

Life Situations in Germany

The German Federal Government's
Sixth Report on Poverty and Wealth

Executive Summary

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The Federal Government's Sixth Report on Poverty and Wealth

This report marks the sixth time since 2001 that the Federal Government has submitted a report to the German Bundestag on poverty, wealth and key life situations in Germany. Like its predecessors, this report aims to conduct an evidence-based assessment of the social situation in Germany, review existing measures and propose new priorities for action. To this end, it brings together a great deal of detailed information from relevant fields. It describes life situations, aspects of prosperity and quality of life, but also inequalities in terms of opportunities for participation and the distribution of income and wealth.

The start of 2020 saw the end of a decade of growth for Germany, which is still reflected in much of this report. One of the main reasons for this growth was the positive employment trend. It was only towards the end of the last decade that growth began to slow a little – primarily as a result of demographic change and adverse external economic factors. In 2020, the German economy experienced a sharp slump in growth as a result of the COVID-19 pandemic. The pandemic led to disruption to global supply chains and required drastic action to curb its spread, including, at times, the near-complete closure of public institutions, hospitality businesses, much of the retail sector and personal services, for example. The data contained in this report relating to economic trends, forecast growth rates, and employment and unemployment figures will be updated where possible until publication. This will not be possible for the data on incomes, wealth and their distribution, or for many other areas regarding life situations. In these sections of the report, the COVID-19 pandemic is taken into account by setting out the probable or possible impacts.

There is no generally accepted measure fit for a definitive assessment of trends in income inequality. A balanced examination must therefore look at several indicators and data sources. This shows that the favourable economic trends prior to 2020 saw middle incomes rise by at least as much as incomes in the lower part of the income distribution. As a result, there was no significant fall in inequality.

At this moment in time, it is impossible to predict what long-term consequences the COVID-19 pandemic will have on the distribution of incomes. However, the Federal Government's wide-ranging measures to support incomes are likely to have diminished the negative impacts. Recent simulation studies look at how the distribution of income has been impacted by the short-time work allowance, child bonus and other forms of assistance provided in the context of COVID-19. Ultimately, it is clear that these measures have reduced income inequality, especially the child bonus.

Preliminary conclusions can be drawn on the basis of the existent findings:

The Federal Government's measures, which were supported by a broad majority in the Bundestag, have so far been successful. Social protection packages and other support measures have averted severe social impacts. For the most part, short-time work has prevented unemployment. The social security systems have fulfilled their stabilising role, and could be adjusted in a rapid, targeted manner in close consultation with the social partners.

The effects of the pandemic are not limited to the economy and the labour market, however; they also shine a light on the multifaceted ways in which these areas interact with other policy fields. In particular, there is a risk that the pandemic will increase existing inequality in the medium or even the long term, and reverse progress made on gender equality:

- Children from low-income households or whose parents have a lower level of education faced particular challenges in dealing with the circumstances brought about by the pandemic.
- Pay and conditions in essential occupations – usually performed by women – especially in the health and caring professions, the education and social professions and the retail sector, often do not adequately reflect their importance to society.
- The closure of childcare facilities and schools has burdened working mothers, in particular, with support for remote learning and childcare alongside their paid work, even though a substantial proportion of fathers have taken on a greater share of family responsibilities.
- The fact that women are less likely to work full-time and are more likely to be in marginal employment, especially in hard-hit sectors such as hospitality, meant that they often experienced greater cuts in their income than men and, particularly in the case of women on low incomes, were affected by job losses.

Besides examining current developments, the Reports on Poverty and Wealth traditionally address fundamental questions: How do distribution outcomes come about? How do people from various parts of society perceive the distribution of poverty and wealth in our country and the trends taking place, and what view do they take of this? What factors entrench poverty and what factors change it? When people have to make do on a low income, with limited prospects of advancement, how does that affect their situation in life, their self-esteem and how they live their lives? And, last but not least: how can the educational opportunities and chances for participation of children from disadvantaged households be reliably improved?

The analyses set out in the current Report on Poverty and Wealth are also closely connected to several indicators from the German Sustainable Development Strategy, and the principle it enshrines of “Maintaining and improving social cohesion in an open society”. With this Strategy, Germany is implementing the global Agenda for Sustainable Development (the “2030 Agenda”), signed in September 2015, which

establishes 17 Sustainable Development Goals (SDGs) in the three dimensions of sustainable development: the economic, environmental and social. In particular, the Agenda aims to actively promote inclusive societies (“leave no one behind”).

Times of crisis make even more clear that the areas of life examined in this report – employment, education, housing, health and social participation – are inextricably linked and play a major role in determining how well society is able to deal with crises.

This executive summary begins with an overview of the most important indicators relating to labour market trends and aspects of poverty and wealth (Chapter II), in order to summarise the report’s empirical basis and parameters.

The key findings of the accompanying research, which studied special issues in greater depth, are then set out (Chapter III). For the current Report on Poverty and Wealth, this included the following questions:

- How can various kinds of information on social participation be brought together and observed over time, and what does this mean for social mobility?
- How can subjective perspectives of poverty, wealth and individual opportunities for social participation and social mobility be given greater weight?
- How can the importance of essential services for society and basic public services for individual welfare be better captured, particularly with regard to provision on regional levels?

Against the background of these research findings, the Federal Government reflects on its current policies, which are focused on safeguarding livelihoods, providing protection against risks and creating long-term opportunities. In each case, the summary analyses are followed by an overview of the measures taken in this electoral term and a look ahead at possible further steps (Chapter V), without pre-empting the necessary process of coordination and approval within the Federal Government.¹

Addressing the consequences of the COVID-19 pandemic

As a result of the outbreak of the COVID-19 pandemic in early 2020, society and policy-makers have faced and are still facing huge challenges. The German economy was plunged into one of the most severe recessions in recent decades in 2020 due to the COVID-19 pandemic. Gross domestic product (GDP) shrank by 4.9 per cent. In its spring projection, the Federal Government forecasts that GDP will rise by

¹ All measures and potential further steps mentioned must be within the scope of available resources.

3.5 per cent in 2021. Economic output is likely to return to its pre-crisis level in the second half of 2021. This forecast is based on the assumption that closures and restrictions on public life can gradually be eased as progress is made on vaccine rollout in the course of the second quarter. The current economic situation in Germany paints a divided picture: the service sector has been hit harder by the restrictions on social contacts necessary to control the pandemic, whereas industry is experiencing comparatively robust growth. Future trends in individual sectors will depend to a large extent on how the pandemic develops. The extensive closures are necessary to bring down infection rates and lay the foundations for further economic recovery. The economic restrictions and closures in the spring of 2020 brought to an end a prolonged upturn in the labour market. Low-paid, fixed-term or recently recruited employees, in particular, were affected by this – with migrants who had benefited from the previous growth in employment being hit hardest. In the spring of this year, the labour market experienced its usual spring revival, despite the pressures of the COVID-19 pandemic, and this could be strengthened if progress continues to be made on vaccine rollout. However, the restrictions on public life led to a renewed rise in short-time work to a projected total of around 2.9 million employees in January 2021. Nonetheless, this is significantly below the level reached last spring. Long-term unemployment has also risen. There are no signs of a renewed slump in the labour market, however.

