Because up to now no national active inclusion strategy has been announced or adopted by the federal government, no adequate governance structures have been introduced. If at all, participation by relevant actors in active inclusive strategies takes place in different ways and with differing intensities, depending on the varying framework conditions.

The introduction and updating of the Social Code Book II was and is the result of normal legislation processes. National associations and experts were and are involved in hearings of the federal parliament's Committee of Labour and Social Affairs, the states were and are involved in the negotiations to find a consensus between federal parliament and federal council, etc. The implementation, steering and control of the new protection and integration system were and are not accompanied by a national board, which represents the interests of the different state levels and actors. Actually, the national steering and control are done by the Bundesagentur für Arbeit (BA), the German National Public Employment Service, whose board represents the interests of the three state levels and of the social partners, but which is dominated by the interests of the federal state, represented by the BMAS, because of the dominant federal funding of this last safety net. Because of the existing funding structure, an adequate balance between national and regional or local interests has not been achieved.

The national initiatives for the integration of migrants and of elderly workers are characterised by a broad participation of the different state levels and non-state actors in differing combinations. Normally, the participation occurs at national level, but certain initiatives also include forms of co-operation and coordination at the local level (Perspektive 50plus). The coordination structure of the initiative for the reconciliation of family and professional life includes, primarily, the different state levels so as to ensure a functioning cooperation in the implementation of the expansion of day-care facilities. But the national day-care summit of 2007 was followed by comparable summits at state and at community level, which included a broader participation of non-state actors.

3. Description and assessment of the impact and cost-effectiveness of measures introduced or planned under the three strands

In this chapter, only a few selected examples of active inclusion policies are examined. The first one is the active inclusion policies for long-term unemployed people in the context of the Social Code Book II. A second one is the active inclusion of migrants in the context of a national integration strategy. A third one is the active inclusion of elderly workers in the context of an age-appropriate working environment. A fourth one is the reconciliation of family and professional life in the context of the "new family policy" in Germany. A brief look at the lack of an integrated strategy to overcome in-work poverty is also included.

In all four social policy areas there is more or less close interaction between social protection, labour market integration and quality service measures, even if a comprehensive strategy has not been developed or implemented in any of these areas. Nevertheless, the presentation of the active inclusion policies follows the three strands of the European active inclusion strategy.

3.1 Adequate income support

(1) Social protection for the long-term unemployed

The German social protection system has been profoundly restructured over the past decade: In particular the dismantling of unemployment insurance through the so-called Hartz IV reform, and of the old age pension system through the so-called Riester reform (and the subsequent reforms) have contributed to the fact that the primary safety net in the German social protection system has been weakened and at the same time the last safety net has gained importance. This loss of importance of the primary safety net can be derived from the fact that currently only one third of the registered unemployed people are covered by unemployment insurance, while the other two thirds are covered by the newly-introduced 'basic income support for job seekers' (Grundsicherung für Arbeitsuchende), which was introduced in 2005 as part of the last safety net in Germany. A similar development is expected with regard to the old age pension system: While the number of those finding sufficient social protection in the statutory pension system will constantly decrease in the coming years, the number of those who have to claim additionally for the 'needs-based pension supplement in old age and in the event of reduced earning capacity' (Grundsicherung im Alter und bei Erwerbsminderung) will increase dramatically (Hanesch 2012b).

The increased importance of the last safety net can be deducted from the fact that the number of recipients of 'social minimum income benefits' has dramatically increased during the last decade. This umbrella term covers the totality of benefit schemes of the last safety net in Germany (Statistische Ämter des Bundes und der Länder 2011). In the period between 2004 and 2010 alone, the number of recipients of 'social minimum income benefits' rose from 3.7 to 7.5 million people. The proportion of the total population increased from 4% to roughly 9% (see table 1). Until 2004, unemployed people without sufficient protection by unemployment insurance had access to unemployment assistance according to Social Code Book III, which was a mixture of insurance and welfare benefit, because the benefit level was based on former individual earnings and did not include any guaranteed minimum, while the benefit was means-tested and tax-financed. Even if the recipients of unemployment assistance are taken into account, which included 2.2 million people in 2004, the

number of recipients of the last safety net has considerably increased between 2004 and 2010. While so far this increase was mainly dominated by the number of recipients of the basic income support for job seekers in the context of the SGB II, the future development will be dominated by a steep increase in the number of recipients of the needs-based pension supplement in old age and in the event of reduced earning capacity in the context of the twelfth book of the Social Code Book. The outlined change in the structure of social protection in Germany has resulted in the level of social protection being dismantled and the conditions for the receipt of benefits being tightened.

Table 1 Development in the number of recipients of social minimum income benefits. At the end of the years 2004 - 2010

	2004	2005	2006	2007	2008	2009	2010
Basic income support for job-seekers (SGB II) (Unemployment assistance)	-- (2,194,000)	7,101,000	7,284,000	7,020,000	6,610,000	6,736,000	6,469,000
Current assistance towards living expenses outside of institutions (SGB XII)	2,926,000	81,000	82,000	88,000	92,000	93,000	98,000
Needs-based pension supplement in old age and in the event of reduced earning capacity (SGB XII)	526,000	630,000	682,000	733,000	768,000	764,000	797,000
Basic support for asylum seekers	232,000	212,000	195,000	154,000	128,000	121,000	130,000
Total	3,684,000 (2,194,000)	8,024,000	8,243,000	7,995,000	7,598,000	7,714,000	7,494,000

Source: Statistic Offices of the Federation and the federal states (Statistische Ämter des Bundes und der Länder)

There is no ongoing evaluation of all elements of the last safety net in Germany. The official statistics provide data on the numbers of recipients and the volume of public expenditure on social minimum income benefits. But regular evaluations of the basic income support for job seekers, which is the most important benefit scheme for active inclusion, are conducted by the Institute for Employment Research, the research institute of the federal employment agency. A major question in active inclusion is whether this basic income support for job seekers is characterized by an adequate balance between social protection and work incentive.

Since the introduction of this benefit scheme, the level and the conditions of benefits have been the focus of controversial debates. On the one hand, the introduction of this basic income support meant for many of the former unemployment assistance recipients a reduction in the benefit level and therefore considerable income losses, as shown in micro-simulations by Becker and Hauser (2006). This deterioration of the

social protection function for certain groups of the long-term unemployed was justified by the promise that the new benefit scheme in combination with the expansion of integration services would bring the recipients back into the labour market faster. The benefits level of the basic income support was reduced to assistance towards living expenses in the context of the traditional last safety net of social assistance. At the same time, the assessment system for fixing the benefit level for almost all social minimum income benefit schemes was defined in a very restrictive way, and was abolished by a decision of the Federal Constitutional Court in February 2010. The revised system has been assessed by many experts as equally insufficient (Becker 2010; Lenze 2012). Also the Social Court of Berlin, in its decision of April 12, 2012, determined that the benefit level of the basic income support for job seekers does not correspond to the fundamental right to a dignified subsistence and has again brought the question of the constitutionality of the standard benefits under Social Code Book II before the Federal Constitutional Court (Senatsverwaltung für Justiz und Verbraucherschutz 2012).