The Federal Government took early action in response to the pandemic and enacted comprehensive measures to stop its spread. Several Civil Protection Acts (Bevölkerungsschutzgesetze) reorganised legal competences and powers to allow for quick response to rising case numbers. Numerous steps were also taken to protect the health of the population, especially high-risk groups, and to ensure the functioning of healthcare services and long-term care services. Outside of the healthcare sector, steps had to be taken to cushion the pandemic's economic and social repercussions. The Federal Government therefore took early action to implement social protection measures on a historic scale; by doing so, it ensured that effective measures to stop the spread of the pandemic did not lead to economic hardship. These immediate measures were later supplemented and expanded by a large number of additional forms of assistance. The economic stimulus package adopted in June 2020, in particular, provided further important impetus to lessen the societal, economic and social impacts and to bolster the economic recovery after the end of the restrictions in the spring of 2020. The investments in the future set out in the economic stimulus package will ensure that the German economy's growth path is also strengthened in the medium and long term.

People who are particularly affected by the COVID-19 crisis have benefited from important support and relief provided by the various packages of measures. In addition to certain categories of self-employed

people, this group includes low-income individuals and households, in particular, as they are highly dependent on their income from wages. They also frequently work in sectors which have been hit hard by closures and restrictions, and often have jobs which do not allow them to work from home.

However, the measures to stop of the spread of the pandemic and to address its consequences also required, and continue to require, strong and sweeping solidarity between people in Germany. This solidarity is strong and widespread: it includes a fundamental readiness to comply with hygiene rules and restrictions in day-to-day life, and a willingness to continue to work and volunteer despite more difficult conditions. Workers in many essential fields frequently come into direct contact with customers or patients, which exposes them to risks.

In many sectors, people worked under a great deal of pressure: it is thanks in no small part to their dedication that the health system has so far proved effective when it comes to providing acute care for those who are ill. Universal insurance coverage, financed on the basis of the principle of solidarity, also guarantees that everyone receives equal access to necessary medical treatment in case of need.

The Federal Employment Agency has protected the livelihoods of millions of people throughout Germany, which required considerable human and financial resources, for example by increasing the number of staff in fields where they were especially needed. As in many other essential fields, this was only possible because workers, especially from other public authorities, were willing to take on these tasks at short notice. Many public authorities were highly flexible and non-bureaucratic in their response to the pandemic, as were Germany's armed forces, the Bundeswehr, which assisted the public health service.

The measures taken were accompanied by a strong focus on the life situations of people in Germany during the pandemic. The aim for the Report on Poverty and Wealth was to reach findings as soon as possible about how severely people have been affected by falls in their income and financial difficulties. The closure of educational institutions also raised the question of what impact this would have on educational opportunities. There is also concern that an economic slump makes it very difficult for school leavers, apprenticeship leavers and graduates to enter the vocational training or labour market.

The Federal Government therefore commissioned a representative population survey based on the SOEP Innovation Sample, which is described in greater detail in Chapter B.V of the full report, to estimate the impacts of the COVID-19 pandemic on the social situation. The participants were surveyed in the summer of 2020 to determine whether and, if so, how their personal perceptions of their situation had changed. Specific questions were also asked about impacts of the pandemic – for example on incomes, receipt of benefits and wealth.

- An analysis of the data shows that the economic situation of a large proportion of respondents had changed very little as a result of the pandemic. In some cases it had even improved – in total,

75 per cent said that their income had remained the same or even increased. However, a quarter of respondents had experienced significant cuts in their income at times.

- 80 per cent of respondents had received no support from the state. The most commonly received benefit – received by 10 per cent of respondents – was the short-time work allowance.
- Nine out of ten respondents were concerned about the economy in view of the crisis, but less than half were worried about their own economic circumstances.
- In all income groups, there were people whose income had fallen and people whose income had increased. The respondents from the lowest four income deciles (the 40 per cent with the lowest incomes) reported both income reductions and income increases more frequently (this may result from their being more sensitive to income changes, as those had more impact in relative terms).
- Households on lower-middle incomes, in particular, have benefited from the short-time work allowance. People in the lowest quintile (the 20 per cent with the lowest incomes) were somewhat more likely to have received immediate assistance. These forms of assistance thus mitigated economic hardship, particularly for those on lower-middle incomes.

The closure of child day care centres and schools can have an adverse impact on children from low-income households if the necessary resources are not available at home or if parents lack the time or the necessary knowledge to support their children. This may become a major challenge for education policy in the coming years. In surveys, parents proved to be increasingly concerned about the effects of school closures on their children's education. Pressures and concerns for the future regarding their offspring were accordingly somewhat more severe in the case of low-income households. A fall – in some cases a significant fall – in students' incomes during the COVID-19 pandemic is jeopardising their ability to gain qualifications, in some cases.

However, the crisis could also nudge advancement through education: although respondents in more materially disadvantaged situations worried more about their offspring's performance at school, they answered more frequently that, as a result of the pandemic, they encouraged their teenage children to opt for higher education. The opposite was more common in past crises, with safety considerations tending to result in young people leaving education earlier.

Licensed long-term care facilities also faced significant challenges. In particular, day care and overnight care facilities were initially closed, which created major problems for people in need of care and family carers.

When implementing the economic stimulus packages, particular consideration was also given to social equity, and the needs of members of society who are in a weaker economic position were taken into

account. An overview is provided below of the measures which were intended directly to manage the pandemic in the short term and alleviate its social repercussions. Elements of these packages which represented more of an investment are covered in Chapter V. On the whole, the social security systems proved to be resilient in the pandemic especially in those areas where established institutional structures already existed prior to the crisis. Especially, a high degree of problem-solving expertise proved to be beneficial, which was due to established cooperation between the stakeholders involved, for example the social partners and non-statutory welfare organisations.

Measures to address the pandemic

Health protection, healthcare, and medical and pharmaceutical research

- The COVID-19 Hospital Relief Act (COVID-19-Krankenhausentlastungsgesetz) supported hospitals, rehabilitation centres, panel doctors and long-term care facilities to enable them to cope with the impacts of the COVID-19 pandemic. This enabled hospitals to put the capacities in place that would be needed in the event of a sharp rise in the number of COVID-19 patients. They also received support in the form of allowances for COVID-19-related additional costs (especially for personal protective equipment) and a fixed amount for adding intensive-care beds.
- From 2021 to 2026, the Federal Government is making a total of 4 billion euros available for the implementation of the “Pact for the Public Health Service”, which is strengthening the human, digital and technical resources of the public health service.
- The availability of effective and safe vaccines is very important in efforts to address the pandemic. The Federal Government is therefore making up to 750 million euros available for the special programme to accelerate the research and development of urgently needed vaccines against SARS-CoV-2.
- Besides vaccine availability, there is also a need for safe and effective treatments for COVID-19. To this end, a new funding programme on the “research and development of urgently needed treatments for SARS-CoV-2” was published on 6 January 2021. This is intended to ensure that patients can benefit sooner from new treatment options which reflect their needs.
- The University Hospital Network has been established to ensure the most optimal care possible for COVID-19 patients. It aims to compile the action plans, diagnosis and treatment strategies of all university hospitals, analyse them, and feed the results directly into care and crisis management.