Table 2 Benefits under Social Code Book II and “at-risk-of-poverty”-threshold for selected household types – in Euro

Haushaltstyp	laufende Leistungen nach dem SGB II im Jahr 2010				Armutsgefährdungsschwellen (60%-Schwelle) auf Basis von PASS 3. Welle; 2008/2009
	Regelleistung	Mehrbedarf ¹⁾	Wohnkosten ²⁾	insgesamt	
Allerinstehende	359	/	275	634	800
Alleinerziehende					
mit einem Kind unter 6 Jahren	574	129	358	1.061	1.040
mit zwei Kindern (eines unter 6, eines unter 14 Jahren)	825	129	409	1.363	1.280
Paare					
ohne Kinder	646	/	348	994	1.200
mit einem Kind unter 6 Jahren	861	/	456	1.317	1.440
mit zwei Kindern (eines unter 6, eines unter 14 Jahren)	1.112	/	526	1.638	1.680

¹⁾ Hier wird nur der Mehrbedarf für Alleinerziehende ausgewiesen. Weitere Mehrbedarfe kommen ggf. im Falle von Krankheit, Behinderung oder Schwangerschaft hinzu.
²⁾ Durchschnittswerte bezogen auf den Typ der SGB-II-Bedarfsgemeinschaft, September 2010.
Quellen: Bundesagentur für Arbeit (2010); Statistik der Bundesagentur für Arbeit (2011);
Panel Arbeitsmarkt und soziale Sicherung (PASS), 3. Befragungswelle 2008/2009; gewichtete Ergebnisse.

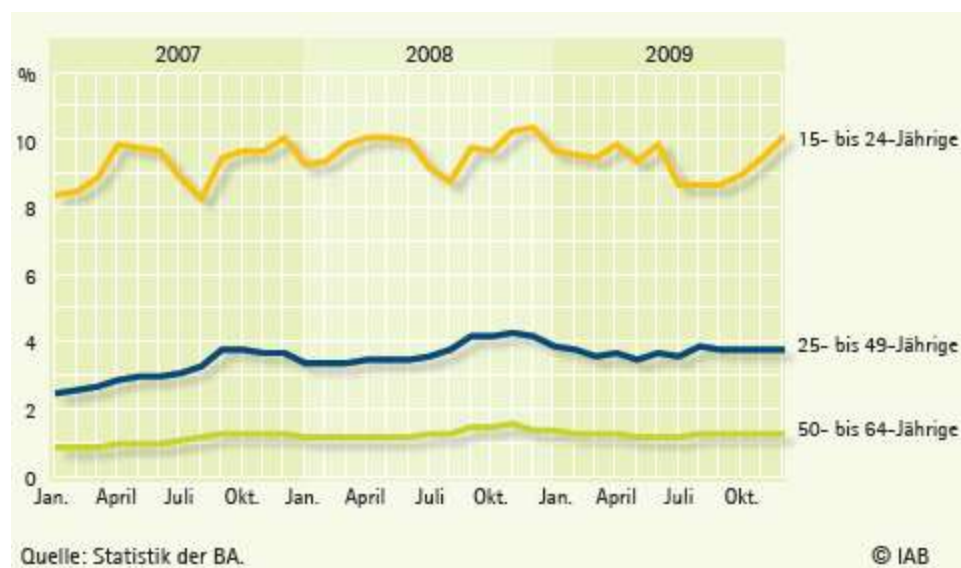
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Source: Lietzmann, Tophoven, Wenzig 2011

As a result, the recipients of minimum social income benefits, including recipients of basic income support for job seekers, normally have to live on an income level below the poverty line (Lietzmann, Tophoven, Wenzig 2011). These recipients are therefore a subgroup of the poor population in Germany. Another subgroup are those who are eligible but do not claim minimum income benefits. Exact data about the volume of this group is not available. A first study by Becker (2007) assessed the volume of non-take-up of basic income support for job seekers at around one third. Unemployed – and especially long-term unemployed – persons traditionally show the highest poverty risk in Germany. According to the EU-SILC database, the at-risk-of-poverty rate of the unemployed in Germany increased from 40% in 2004 to 62% in 2009 (Statistisches Bundesamt 2011). So even if the employment situation has considerably improved in recent years, the income situation of the unemployed and their families has deteriorated (see also Grabka and Frick 2010).

The IAB evaluations have also made it evident that the poverty trap hypothesis was and is of only low empirical importance in Germany (Beste, Bethmann, Trappmann 2010). Most long-term unemployed remained, and still remain outside the labour market not because of too high wage aspirations or because of a lack of financial incentives. Their motivation to re-enter the labour market is high. Their ongoing benefit dependency is mostly caused by integration barriers like lack of education and/or training, higher age, deficits in language competence, health problems, family obligations (child care or care of another family member). In view of this, the elements of control and sanctioning could not play the role intended by experts and politicians. Evaluations of the IAB (Götz, Ludwig-Mayerhofer, Schreyer 2010) have shown that the sanctioning is handled in different ways by the case managers in the local job centres. In total, the number of sanctions has remained quite low, in any case lower than expected. The proportion of those aged 25 and older was lower than 4%, the proportion für youngsters and young adults – with stricter sanctioning rules – hovered around 10%. Only between 36% and 40% of the sanctions were imposed because of the refusal to take up a job, participate in an integration measure or sign an integration contract (see figure 1 and table 3).

Figure 1 Sanctions ratio on unemployed people under Social Code Book II according to age groups January 2007 to December 2009 – in %



Source: Götz, Ludwig-Mayerhofer, Schreyer 2010

Table 3 Reasons for sanctions on unemployed people under Social Code Book II according to age groups January 2007 to July 2009 – in %

Sanktionsgrund	15- bis 24-Jährige	25- bis 64-Jährige
Meldeversäumnisse	59	52
Weigerung zum Abschluss einer Eingliederungsvereinbarung*	0	1
Pflichtverletzung bzgl. der Eingliederungsvereinbarung	14	19
Weigerung der Aufnahme oder Fortführung einer Arbeit, Ausbildung, Arbeitsgelegenheit oder sonstigen Maßnahme	22	23
Sonstiges	6	6
insgesamt**	100	100

* Sanktionsgrund bis Dezember 2008.

** Abweichungen von 100 Prozent durch Runden der Zahlen.

Quelle: Sonderauswertung der Statistik der BA (Zugänge auf Basis A2LL;
ohne Optionskommunen; eigene Berechnungen).

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Source: Götz, Ludwig-Mayerhofer, Schreyer 2010

The low level of sanctioning was primarily due to the fact that in most cases objective integration barriers and not a lack of motivation were responsible for the integration problems. In any case, most experts agree that the sanctioning has contributed to a reduction in the wage aspirations of the benefit recipients and has strengthened the readiness to work. But at the same time sanctions had also negative effects: Sanctions contribute to the fact that many entries into the labour market prove to be only short-term and do not lead to sustainable integration into the employment system. A last aspect is related to the fact that sanctions lead to a (normally time-limited) benefit reduction, which leads to a household income below the official socio-cultural minimum. In extreme cases, the sanctioning can lead to complete benefit loss. Whether the state may refuse this minimum to a citizen is being controversially discussed.

The extent to which the new benefit scheme has contributed to faster and better integration into the labour market will be discussed in the chapter on inclusive labour markets (see 3.2 (1)).

(2) Social protection of immigrants

Migrants who are residents in Germany have access to the normal social benefit system. Unemployed workers who have already worked in Germany are entitled to Unemployment Benefit I according to the Social Code Book III and subsequently to Unemployment Benefit II according to the Social Code Book II. Migrants who have not worked in Germany can claim for Unemployment Benefit II only.

Refugees and asylum seekers have only access to reduced benefits according to the Act on Asylum Seekers. This benefit scheme is part of the last safety net, but is characterized by a low benefit level (around 40% of the subsistence level on which the other benefit schemes are based) and very restrictive conditions of benefit receipt.

Recipients normally only get benefits in kind and have to live in so-called transitional homes. If an application is refused, the refugees and asylum seekers can be granted the status of tolerated persons, who have access to the benefits according to the Act on Asylum Seekers for a period of 48 months. After that period, they have access to benefits under the Social Code Book XII, but have no access to the integration measures in the context of the national integration strategy because of their non-secured residence status. Access to benefits under the Social Code Book II have only asylum seekers whose application has been accepted and refugees with the accepted legal status of refugees according to the Geneva Convention.

The situation of recipients of benefits according to the Act on Asylum Seekers has repeatedly been criticized as unconstitutional (Deutscher Bundestag 2011). In a current legal proceeding the Federal Constitutional Court has been asked to clarify whether this Act is compatible with human rights and German Constitutional Law. In its decision of 18 July 2012, the Federal Constitutional Court has stated that the benefit level of the Act on Asylum Seekers is evidently insufficient to ensure a decent subsistence level. The federal legislature must therefore immediately reform the Act on Asylum Seekers. For the transition period, benefit payments to the 130,000 recipients will have to be raised without delay – starting in August 2012 – to the subsistence level of social assistance and must be updated the same way the other social minimum schemes have been (BVerfG, 1 BvL 10/10 from 18 July 2012).

The labour market integration strategy for immigrants is discussed in the chapter on inclusive labour markets (see 3.2 (2)).

(3) Social protection of elderly people

The impact of the demographic development has been discussed in Germany for decades, with the statutory pension insurance taking centre place in this debate. Starting at the end of the eighties, the federal governments have begun to adapt this system to the changing demographic conditions through a series of reforms. In 2007, the Grand Coalition adopted the “Act on adapting the regular retirement age to the demographic development and on strengthening the funding base of the statutory pension insurance”, by which the regular retirement age is being raised step by step to 67 between 2012 and 2024. The act made the raising of the retirement age dependent on the possibility of improving the employment situation of elderly workers. For this purpose, the “Act on improving the employment opportunities of elderly people” was adopted. Furthermore, the act of 2007 required a monitoring system, by which – starting in 2010 – the federal government has regularly to report on the economic, labour market and social situation of elderly workers. The regulations of the law may only be applied if the labour market prerequisites are fulfilled (BMAS 2010).

In recent years, the at-risk-of-poverty rate of old people in Germany has been comparatively low. On the basis of EU-SILC data, the at-risk-of-poverty-rate in 2010 was 14.1% compared to 15.6% for the whole population and compared to 15.9% in EU-27. It is expected that the at-risk-of-poverty rate of the old aged will go up because of two main factors:

- On the one hand, the structural change in the labour market within the last decades has caused employment risks which are reflected more and more in the pension entitlements of those newly entering the old age pension system. Growing gaps in the employment patterns and contributions on the basis of low earnings will lead to lower pension payments.
- On the other hand, reforms of the old aged pension system since the beginning of the last decade were introduced with the aim of reducing the level of the pension benefits of the old aged according to the demographic change. Because minimum

income elements are of low importance in the German statutory pension system, it is expected that the number and proportion of recipients of low pension payments will go up continuously in the coming years.

Even if a growing proportion of old age pension recipients will be able to claim for 'needs based pension supplement in old age and in the event of reduced earning capacity,' and the number of recipients will dramatically increase, this income scheme does not effectively protect against the risk of income poverty. Most experts therefore agree that within the next decade the number of old people confronted with income poverty will dramatically rise (Hanesch 2010b).

The Federal Ministry of Labour and Social Affairs (BMAS) has recently presented a pension reform bill to the public, which was the result of the "government dialogue pensions" with the German Pension Insurance, the social partners, the welfare associations and selected experts, initiated by the BMAS in autumn 2011. The pension reform package contained a mix of several reform elements. The most important is the introduction of a so-called 'supplementary pension' (Zuschussrente), which had already been announced in 2011 and was presented in a slightly modified version in August 2012 (BMAS 2012). According to the new version of the reform package, statutory pension recipients with low pension entitlements will receive – starting in 2013 – the supplementary pension in addition to their statutory pension if certain requirements are fulfilled. This reform proposal has been criticised as an inappropriate way to prevent the increasing poverty of the elderly in Germany because the access requirements are defined in such a restrictive way that most poor elderly people will have no access to the supplementary pension. Only a limited number of elderly people below the poverty line will benefit from this reform proposal (low wage earners with long and uninterrupted membership and contribution time as well as women with non-income periods of child care or elderly care with additional retirement provisions), while other groups at risk like long-term unemployed or persons with a reduced earning capacity will continue to be without adequate protection (Sozialverband VdK 2012).

The labour market integration strategy for elderly workers is discussed in the chapter on inclusive labour markets (see 3.2 (3)).

(4) Restructuring of family benefits

In Germany, an important active inclusion objective was and is the improvement of the labour-market integration of particularly qualified women. Against the background of the ongoing demographic change, the economic and social potential of this population group should be used in a better way. One important step in this way was the initiative to improve the reconciliation of family and professional life, starting with the day care summit in 2007 (see chapter 3.3 (3) on access to quality services). Another step meant the restructuring of education-related family benefits by introducing the so-called "parent's benefit" (Elterngeld), which was adopted by the federal parliament in 2006 and came into force in the beginning of 2007.

The parent's benefit is addressed to parents who opt for parental leave. The new benefit scheme, which replaced the former "education benefit" (Erziehungsgeld), includes a benefit payment – normally paid for 12 months – whose benefit level is related to the former earned income. By this, the new benefit scheme should increase the financial incentives for qualified women with a higher income to combine professional and family life. At the same time, the benefit payment duration was shortened to bring mothers (or fathers) back to the labour market faster. Only if both parents make use of this benefit is the payment duration extended to 14 months.

A first report of the BMAS on the impact of the parental leave and parent's benefit was published in 2008 presenting the results of evaluation research (BMAS 2008). Starting in 2009, a parent's benefit monitoring system was introduced (Wrohlich 2012). The available data show that the parent's benefit has contributed to an improvement of the income situation of most of the mothers with a child in the first year compared to the education benefit scheme. Only those who did not work before the child's birth (around 36%) did not profit from the new benefit scheme. The shortened benefit period of the parent's benefit also contributed to a rise in the employment rate of mothers with a child in the second year. But even if the new benefit scheme has introduced effective incentives to shorten interruptions of gainful employment for mothers, this scheme alone will not be able to raise the employment rate of mothers. It needs to be supplemented by the expansion of day-care facilities (see 3.3 (3)) and other reform elements such as the programme "Success Factor Family" for enterprises (BMFSFJ 2012).