- The National COVID-19 Vaccination Strategy regulates the fair distribution of COVID-19 vaccines in two phases. In the first phase, high-risk groups and parts of the population who are particularly exposed to the virus (such as hospital staff and care workers) can be vaccinated. In the second phase, vaccination is open to the entire population. The details are regulated by the Coronavirus Vaccination Ordinance (Coronavirus-Impfverordnung), which is being continuously updated. It determines the preconditions, scope, fulfilment and financing of entitlement to vaccination against SARS-CoV-2. Entitlement to vaccination depends on the availability of vaccines. While vaccine availability remains limited, a sequence for vaccination has been defined based on the recommendations issued by the Standing Committee on Vaccination, with priority being given to people who are particularly vulnerable or particularly exposed.
- Tests are another important instrument in efforts to tackle the novel coronavirus. Steps have thus been taken from the very start of the pandemic to increase testing capacities. In the spring of 2021, the testing options were significantly expanded once again with the addition of rapid tests and self-tests.
- The Federal Government is funding several large-scale antibody studies with the aim of gaining a more exact picture of the situation in Germany, so that it can estimate the course and severity of the pandemic more precisely, and better evaluate the effectiveness of the measures that have been taken. In addition, important information is being obtained from immunological studies, which will enable more in-depth findings to be reached on patterns of infection and transmission dynamics, as well as a better understanding of the different possible clinical manifestations of COVID-19 disease. As part of the antibody studies, an analysis is also being undertaken of social disparities in the frequency of SARS-CoV-2 infections (e.g. in terms of education and income), in order to identify social determinants of the risk of infection.

Safeguarding employment and incomes in the employment promotion system

- The Federal Government has significantly increased the level of the short-time work allowance and the duration for which it can be received, and has made it possible for employers to have social security contributions reimbursed during periods of short-time work. This safeguards existing jobs by ensuring that employers have lower residual costs; at the same time, the financial compensation for employees is being increased in stages, based on the duration for which they have been receiving it and the extent of the cut in their working hours. The extension of the short-time work allowance goes hand in hand with the safeguarding of pension rights.

- To minimise the fall in income experienced by employees while receiving the short-time work allowance, the options for additional earnings were improved in several steps for the period from 1 April 2020 to 31 December 2021.
- The Second Social Protection Package expanded the coverage of unemployment insurance for a limited period of time. Individuals whose entitlement to unemployment benefit ended in the period from 1 May to 31 December 2020 had their entitlement extended by three months, as a one-off measure. This mitigated the economic repercussions of the crisis for many of those affected.

Financial and material support

- On 28 March 2020, the Act for Easier Access to Social Security and on the Deployment and Protection of Social Service Providers due to the Coronavirus SARS-CoV-2 (Gesetz für den erleichterten Zugang zu sozialer Sicherung und zum Einsatz und zur Absicherung sozialer Dienstleister aufgrund des Coronavirus SARS-CoV-2; the Act is also known as the Social Protection Package) entered into force. In the case of applications for basic income support benefits submitted between 1 March and 30 June 2020, assets up to a certain ceiling were not taken into consideration for six months. In addition, the actual costs – rather than reasonable costs – for housing and heating needs were accepted during this period. These arrangements have since been extended several times and now apply to periods for which benefits have been approved which began before 31 December 2021. The calculation of the child supplement was also temporarily adjusted to reflect the new circumstances. The changes made in relation to Book II of the Social Code (Sozialgesetzbuch) were also carried out in relation to Book XII of the Social Code. These enhanced arrangements also apply to people entitled to supplementary cost-of-living assistance in the context of social compensation law under the Federal War Victims' Compensation Act (Bundesversorgungsgesetz).
- The Act on Social Measures to Combat the COVID-19 Pandemic (Gesetz zu sozialen Maßnahmen zur Bekämpfung der COVID-19-Pandemie, also known as the Second Social Protection Package) of 20 May 2020 safeguarded the Education Package's funding for lunches for children and school students in need of assistance in the period from 1 March to 31 July 2020 (the end of the school year), even when schools and child day care centres were closed and childminders were unable to operate. A similar problem existed for people with disabilities who work in a workshop for disabled persons or for another service provider, which was solved by continuing to grant the allowance for collective lunchtime meals. In this area, too, the German Bundestag has already adopted follow-up arrangements which apply until 31 March 2021, or until 31 December 2021 if certain conditions are met.

- The measures to contain the pandemic which are still in place in 2021 are resulting in higher expenditure in day-to-day life, especially on hygiene products. All adults who receive benefits to ensure an adequate subsistence level (unemployment benefit II, social assistance, benefits for asylum seekers, or supplementary cost-of-living assistance in the context of social compensation law) are therefore receiving a one-off payment of 150 euros for the first half of 2021 as a form of financial support.
- People entitled to benefits under Book II of the Social Code who had not had any previous entitlement to receive face masks were able to collect ten FFP2 face masks (or comparable masks) from a pharmacy by 6 March 2021 by showing an information letter from their health insurance fund.
- In addition, districts and towns are being given a total of 200 million face masks from federal stocks to distribute locally, for example to those benefit recipients under Book XII of the Social Code who have not yet received face masks.
- Institutions for people with disabilities, institutions which provide assistance for the homeless, and collective accommodation facilities for people entitled to benefits under the Asylum Seekers Benefits Act (Asylbewerberleistungsgesetz) are also being supplied with face masks.
- To enable school students to continue to take part in lessons, costs for purchasing digital end-user devices (including printers), normally up to 350 euros per child, can now be claimed from the Jobcenters as an additional need as part of a hardship clause. This is subject to the condition that children are required to engage in remote learning due to the pandemic and digital end-user devices are not provided as part of other initiatives – in particular on loan as part of the Digital Pact. The Länder (federal states) have been advised to take a similar approach in the case of school students who receive social assistance benefits to ensure an adequate subsistence level or benefits for asylum seekers.
- Families, and single parents in particular, also received direct support with the aim of promoting social equity. In 2020 they received a one-off child bonus of 300 euros per child, which was not classified as income for recipients of basic income support for jobseekers. A child bonus has been agreed again for 2021, in the amount of 150 euros per child. Single parents are also benefiting from an increase in the tax credit for single parents.
- For many families, the closure of schools and child day care centres poses an almost insurmountable challenge when it comes to combining family and work responsibilities. To provide support in this context, proportional compensation for parents' loss of earnings has been incorporated into

the Protection Against Infection Act (Infektionsschutzgesetz); in addition, the number of days parents can take off work to look after a sick child has been increased in 2021 and the scope of this option has been widened.