3.2 Inclusive labour markets

(1) Activating and integration of long-term unemployed

The constantly high unemployment rate and a high proportion of long-term unemployed over more than two decades were decisive reasons for the introduction of the concept of the activating welfare state in German labour market and social policy, and for the design of an active inclusion strategy, starting in the years 2002 and 2003. The above-mentioned restructuring of the social protection system for those capable of working was accompanied by the expansion of labour market services and integration instruments. The core element of the new activating strategy was the Hartz reform package.

With the introduction of the new basic income support for job-seekers, the social protection and activation system for those capable of working was dramatically changed: While the unemployment insurance system, operated by the Public Employment Service, has since then been targeted only at the short-term unemployed, the basic income support and the integration measures of the new job centres were targeted at the long-term unemployed, as well as all those job-seekers who could not claim for Unemployment Benefit I, including school leavers entering the labour market, job-seekers returning to professional life after their so-called family phase, low wage earners, etc. The division of labour between the local public employment service and the job centres was unclear for a longer period of time, especially for young entrants into the labour market.

As a consequence of the new two-tiers system, the number and proportion of unemployed in the jurisdiction of the Social Code Book III (Employment Promotion Act; *Arbeitsförderungsgesetz*) have started to decline, while at the same time the number and proportion of those in the jurisdiction of the new Social Code Book II (Basic Income Support for Job-Seekers Act; *Grundsicherung für Arbeitsuchende*) increased rapidly and remained at a high level. Of the 2,945,000 registered unemployed in August 2011, only 867,000 people, or 29%, were in the jurisdiction of the Social Code Book III while 2,078,000, or 71%, were in the jurisdiction of the Social Code Book II. In the year 2005, this relationship was even 41% to 59% (see table 4; Hanesch 2012c).

If we look at developments in the number of employed or unemployed people in Germany since 2005, the labour market statistics show an impressive picture of a success story. The number of employed people has currently reached a post-war peak. In the same period of time, the number of registered unemployed people has almost constantly declined. Not even the economic crisis between 2008 and 2010 was able to darken this picture. The number of registered unemployed went slightly down in 2009 and started to rise again in 2010. This "German employment miracle" would seem to underline the success of the activating strategy conducted over the last ten years. The Research Institute for Employment (IAB) has emphasized that the labour market has profited from this reform project (Möller et al. 2009). However, this conclusion has been objected to because the extent to which the positive labour market development was and is the result of labour market reforms and the extent to which it is a consequence of the improvement of the economic growth in Germany is still unclear. In the last decade, Germany as one of the world's main export countries has not only profited from the common market in Europe and the introduction of the Euro Zone, but has at the same time profited from the worldwide economic boom. Furthermore, an increasingly deregulated labour market, a constant low wage level and – above all – the flexibility of work times have also contributed to the positive labour market development. Against this background, the role of the activating strategy is a matter of controversial debate (Möller 2010; Herzog-Stein, Seifert 2010; Knuth 2011).

How far has the new basic income support for job seekers offered new and better integration instruments than the traditional public employment service operating on the basis of the Social Code Book III? And how far have these instruments in combination with the integration service of the employment-oriented case management (see chapter 3.3 (2) on access to quality services) contributed to an improvement in the labour market integration of long-term unemployed?

Table 4 Registered unemployed persons, 2005 – 2011

	2005	2006	2007	2008	2009	2010	2011
Registered unemployed persons	4,728 (100%)	4,372 (100%)	3,705 (100%)	3,196 (100%)	3,472 (100%)	3,188 (100%)	2,945 (100%)
- Long-term unemployed Persons	1,759 (36%)	1,865 (42%)	1,722 (46%)	1,324 (41%)	1,135 (33%)	1,130 (35%)	1,051 (35%)
- Registered unemployed persons SGB III	1,955 (41%)	1,554 (36%)	1,188 (32%)	965 (30%)	1,215 (38%)	1,031 (32%)	867 (29%)
- Registered unemployed persons SGB II	2,773 (59%)	2,818 (64%)	2,518 (68%)	2,231 (70%)	2,257 (62%)	2,157 (68%)	2,078 (71%)
Unemployment rate*	11.4%	10.5%	8.8%	7.6%	8.3%	7.6%	7.0%
- Unemployment rate SGB III	4.7%	3.7%	2.8%	2.3%	2.9%	2.4%	2.1%
- Unemployment rate SGB II	6.7%	6.7%	6.0%	5.3%	5.4%	5.2%	4.9%

Absolute numbers in thousands and percentages in August of the year

* = proportion of total economically-active civil population

Source: Bundesagentur für Arbeit

Table 5 Benefit recipients in SGB II, 2005 – 2011

Absolute numbers in thousands and percentages in August of the year

	2005	2006	2007	2008	2009	2010	2011
Needs communities	3,834	3,955	3,702	3,550	3,574	3,569	3,404
Total number of persons in needs communities	6,933	7,372	7,193	6,887	6,742	6,683	6,324
Needy persons capable to work	5,118	5,406	5,241	4,971	4,924	4,868	4,587
- of them unemployed persons	2,844	2,818	2,419	2,176	2,216	2,055	-
- of them employed persons	-	-	1,263	1,350	1,338	1,405	-
Needy persons not capable of work	1,815	1,967	1,953	1,893	1,818	1,814	1,736
- of them under 15 years	1,754	1,897	1,882	1,745	1,742	1,737	1,655
Quota of needy persons (proportion of needy persons under 65 years)	10.5%	11.2%	10.9%	10.4%	10.3%	10.2%	9.7%
Quota of needy persons capable of work (proportion of needy persons under 65 years)	9.4%	9.9%	9.6%	9.1%	9.1%	9.0%	8.5%
Quota of needy persons not capable of work (proportion of needy persons under 65 years)	2.7%	3.0%	3.0%	2.9%	2.8%	2.8%	-
Of them under 15 years	15.4%	16.6%	16.4%	16.1%	15.6%	15.6%	15.1%

Source: Bundesagentur für Arbeit

In German labour market statistics, persons are defined as 'long-term unemployed' if they have been registered as unemployed for more than twelve months. Between the years 2005 and 2011, the absolute number of long-term unemployed has considerably declined from 1,759 billion to 1,051 billion persons (see table 4; Bundesagentur für Arbeit 2012a). The main reduction in long-term unemployment happened between 2007 and 2009, following the general improvement of the labour market situation, with a time lag. But in the same time period, the proportion of long-term unemployed to all registered unemployed has hardly improved: It declined only from 36% in 2005 to 35% in 2011; between 2006 and 2008 the proportion was even higher than before. A main objective of the Hartz IV reform, the reduction of the proportion of the long-term unemployed, has therefore not been realised up to now. Most of the long-term unemployed fall under the jurisdiction of the Social Code Book II (2011: 44% of registered unemployed in SGB II), while only a small proportion fall under the jurisdiction of the Social Code Book III (2011: 16% of registered unemployed in SGB III). Because of this distribution between the two tiers of the German labour market protection and integration system, the integration policies of the job centres are of critical importance.

In principle, most of the integration instruments of the Social Code Book III as well as the new instruments of the Social Code Book II can be used by the job centres for the integration process. The decision to use the instruments is up to the case manager and is part of the integration contract, which has to be signed by the case manager and the job seeker. While in the initial phase of Hartz IV the list of integration instruments was contained in one paragraph, the range of instruments and the number of paragraphs have been increased through a reform of the instruments in 2009, and will be reformed again in 2012.

In the first years of the SGB II, the task of labour market integration had only low priority, because the number of recipients was considerably higher than expected and the financial resources of the federal government were needed to fund the benefit payments and the necessary administration staff. Therefore, the integration measures could only be expanded step by step, following the requirements of the law, which demands priority for activation measures as opposed to benefit payments. As a consequence, the number of benefit recipients, which had gone up dramatically in 2005 and 2006, started to decline in 2007 much slower than expected. The political answers to this development were repeated reforms of the benefit and sanctioning conditions and of the activation instruments. Also the reform of the activation instruments in 2009 was, among other things, intended to strengthen the centralized steering of the local job centres with the aim of improving their activating and integration performance.

In 2010, the federal government decided to drastically cut back the funds for integration measures for long-term unemployed people over the coming years. As a consequence, a new reform of the integration instruments under Social Code Book II has been adopted by the federal government in 2011. At a hearing of the Federal Parliament's Committee for Labour and Social Affairs, the experts almost unanimously pointed to the risks of this reform (Deutscher Bundestag 2011a). This reform, which is currently in its last legislative phase, represents the main element of the federal government's consolidation package and is therefore primarily aimed at reducing fiscal costs rather than improving the effectiveness of labour market policy. Above all, the heavy cuts in the integration budget for unemployed job seekers in the context of the Social Code Book II will reduce the opportunities and prospects of young entrants and long-term unemployed with regard to becoming integrated in the labour market (Hanesch 2011a). The reform package does not include measures to improve the situation of special target groups, such as unemployed immigrants, the elderly unemployed, etc. The federal government's calculation that cut-backs in labour market policy will not prevent the fulfilment of the employment and social inclusion objectives is based on the assumption that the strong economic growth will continue. Because this assumption does not seem to be coming true, the labour market situation of the most vulnerable groups in the labour market can be expected to deteriorate.

Between 2005 and 2010, the total number of participants in integration measures in the context of the basic income support for job seekers increased from 576,000 in 2005 to 758,000 people in 2010 (see table 6). While the number of participants went up between 2005 and 2008, since then it has started to decline again. The participants represent only a limited subgroup of the total number of unemployed benefit recipients. In 2010, the activating ratio was only 24.8% (see figure 2). The distribution of participants between the different integration measures has changed during the last years. Most participants could be found in employment creating measures, followed by placement related measures and employment accompanying measures. The Institute of Employment Research has conducted a large series of evaluation research projects on the impact of the activating and integration measures. Even if the impact of the reform project in general is assessed positively, negative

effects have also been ascertained: A main deficit was and still is that individually-tailored integration measures have not been offered in a sufficient way (Koch et al. 2009; Möller et al. 2009).

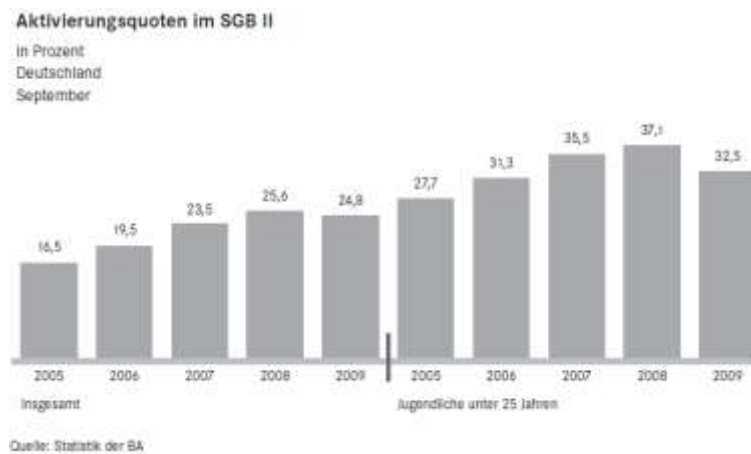
In contrast to the activating rhetoric of the Hartz IV reform, long-term unemployed persons had only low priority in the German labour market integration policies. This can be derived from the fact that long-term unemployed were underrepresented in all types of integration measures. It is therefore no wonder that the integration rate of long-term unemployed into the normal labour market has not improved since 2005 (Bundesagentur für Arbeit 2012b).

Table 6 Participants in labour market integration measures according to SGB II (Number in August of the year)

	2005	2006	2007	2008	2009	2010
Job placement accompanying measures	119.000	72.000	44.000	59.000	134.000	138.000
Further training measures	58.000	77.000	110.000	99.000	99.000	90.000
Promotion of training	124.000	22.000	45.000	48.000	52.000	46.000
Employment accompanying measures	143.000	81.000	104.000	121.000	131.000	132.000
Employment creating measures	183.000	326.000	352.000	362.000	339.000	322.000
Others	7.000	86.000	154.000	131.000	48.000	30.000
Total number of participants in labour market integration measures	576.000	663.000	802.000	847.000	803.000	758.000
Integration measures by communities	--	--	10.000	27.000	41.000	52.000

Source: Bundesagentur für Arbeit

Figure 2 Activation ratios under Social Code Book II



(2) Active inclusion of migrants

Over the last decade, the representatives of the political system have begun to accept the empirical fact that Germany is an immigration country. As a consequence, a national integration strategy has been designed focused mainly on economic, employment and social integration. At a first national integration summit in the year 2006, it was agreed between representatives of the federal state, the states and the districts and municipalities, to develop a national integration plan as a first step towards a comprehensive integration strategy (Die Bundesregierung 2007). The federal state, the states and the communities agreed to act on the basis of voluntary self-commitment. For this purpose, the partners implemented eleven Dialogue Forums in which specific measures should be developed. The forum Labour Market and Professional Life, coordinated by the BMAS and operated with the participation of more than thirty actor groups, listed a number of measures under four headings:

- Improvement of employment and training opportunities;
- Development of intercultural competences of the counselling staff;
- Improvement of integration in enterprises;
- Development of a qualified workforce.

The National Action Plan Integration, adopted by the federal government in 2012, included the results of the Dialogue Forums (Die Bundesregierung 2012). The active inclusion of migrants is an integral element of this national integration strategy towards immigrants.

Even if the main interest of the federal government in the labour market integration of immigrants is awakened by the demographically induced threat of a shortage of skilled employees, most groups of immigrants seem to profit from the new integration programmes and measures. Also, a special federal integration programme is offered to asylum seekers and tolerated persons who have no access to integration programmes in the context of the action plan. The action plan is especially aimed at improving the participation of migrants in education, training and employment. The action plan contains a mix of different measures, which have to be implemented by the different actor groups. The extent to which the improvement of the labour market participation

and integration of migrants will be possible on this voluntary co-operative basis is a question of debate. So far it is too early to assess the impact on the labour market situation of migrants (Seebaß; Siebert 2011).