- For people in need of long-term care and family carers, rules have been eased and benefits have been made more flexible and increased for a limited period. The carer's grant is now available for 20 working days, and it is possible to take short-term leave from work for the same period; these changes have limited the financial burden which employees might potentially face in connection with caring responsibilities. In the framework of urgent assistance for family carers, leave from work under the Act on Long-Term Care Leave (Pflegezeitgesetz) and the Family Caregiver Leave Act (Familienpflegezeitgesetz) has also been simplified and made more flexible. In addition, enhanced opportunities for respite care have been introduced, as well as a support allowance of 125 euros.
- To assist students in urgent need due to the pandemic, interim financial aid for students is available and has two components: the well-established student loan from the KfW banking group has been made interest-free from 8 May 2020 until the end of 2021, and has been temporarily opened up to international students. In acute cases of hardship due to the pandemic, support is available in the form of non-repayable grants of up to 500 euros per month.

Safeguarding and promoting educational opportunities during the pandemic

In its efforts to tackle the COVID-19 pandemic, the Federal Government has taken a large number of measures intended to alleviate the direct impacts of the pandemic.

- Many educational institutions have been forced to close or reduce the number of students in their classrooms, and this has made an accelerated transition to digital educational provision necessary. The Federal Government supports digitalisation in education and is seeking, in this context, to prevent new inequalities from emerging in education:
- The existing Digital Pact for Schools has been expanded: 500 million euros has been made available in the form of an immediate action programme to purchase digital devices for school students in need, in order to facilitate equal educational opportunities. Taking into account the supplementary agreements on "immediate provision of equipment" and "IT administration" (worth 500 million euros each), the Federal Government is now investing a total of 6.5 billion euros in the digital transformation of schools.
- Capacities have been expanded under the ongoing HPI School Cloud project, run by the Federal Ministry of Education and Research, for schools which cannot use their own comprehensive digital

learning platform for distance and blended learning. This enables teaching to take place by digital means despite potential school closures.

- In partnership with the Länder, the scientific community and industry, the “Wir bleiben schlau!” (We’re staying smart!) Alliance has been launched to promote STEM education at home. The new, extensive and interlinked web programmes are designed to encourage school students to become involved with mathematics, informatics, science and technology even in home learning settings. The programmes are being continuously expanded and new partners are being added.
- Basic education or German language skills can also be improved remotely during the pandemic: as a short-term measure, the Federal Government has made 500,000 euros available to the German Adult Education Association for its learning portal. Greater use has been made of digital formats in German language training that accompanies integration or is necessary for taking up a vocation. At the same time, the providers’ survival has been ensured in the framework of the Social Service Providers Deployment Act (Sozialdienstleister-Einsatzgesetz).
- On 5 May 2021, the Federal Cabinet adopted the “Action programme for 2021 and 2022 to enable children and young people to catch up post-COVID-19”. The aim of the programme is to prevent the COVID-19 pandemic from becoming a crisis in terms of children’s and young people’s futures. Existing structures are to be used to provide rapid assistance, and 2 billion euros in funding has been earmarked for this purpose in 2021 and 2022. To compensate for the additional financial burdens faced by the Länder in their area of responsibility, the share of VAT received by the Länder is to be increased. The Federal Government will significantly expand its programmes in the field of early childhood education and out-of-school education, and provide targeted support for children from low-income families. The action programme’s measures focus on enabling children to catch up on missed education, supporting early childhood education, facilitating school holiday camps and out-of-school programmes, as well as supporting children and young people in day-to-day life and in schools.
- The federal programme “Ausbildungsplätze sichern” (“Securing apprenticeships”) aims to protect training places during the crisis and maintain the number of apprenticeships in vocational training. It seeks to preserve vocational training capacities, avoid short-time work for apprentices, support outsourced and collaborative training, and create incentives for apprentices to be retained in the event of insolvency. A total of 500 million euros is available for this package of measures in 2021.
- The Act to Secure Employment (Beschäftigungssicherungsgesetz) has created additional incentives for employers and employees with the aim of encouraging greater use of periods of short-time work for continuing vocational education and training.

- Further measures to alleviate the consequences of the COVID-19 pandemic (e.g. the expansion of all-day educational and childcare provision, measures relating to support for initial and advanced vocational training) are set out in Chapter V.2.9.

Trends in key indicators on labour market, poverty and wealth

Trends in the labour market

Until the end of 2019, employment rose in Germany, especially in the case of jobs with compulsory social security coverage, while unemployment fell. In 2019, an average of around 2.267 million people were unemployed, equivalent to an unemployment rate of 5.0 per cent (women: 4.7 per cent, men: 5.2 per cent). These were the lowest levels since the turn of the millennium. At the same time, the employment rate for people aged 20 to 64 rose to 80.6 per cent (men: an increase of 0.7 percentage points compared to the previous year, taking the rate to 84.6 per cent; women: an increase of 0.8 percentage points, taking the rate to 76.6 per cent). In the 55 to 64 age group, 72.7 per cent were in employment in 2019, or almost three out of every four people. The employment rate for women was actually higher than that for men in this age group. Migrants also benefited from the positive trends. The rise in employment also made a contribution to achieving the goals established in the German Sustainable Development Strategy (see indicators 8.5. a, b).

The labour market came under pressure as a result of the outbreak of the COVID-19 pandemic and the measures taken to contain it. In 2020, an average of 2.695 million people were unemployed, equivalent to an unemployment rate of 5.9 per cent; this represented a return to 2016 levels. With a rate of 5.5 per cent, women were relatively less likely to be unemployed than men (6.3 per cent). Widespread use of short-time work on an unprecedented scale (6 million people in April 2020, 5.7 million people in May 2020) successfully averted a much higher rise in unemployment.