(3) Active inclusion of elderly workers

As a consequence of the ongoing demographic change, the German Federal Government has started not only to restructure the social protection of elderly people, but also to improve the conditions for the labour market participation of elderly workers. Policy measures such as the restructuring of the old age pension system and the raising of the legal retirement age have increased the pressure to improve the employment situation of elderly workers. Traditionally, the employment rate of elderly workers was lower in Germany than in many other European countries, so the BMAS has developed specific programmes to promote the employment of elderly workers. The raising of the employment rate of elderly workers is aimed at improving the acceptance of the raising of the legal retirement age. And it should improve the income situation before and after retirement. At the same time, the activation of elderly workers for the employment system should contribute to filling the demographically caused labour-force gap in the coming years (BMAS 2010).

The Act on improving the employment opportunities of elderly people of 2007 contained a series of labour-market integration measures for elderly people, ranging from loosening the labour-market regulation to the introduction of new-labour market integration measures. The programme "Perspektive 50plus" has initiated the establishment of 78 regional employment pacts for the professional reintegration of long-term unemployed people. Currently, 421 job centres, and thus more than 95% of all job centers, are participating in this programme on the legal basis of Social Code Book II. The programme is based on a regional approach, the job centers are allowed to develop their own re-integration strategies according to the specific regional or local needs. Different concepts and approaches are seen to offer the best opportunities for the elderly long-term unemployed. An intensive exchange of experience and knowledge takes place at this level.

It seems that this policy has been quite successful. The employment situation of people between 55 and 64 has improved considerably during the past decade. The proportion of employed people in this age group rose from 38% in 2000 to 58% in 2010. Nevertheless, the employment rate of this age group is still considerably lower than for other age groups. The overall improvement in the economic and employment situation in Germany has strongly determined this development. At the same time, the number and rate of unemployed elderly workers went down (BMAS 2012). The first monitoring report has not commented on the quality of the jobs or the income situation of the elderly workers. It is still an open question as to whether their economic and social situation has improved in the same way as their employment situation. Many experts criticize that despite the positive employment situation of elderly workers, many of them have not been able to find adequate jobs and thus to stabilize their income situation (DPWV o.J.).

(4) Fighting in-work poverty

The increasing number of low-wage earners has become a major challenge for labour market and social policy in Germany (Deutscher Bundestag 2012). There is not only the risk for low-wage earners of slipping below the poverty line and becoming dependent on social minimum income benefits. There is also the risk that more and more employers will misuse the existence of the basic income support for job seekers to continuously lower wages. The financial risks have become unpredictable for the

public budgets of the paying authorities. In contrast to many other European states, Germany has no legal and uniform minimum wage. While the traditional collective bargaining agreements have increasingly lost their determining role for the wage level and structure, the legal framework of the *Arbeitnehmerentsendegesetz* has been used to fix minimum wages in only ten branches up to now. A series of evaluation studies, commissioned by the BMAS for eight branches, has come to the conclusion that the legally fixed minimum wage had no negative impact on the employment situation in these branches. Nevertheless, a common legal minimum wage would have many advantages compared to the approach of increasing the number of branches regulated by the *Arbeitnehmerentsendegesetz*. Even though consent to a legal minimum wage has grown in the scientific and public debate, the Federal Government is still refusing to take this path.

So-called mini-jobs – small-scale employment with maximum monthly earnings of 400 € - have proved to be individual employment traps because of the low transition rate to regular forms of employment. At the same time, the expansion of these jobs means a growing risk for the funding of the social insurance system, because no social security contributions have to be paid for these jobs. Comparable effects result from the so-called midi-jobs, small-scale employment with earnings between 401 and 800 €, for which the contribution rate gradually rises to the normal rate. To ensure the future affordability of the social insurance system, exemptions from the liability to contribute must be abolished. There is broad consent among labour market experts that the legal introduction and expansion of mini- and midi-jobs in the context of the Hartz reform was a wrong decision for the labour market, and that in future all forms of employment must be liable to contribution in the same way. A further expansion of mini-jobs and midi-jobs – as currently discussed by the Federal Government coalition - would increase these negative effects. Instead, the abolition of the mini- and midi-jobs should be put on the political agenda.

3.3 Access to quality services

This subchapter examines the active inclusion process with regard to access to quality services. In this strand, three selected reform initiatives are of special interest, the introduction of employment-related services in the context of the Social Code Book II, reform initiatives to improve the school performance of migrant children, and the expansion of day-care facilities to ease the reconciliation of family and professional life.

(1) Employment-oriented case management

A main element of the Hartz reforms was the expansion and improvement of labour market integration services, especially in the context of the new basic income support for job-seekers. According to § 14 SGB II, the job centres are obliged to support the job-seekers in a comprehensive way, according to her or his specific needs, with the aim of integrating them as well and as fast as possible into the employment system. For this purpose, the job centres have to provide personal contact persons for every job seeker (and his needs community). As case managers, they have to fulfil several tasks, which are of high priority for the activating paradigm. As international experience has shown, activating programmes are highly effective when professional case managers provide intensive counselling and support during the job-search process.

Even though a concept for a so-called “employment oriented case management” was designed by experts before the basic income support came into force, no uniform professional standard has evolved up to now (Bundesagentur für Arbeit 2004). Empirical studies have shown that the framework conditions and the concepts of case

management differ widely between the job centres. In all the job centres, users are classified in different activating categories according to their specific integration barriers, for which different kinds of advice and support are defined. Case management is normally only provided for user groups with major integration barriers. Because only few evaluation studies are available so far (cf. for example Kolbe, Reis 2008), it is not yet possible to provide a comprehensive assessment of the impact of this core element of the activating and integration process for the long-term unemployed.

Employment-oriented case management is defined as a sequence of steps, including contacting, basic counselling, building a working alliance, diagnosis and assessment, integration contract and agreement on support services, control and monitoring of services. Case management must be based on mutual trust so as to enable useful co-operation. An individually-tailored advice and support process has to be designed and agreed based on the specific needs situation. At the same time, it is the task of the case manager to steer and control the integration process, to decide on integration measures and sanctions, especially if the client is or seems to be unwilling to look for or accept a job opportunity. The employment-oriented case management is characterized by the ambivalence of offering helpful advice and support on the one hand, and being obliged to control and sanction the integration behaviour of the client. This difficult task requires high professional competence, as well as a setting, which enables an intensive process of advice and support. These conditions are often not fulfilled. Many case managers have to work under precarious working conditions. Their caseload is so high that an individual support process is possible only in isolated cases. Even if personal commitment is high, user-oriented work is only possible to a limited degree.

In summary: existing experience has shown that successful case management requires an appropriate institutional setting, highly qualified and committed case managers and a limited volume of cases. This means adequate public investment in case management.

(2) Improving the school performance of migrant children

In Germany, young people with a migration background are generally at high risk of poverty and social exclusion. A main reason for this is the fact that children and adolescents from migrant families perform poorly in the school system and a higher percentage of them than other groups leave school without an educational degree. As a consequence, they are confronted with greater problems in finding training opportunities and entering the labour market as qualified workers. At the same time, evaluations of the German school system have repeatedly come to the conclusion that the German school system shows a high degree of social selectivity. The school performance of the pupils is strongly dependent of the economic, social and educational status of their parents. This situation has scarcely improved over the last decade.

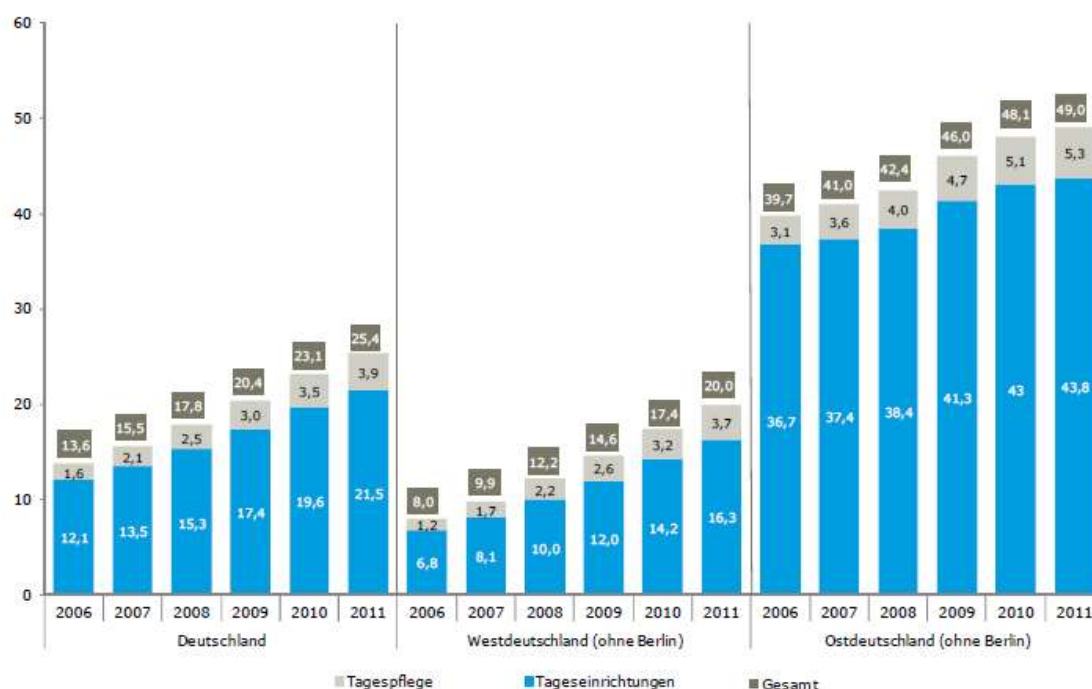
An important element of the national integration plan therefore, is to improve the school performance of children with a migration background and to reduce the number and proportion of migrant entrants in the labour market without an educational or training degree. In Germany, the school system is in the jurisdiction of the states, with only a very loose co-ordination by the Conference of State Ministers of Education and Culture. As a result, not only the framework conditions for innovative reforms vary from state to state, but also common strategies hardly exist in this system for designing and implement them. So even if the national integration plan contains a broad range of education and training-related measures at state and at local level, no coordinated action is to be expected.

The recently published Education Report (Autorengruppe Bildungsberichterstattung 2012) has made evident that the proportion of school-leavers without an educational degree has slightly decreased in recent years. At the same time, the proportion among migrant school-leavers continued to be considerably higher. Despite the existing integration plan, the German school system has, up to now, hardly been able to introduce the necessary reforms, which could help to sustainably improve the performance of this group (Pielage, Pries, Schultze 2012).

(3) Reconciliation of family and professional life

With the accession to power of the Great Coalition in the year 2005, family policy has become a policy area of high public interest. That point in time marked the beginning of a new family policy, which placed priority on demographic and employment-oriented objectives and programmes. Besides a partial restructuring of the family benefits system (replacement of the former education benefit by the new parent's benefit in the year 2007), the focus was mainly on improving the reconciliation of family and professional life. The core element of this strategy was to expand day-care facilities for children under three years. The transition from the former education benefit to the new parent's benefit was intended to increase the incentive for higher-income families to have children and to get parents on leave back to the labour market faster. The expansion of day-care was intended to fill the gap, which had resulted from a traditionally low supply of day-care facilities for children under three years, especially in Western Germany.

Figure 3 Children aged under three in child-care centres and family day-care 2006 to 2011 in Germany, Western and Eastern Germany (without Berlin) – in % of the population of this age



Quelle: Statistisches Bundesamt: Statistiken der Kinder- und Jugendhilfe, Kinder und tätige Personen in Tageseinrichtungen und in öffentlich geförderter Kindertagespflege 2006 bis 2011; Berechnungen der Dortmunder Arbeitsstelle Kinder- und Jugendhilfestatistik. Abweichungen in den Prozentangaben rundungsbedingt.

Source: BMFSFJ 2012b

In a first step, a legal basis for the improvement of the day-care situation was created with the Act on Quality and Needs-Oriented Expansion of Day-Care Facilities (TAG) from 2005. The federal government, the states and the districts and municipalities agreed on the common objective to offer 750,000 child-care places for children under three years by 2013. With the Act on Child Promotion (KiFöG) of 2008, the federal state and the states agreed to financially support the districts and municipalities in funding the expansion of day-care facilities.

According to a newly established monitoring system, which regularly provides data on the provision of day-care places, the supply situation has continuously improved since 2006. The numbers of day-care places as well as the care ratio have constantly increased. The care ratio rose from 13.6% in 2006 to 25.4% in 2011 (see figure 3). The improvement in the day-care situation took place both in the western and the eastern part of Germany. As a result, the care gap between the two parts of Germany remained almost unchanged (BMFSFJ 2012).

Despite the fast growth in the number of day-care places, many districts and municipalities are sceptical about the possibility of reaching the target ratio of 35% by mid-2013, when the legal right to day-care for every child under three years comes into force. They fear a wave of legal complaints by parents whose demands for day-care cannot be met. Furthermore, in many cities it is expected that the actual demand for day-care will widely exceed the calculated ratio of 35%. Finally, even the fulfilment of this quantitative target does not guarantee quality service in the day-care facilities (BMFSFJ 2011).

The intention of the current federal government to introduce a so-called "care payment" (Betreuungsgeld) in 2013 for those parents who renounce to claim to day-care has been severely criticized. It is expected that above all low-education and low-income parents or parents with a migration background will opt for this payment to improve their precarious income situation. They will thus not use the opportunities to adequately promote their children. Recent experience has shown that low income and low education families as well as families with a migration background participate to a lower degree than non-migrant families in day-care facilities (Autorengruppe Bildungsberichterstattung 2012).

In any case, the reconciliation of family and professional life will be facilitated by the swift expansion of day-care facilities. This will strengthen the opportunities of labour market integration for family members, especially women, and in particular single mothers. And it will help to improve the economic situation of families with children. Comparable inclusive solutions for family members caring for other adult family members are still lacking in Germany. A recent reform has not proved helpful for the affected people.

4. Financial resources

Because there is no clearly defined active inclusion strategy in Germany, it is not possible to identify the financial resources, which are allocated for active inclusion in this country. In the following, the national financial resources for active inclusion are shown for activating and integrating measures in the context of Social Code Book II, on the one hand. On the other hand, the use of the European Structural Funds for funding the activating programmes and measures is presented.

4.1 National resources

The total cost of the basic income support for job-seekers, the core element of the German active inclusion policy, increased between 2005 and 2010 from 44.4 to 49.3 billion € (Hanesch 2012c). The expenditure for this last safety net is predominantly borne by the federal state and the communities.