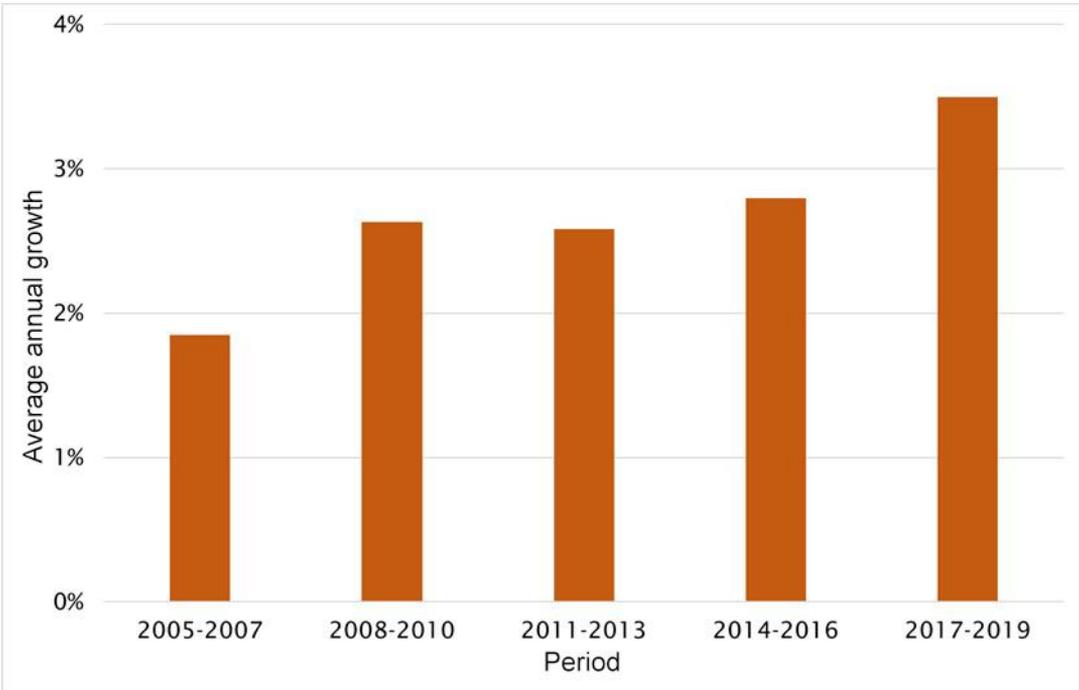
Employment security had increased until the beginning of the pandemic, as the labour force survey shows. As employment rose, there was a simultaneous decline in fixed-term employment, involuntary part-time work and temporary agency work. From the spring of 2020, there was a significant fall in employment and in employment in jobs with compulsory social security coverage. Initially, women accounted for a third of the employment losses caused by the pandemic. According to figures from the Federal Employment Agency, women now account for a little under half of all employment losses due to COVID-19. One of the key reasons for this was the huge fall in the number of people in marginal employment. It was mainly women who, as a result of the recession, lost marginal employment which was their only employment. The recovery in the labour market which began in the course of the summer of 2020 was halted again by the renewed rise in infection rates and the reintroduction of extensive restrictions.

The number of people in long-term unemployment continued to fall until the end of 2019. This group comprised 727,000 people in 2019. Ten years earlier, the figure had been more than 400,000 higher, at 1.138 million people. In eastern Germany, in particular, the number had more than halved, falling from 377,000 people (2009) to 172,000 (2019). Long-term unemployment as a proportion of all unemployment remained almost stable, at 33.3 per cent in 2009 and 32.1 per cent in 2019, albeit with slight fluctuations. In 2020, an average of 817,000 people were in long-term unemployment (men: 453,000, women: 364,000), equivalent to around 30 per cent of all unemployed people.

Income and social situation

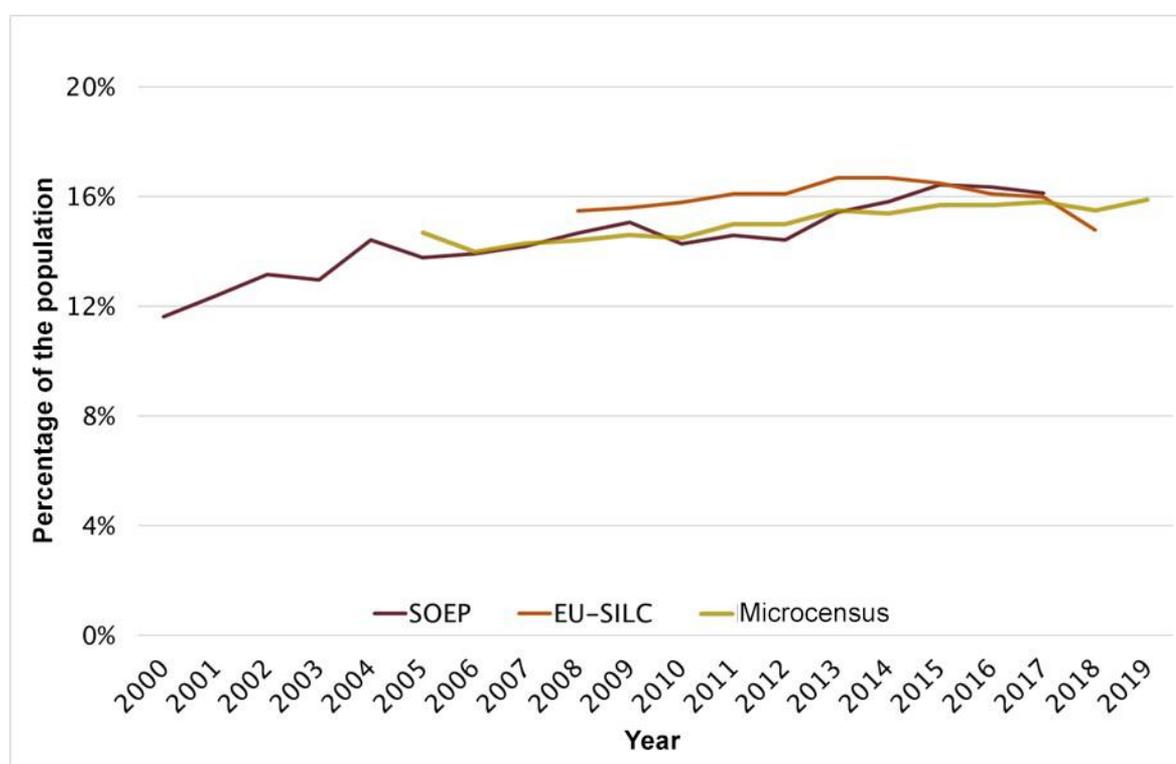
The past decade was characterised by significant income growth. This is also reflected in a strong rise in what is known as net equivalised income, which is calculated for the purpose of analysing the distribution of income. In recent years, there was particularly strong growth in the median net equivalised income, at an average of 3.5 per cent, which can be seen from microcensus data, for example.

Average annual growth in the median income (based on the microcensus)



This rise affected the at-risk-of-poverty threshold, which by convention is set at 60 per cent of the median net equivalised income. Ultimately, all income groups benefited from the positive economic trends in recent years, which is why the at-risk-of-poverty rate (the proportion of people with a net equivalised income below the at-risk-of-poverty threshold) did not fall throughout this period. In the years after 2010, all available data sources showed a slight increase in the at-risk-of-poverty rate. More recently, the figures from the various data sources paint a mixed picture (see indicator A01 in Part D).

Annual development of the at-risk-of-poverty rate



The trend in the distribution of income was also influenced by the following effects: the rise in employment (especially of women, often working part-time) and improvements to benefits provided by statutory pension insurance and other social benefits had a narrowing effect on the distribution of income (and thus lowered the at-risk-of-poverty rate). By contrast, immigration, higher levels of work experience and greater disparities in educational attainment within society had a widening effect. This reflects other findings from distributional research; however, the research regarded the main cause of the rise in the at-risk-of-poverty rate since 2010 as being related to the increase in immigration.

For many people, periods on low incomes are a transitional phase. After one year, around one-third of people have already moved out of the low-income group. After three years, almost half of people reach an income above the threshold.

Educational attainment and work intensity are the key to improving income positions. There are complex intergenerational factors involved: advanced levels of secondary education and good levels of vocational or academic education facilitate upward social mobility, including from a low-income background. They have a continued impact on subsequent generations and improve their income prospects. However, an individual's own educational attainment remains closely correlated with educational background and parental income. This highlights that success in tackling poverty and inequality depends to a large degree on successes in other target areas – such as tackling educational inequality – including when it comes to achieving the goals set out in the German Sustainable Development Strategy.

The (severe) material deprivation rate has been falling steadily since 2013 (indicator A09 in Part D). Back then, one in nine people (11.6 per cent) were unable to afford three of nine specified items, a rate which fell to just 6.8 per cent in 2019. Severe material deprivation, defined as an inability to afford four of the nine specified items, fell by around three percentage points from 2013 to 2016, to 2.6 per cent.

Until the end of 2019, the number of people receiving minimum income benefits continued to decline. The number of claimants capable of work who were receiving basic income support for jobseekers under Book II of the Social Code (Sozialgesetzbuch) fell from 4.6 million people at the end of 2010 to 3.7 million people at the end of 2019 (see indicator A05 in Part D). In total, around 6.9 million people, or 8.3 per cent of the population, received benefits from the minimum income protection systems in 2019. That is the lowest rate since calculations began.

On the opposite end of the income distribution, the proportion of people with very high incomes has remained constant since the middle of last decade: around eight per cent have an income which is at least double the median net equivalised income, while around two per cent have an income at least three times that level.

Wealth

Although wealth inequality had declined slightly since 2008, it remained at a high level in 2018. The recorded fall in inequality was mainly attributable to rising incomes and a greater role for real estate. Changes in nominal incomes had led to higher wealth across almost the entire wealth distribution, with those in the middle of the distribution benefiting most. Real estate accounted for the largest share of wealth, at 70 per cent. Its value, as estimated by respondents, was 41 per cent higher in 2018 than in 2008, while the value of other assets had risen by only half that amount. At the same time, the share of households with real estate assets had climbed from 40.8 per cent to 46.0 per cent, with the result that this component of wealth was more equally distributed than in the past.

Inheritances influence the inequality of how wealth is distributed: inherited wealth accounts for around 35 per cent of total wealth, on average. The proportion is only around one quarter in the lower half of the distribution, rising to over 30 per cent in the upper half, and reaching just under 40 per cent for the top percentile. It must be kept in mind, however, that this is partly attributable to age effects: as people live longer, the probability of having received an inheritance at some point rises, and the assets people have built up themselves also increase.

In this Sixth Report on Poverty and Wealth, the data available on high net worth has been significantly improved. In a project funded by the Federal Ministry of Labour and Social Affairs, the German Institute for Economic Research (DIW) has selected a sample of the top high net worth individuals and surveyed

them specifically for the Report on Poverty and Wealth. This innovative study of high net worth in Germany revises the share of wealth held by the top percentile of the wealth distribution, generally underestimated in all other surveys, shifting it significantly upwards. Also, it provides a great deal of information about the group of people in the top high net worth category. Based on this data, the share of total net wealth held by the top 10 per cent rises from 59 to almost 64 per cent. The inclusion of high net worth individuals also means an overall rise in measured inequality. The Gini coefficient increases to 0.81 solely as a result of the incorporation of the sample of the top high net worth individuals (as opposed to 0.78 without the new sample).

Social cohesion and social mobility

Social disparities are perceived as being fair if they are based on merit or reflect different individual preferences. Acceptance of differences – which is one component of social cohesion – is therefore predicated on the existence of a consensus on the key principles of equal opportunities, equity based on performance and merit, and distributive justice. These issues are explored below on the basis of trends in social mobility and an evaluation of the scale of poverty and wealth.

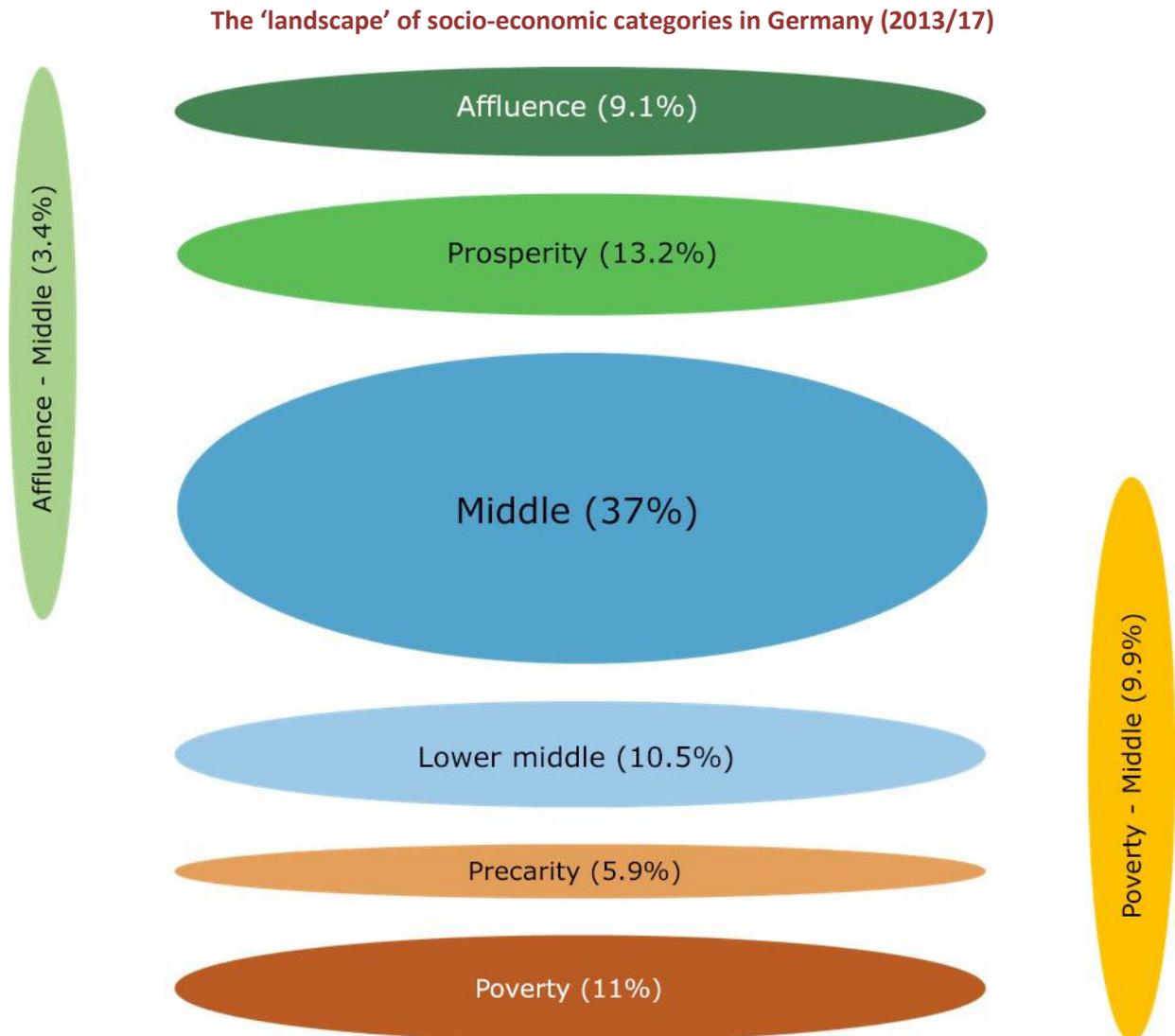
Trends in social mobility over time and over the course of people's lives