In principle, the expenses for administration and integration measures under Social Code Book II are fixed by the federal government in the federal budget. The expenditures for benefit payments depend on the development of economic needs (finanzieller Hilfebedarf). The federal state has to bear the costs for benefit payments, integration measures and a great part of the administration costs. Furthermore, they have to bear a limited part of the housing and heating costs. The communities have to carry most of the housing costs as well as a small part of the administration costs and the costs for additional social integration measures. Up to now, this division of competences for the funding of this last safety net has been the reason for ongoing quarrels between the federal state and the communities.

4.2 Use of EU Structural Funds

On the basis of the National Strategic Reference Framework for the Use of EU Structural Funds in Germany during the time period 2007 – 2013, Germany will receive some 26.4 billion € over the course of this funding period. 17 billion will come from ERDF, and 9.4 billion from the ESF. The funds are operated through programmes of the federal state and the sixteen states (BMWT 2009).

The use of the structural funds in Germany is directed towards the promotion of growth and employment potential, even though the federal state and the states have their own funding priorities. One focal point of the funding of the federal state programme is “employment and social integration”. Under this heading, integration programmes for long-term unemployed, for migrants and other special groups are funded. At the same time, these programmes are used to fund national (or regional) initiatives. These programmes contribute to the funding of national initiatives, like the national integration plan.

5. Monitoring and evaluation

Germany does not have a long tradition of social impact assessment as an integrated element of political decisions on economic, fiscal or social policy topics. A debate on social impact assessment has now begun in Germany, initiated by the Europe Union, but up to now has had no appreciable effect on the policy-making process. There is a consensus that impact assessment could contribute to more rational policy-making. However, such new forms of decision-making have not yet asserted themselves. Neither at federal, nor at state or community level, have political decisions been based on ex-ante evaluations and impact assessments.

In recent years, a new tradition of evaluation research has become established in the field of social policy and social services in Germany. With the introduction of the new law on employment promotion (Social Code Book III) in 1998 there has been an upturn in the evaluation of programme implementation and programme impacts. This development was enforced by the introduction of the Hartz reform package, including the introduction of the basic income support for job seekers (Social Code Book II). A large part of this evaluation research has been done by the Research Institute for Employment (IAB), which is the official research institute of the National Public Employment Service (see e.g. Heyer et al. 2011). Labour-market policy since then has become the most intensively evaluated field of social policy in Germany. Nevertheless, the labour market policy has remained a controversially discussed and assessed policy area (Müntnich, Wießner 2002). Above all, a continuing debate on the impact of the so-called Hartz reform is in progress. Despite a large number of evaluation studies based on different evaluation concepts, it seems to be rather difficult to clearly assess the results, impact and "success" of labour market policy.

Other political initiatives in the context of active inclusion have, up to now, not been evaluated in this scope and with such differentiation. But more and more of these initiatives are embedded in national or regional monitoring systems. For example, the expansion of day-care facilities for children under three years agreed between the federal state, the states and the representatives of the communities in 2007 was accompanied by an agreement to evaluate and monitor this process and its results during the time-period from 2007 to 2013. Since then, the BMFSFJ has regularly reported on the development of demand and supply as well as on the funding of the expansion process (BMFSFJ 2012). Similar forms of monitoring have been introduced with regard to the initiative Age Appropriate Working World (BMAS 2012b) and the National Integration Plan (BMAS 2011b). In addition to these monitoring systems implemented by the federal state, the states or communities, new forms of independent monitoring have been introduced in Germany such as the monitoring system of the 'network for a fair pension' (DPWV et al. 2008; 2009a; 2009b).

6. Recommendations

Because of the extremely high at-risk-of-poverty-rate among the long-term unemployed, which is an enormous challenge for the German welfare state, the active inclusion policy of the last decade was rightly focussed on this topic. But the restructuring of the social protection as well as of the activation and integration system on the legal basis of the Social Code Book II has produced mixed results. On the one hand, the number of long-term unemployed has slightly declined, more as a consequence of the positive economic performance than of this reform project, but on the other, the poverty rate of long-term unemployed is currently higher than before the reform and most new entries to the labour market do not result in sustainable inclusion.

Alternative reform proposals are opting for a re-orientation of the labour market integration policy towards a more sustainable activation and integration approach. Instead of pushing the benefit recipients into short-term precarious and low-paid forms of employment, this policy should more be focussed on mid- and long-term integration, including more training and reintegration measures. There is a need for appropriate funds as well as for qualified case managers who can decide on differentiated integration measures for their clients. A second re-orientation element should be an improvement of social protection. While there is no empirical evidence of a poverty trap in Germany, the large majority of the (long-term) unemployed are interested in and willing to find a job and be integrated into normal working life. The raising of the benefit level for benefit recipients of this last safety net could improve the income situation and alleviate the poverty of this population group. But this reform of the social protection should be embedded in a reform of the activation and integration system of the SGB II.

A main problem with regard to basic income support for job seekers is caused by the conflict between centralised steering of the job centres and the decentralised operating of the local activation and integration programmes. The reform of the integration instruments of 2009 has shifted the responsibility to the national level (National Public Employment Service), with limited results and massive criticism. The new reform project of 2012 intends to shift more responsibility to the local job centres at local level, but under the condition of massive budget cuts for the integration measures. It can be expected that this reform will not be able to improve the integration situation either, even though shifting more responsibility to local level is the right concept. Only thus can the main weaknesses of the recent labour market integration policy be corrected and the programmes and measures be more individually tailored and adapted to the specific local labour market conditions.

But as long as the federal state is the main funding institution of the SGB II, the BMAS will be interested in the national steering and control of the use of these funds by the Bundesagentur für Arbeit. Only those communities that opted to fulfil the tasks of the SGB II themselves are to a certain degree able to design their own integration policy. What is required is a national body for steering and control, which represents not only the interests of the federal government but also the interests of the states and the communities as well as those of the social partners and civil society associations. This could be realised by a separate board, institutionalised at the BA, but with own responsibilities for the SGB II.

The national initiatives for the integration of elderly workers or migrants have implemented the first steps in comprehensive and integrated policy concepts, but are either dominated by the federal government (elderly workers) or are hindered by the federalist state structure (migrants). The initiative for the reconciliation of family and professional life is also hindered by the federalist system, because each state level is endeavouring to minimise its proportion of the costs. Because of the different policy

areas with differing legal and institutional framework conditions and actors involved in these initiatives, it is not easy to formulate recommendations. In any case, a national board for social inclusion would be helpful for the coordination as well as for the participation of the stakeholders in these processes.

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Summary tables

Table 1

To what extent has an integrated comprehensive active inclusion strategy been developed in your Member State?												
	Comprehensive policy design			Integrated implementation			Vertical policy coordination			Active participation of relevant actors		
	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No
For those who can work		X			X			X			X	
For those who cannot work			X			X			X			X

Table 2

To what extent have active inclusion policies/measures been strengthened, stayed much the same or weakened since 2008 in your Member State?									
	Adequate income support			Inclusive labour markets			Access to quality services		
	Strengthened	The same	Weakened	Strengthened	The same	Weakened	Strengthened	The same	Weakened
For those who can work		X		X			X		
For those who cannot work		X			X			X	