How good are the opportunities for advancement in terms of education, occupational status and income? Upward social mobility cannot and should not be the norm, but: the less dependent an individual's position is on predetermined factors and their background, the more a society can be regarded as equitable based on merit and equal opportunities. It is necessary to examine long periods of time when studying these factors, summarised under the term "social mobility". The results in this chapter therefore extend far beyond the reporting period. Given that society and the economy have changed substantially in the decades under examination, for example as a result of German reunification, immigration and structural economic change, special consideration must be given to these factors when analysing the data.

I.1.1 Socio-economic categories in Germany

The Federal Government's Reports on Poverty and Wealth are based on a large number of individual indicators which provide a comprehensive overview of trends relating to various aspects of poverty and wealth. For the current report, the research project "Soziale Lagen in multidimensionaler Längsschnittbetrachtung" (Socio-economic categories in a multidimensional longitudinal analysis) has developed a typology which can show at a glance how individuals specifically experience advantages and disadvantages in different dimensions of life, and which takes into consideration how long individuals remain

in a certain category. Based on data from the Socio-Economic Panel (SOEP), information on incomes, assets, integration into employment and housing over a five-year period has been brought together to define eight socio-economic categories, whose distribution is shown in the figure below:



- In the typology developed by the researchers, “poverty” is characterised by a combination of income below the at-risk-of-poverty threshold, unemployment and low work intensity.
- The somewhat better position of the next socio-economic category, “precarity”, is normally attributable to integration into employment; material insecurity is still present in this category, e.g. due to a relatively low income, a lack of savings, or insecure employment.
- The socio-economic categories of the “lower middle” and “middle” encompass almost half of society; the separate category of “prosperity”, which in everyday terms would be regarded as the upper middle class, can also be included here.

- The term chosen for the highest socio-economic category, “affluence”, is intended to highlight that it cannot be equated to the ‘truly’ rich, in the sense associated with high net worth, in particular. While this category does include people who can be described as ‘rich’, they cannot be clearly differentiated on the basis of the available data.
- Alongside this vertical categorisation, there are two cross-cutting, dynamic socio-economic categories, “poverty – middle” and “affluence – middle”: they include people who moved across multiple categories in the five-year period or whose social profile is inconsistent. They account for a relatively low proportion of society.

Since the 1980s, there has been a steady rise in the proportion of people who remain permanently in either the lowest or highest socio-economic category. This trend goes hand in hand with the continuing slight increase in the low-income rate (see Chapter 0), and indicates one of the possible reasons for this development. An entrenchment and concentration of long-term unemployment is also visible over time. Ultimately, social mobility trends have been very different in the various categories over the course of people’s lives: there is a great deal of stability in the upper socio-economic categories, and people from the middle categories still often manage to advance; meanwhile, the chances of upward mobility for people in the lower socio-economic categories have fallen steadily since the 1980s. If an individual is part of the category defined as “poverty” by the research project, the likelihood that he or she will still be in that category in the next five-year period has risen from 40 per cent to 70 per cent since the end of the 1980s.

As mentioned at the start of this section, it is important to take into account that Germany has changed drastically since the 1980s, particularly as a result of German reunification and an increase in immigration. Not least, large numbers of traditional paid jobs for semi-skilled workers have disappeared as a result of tertiarisation. The outcome is that people without income from employment, or even workers with limited formal education, have benefited to a below-average extent as society has become more prosperous.

The Federal Government regards the entrenchment of disadvantaged socio-economic categories, in particular, as a signal for it to continue its existing policies. These consist in promoting the integration of people in long-term unemployment and of long-term recipients of benefits, and in encouraging better pay in the lower wage segment, while upholding the principle of autonomy in collective bargaining.

1.1.2 Social mobility and the role of social background

An important indicator for social mobility is the comparison of generations in order to examine what influence the status of the parental generation has on their children’s prospects.

In Germany, parents' financial resources have a significant influence on their children's lifetime income: the higher the parents' income, the higher the children's income, on average. The correlation is clear but not inevitable. It remains the case that many people reach much higher income positions than their parents. That said, there is also a high probability of a high income being passed on between generations.

This is also reflected in terms of occupational position. It remains the case that more people continue to experience upward occupational mobility by comparison with their father; it is rarer for people to experience downward mobility or remain at the same level as their father. The probability of upward occupational mobility by comparison with parental status has remained the same, on average, for younger cohorts (the analysis was able to cover people born up to 1980) as for older cohorts.

This trend varies a great deal for men and women, people in eastern and western Germany, and people with and without German nationality: women's chances of upward occupational mobility are continuing to improve due to changes in gender role patterns. For men living in western Germany, the chances of upward occupational mobility have remained constant. Advancement seems increasingly rare for men living in eastern Germany – upward and downward occupational mobility are equally common in their case, which might be due to selective migration flows within Germany, or a lower regional supply of certain types of job.

All in all, Germany continues to offer good prospects for upward social mobility. Education is the most effective, reliable and important driving force for advancement. Educational qualifications – whether academic or vocational – are in no danger of losing their value.

Perceptions of distributional issues and social mobility

Like its predecessors, the Sixth Report on Poverty and Wealth also incorporates into its analysis of the social reality how the public itself perceives the situation regarding poverty, wealth, participation and social mobility. To this end, a representative survey entitled "Analyse der Einstellungen zu Armut, Reichtum und Verteilung in sozialen Lagen" (Analysis of Attitudes to Poverty, Wealth and Distribution in Socio-Economic Categories) was carried out in 2019 and analysed.

It paints a mixed picture of individuals' perceptions of their current and future social situation. On average, respondents from all income groups and socio-economic categories judge their own current life situation to be increasingly good and expect this to remain the case. This also reflects the macroeconomic trends in recent years. Most respondents also expect that their children will tend to enjoy a better standard of living than they do themselves. However, a high proportion of the same respondents from all socio-economic and income groups are concerned about the wider situation in society as a whole and

are worried that there is a strong and growing polarisation between rich and poor, which is not backed up by labour market and income trends.

There is a broad consensus in respondents' views on when a person in Germany should be regarded as poor: the respondents estimate – across all socio-economic categories – that the poverty threshold is just under 1,000 euros of disposable income per head, per month. By contrast, there are a wide range of views on the definition of what level of income constitutes wealth. The values given vary, depending on the respondent's socio-economic category, between an average of just under 5,800 euros (respondents from the “lower middle”) and around 11,000 euros (respondents in the “prosperity” category). In all cases, this is (often considerably) above the threshold of 200 per cent of the median income, which – depending on the data source – is between just under 3,600 euros and just under 3,900 euros (see indicator R01). It is also notable that the average view of wealth varies as much within socio-economic groups as it does between them.

The gap between the measured distribution, on the one hand, and the subjective perception of the extent of poverty and wealth, on the other, reflects the findings of other scientific studies. It remains an open question whether this is attributable to the influence of debates in the media, for example, which often paint an exaggerated picture.

For the first time, the representative survey was supplemented by a “Qualitative Untersuchung von subjektiven Ausprägungen und Dynamiken sozialer Lagen” (Qualitative Study of Subjective Characteristics and Dynamics of Socio-Economic Categories); lengthy personal interviews, conducted using guidelines, were held with survey participants from materially disadvantaged socio-economic categories. These interviews focused on how people with more limited material resources experience their opportunities for participation in society, what role social mobility plays in the course of their lives, and how, on the whole, they view their own situation. This opens up a new basis for incorporating the views of people with low incomes in the report.

The importance of basic public services

Regional and socio-spatial disparities and disadvantages have impacts which affect both the distribution of welfare and people's perceptions of it. These impacts affect people in eastern and western Germany, rural and urban areas, lagging and booming regions – albeit often in different ways. The disparities are noticeable for people from all income groups, but they carry greater weight for people in weaker socio-economic positions. The availability of jobs, infrastructure, everyday amenities and healthcare facilities is important to most people. If reaching them requires high levels of individual mobility (car ownership, physical fitness, time), this also results in social inequalities.

Regional cluster analyses show that, in terms of the availability of basic public services, many lagging regions offer better provision than might be expected, given their economic situation and population. Nonetheless, the daily experiences of people in shrinking towns are constantly and noticeably at odds with reports of economic growth and a more prosperous society. Even secure personal circumstances cannot eliminate the feeling of being at a disadvantage and having worse chances than might have been possible elsewhere or in earlier times.

For urban and agglomeration areas, the cluster analyses also show that even positive economic trends can pose challenges when it comes to the provision of services and infrastructure. These challenges include a growing income divide, which action must be taken to offset in some cases, and pressure on transport networks and housing markets. In larger towns and cities, people on low incomes need more time to reach basic services, which suggests that there is residential segregation.

Tasks for forward-looking policy-making based on solidarity

The COVID-19 pandemic is widely felt to have magnified our society's strengths and weaknesses, and it has also highlighted the extreme importance of effective infrastructure and forums for public life. The quality of healthcare and preventive healthcare facilities, childcare and long-term care, as well as other public services, determines how well society can deal with the pandemic. This, in turn, has a huge impact on the education system and on the supply of essential goods. The closure of leisure, culture and sport facilities leaves a very noticeable gap.

All of these facilities and providers not only deliver services, but also offer forums and opportunities for social interaction. They enhance our quality of life and living standards, and contribute to social cohesion.

However, the resilience and adaptability of organisations and companies has also been put to a severe and ongoing test, which has further accentuated the pre-existing challenges of structural change, globalisation and digitalisation.

It is not yet possible to say with complete confidence how well Germany will be able to deal with the crisis caused by the COVID-19 pandemic. What is already clear, however, is that the measures taken by the Federal Government – and the Länder – required everyone in society to play their part, and were supported by society as a whole. For the most part, these measures were able to build on existing systems and legal provisions which provide protection from risks and improve opportunities. The results are analysed below and supplemented by suggestions for further initiatives.

Structural measures

Basic public services and social services promote social participation and create structures which prioritise the needs of society over economic considerations. They are easily taken for granted as long as they exist – often it is only their absence which highlights that the provision, maintenance and further development of fundamental structures and public services is one of the state’s most important tasks. This also includes structural policies to establish equivalent living conditions throughout Germany.

A brief overview and explanation is provided in this section of the many and varied components of these policies in the current electoral term.

I.1.3 Strengthening economic growth and employment

The Federal Government is working to actively shape the structural change referred to above and the associated challenges. It is supporting transformation processes by creating suitable parameters, establishing effective economic incentives and providing targeted support for innovation, with the aim of making targeted use of development opportunities.

Labour shortages, including shortages of skilled labour, are jeopardising future growth, and there is a growing focus on dismantling structural barriers to maximising the pool of skilled workers in qualitative terms. Further investment in education, continuing education and training and skills development is necessary to secure future growth and opportunities for social participation. Digital transformation offers enormous opportunities for growth. This requires not only private and public investment, but also smart regulation, including in the areas of rights to use and exploit data, processes involving the social partners, and tax-policy.

Even after we have emerged from the COVID-19 crisis, we will be facing major challenges: it is important to strengthen the forces of growth and also to make growth more inclusive, in order to create secure jobs and thus ensure that economic prosperity is distributed fairly. We also need to be efficient in our use of natural resources, refrain from living at the expense of future generations, and reduce our economy’s impact on the environment and climate. As an industrialised country, Germany has a special responsibility to pursue a sustainable, resource-efficient and emissions-neutral growth path.

What has already been done:

- Before the COVID-19 pandemic, the Federal Government had already agreed on a wide range of measures relating to digitalisation and the achievement of national climate targets. This push was significantly reinforced by the measures set out in the economic stimulus programme of 3 June 2020. The Future Development Package (Zukunftspaket) has a volume of around 50 billion euros,

which will mainly go towards investment programmes to promote sustainable growth and support structural transformation processes. The focus is on the fields of climate action, the energy transition, sustainable mobility and digitalisation. This investment will not only facilitate the shift to more efficient and zero-emission technologies, but also boost competitiveness and safeguard employment in Germany in the long term. The aim is thus to ensure that Germany emerges stronger from the current crisis and remains a country that is worth living in and economically sustainable in the medium and long term.

- With the Fuel Emission Allowance Trading Act (Brennstoffemissionshandelsgesetz), the Federal Government has put a price on carbon dioxide in order to reduce harmful emissions in a cost-efficient way. As carbon pricing can result in a disproportionate burden for poorer households if no steps are taken to mitigate this, the Federal Government has decided that every euro in revenue will be returned, for example in the form of relief from the “EEG surcharge” (a surcharge that electricity consumers pay for the purpose of promoting renewable energy), rises in the commuter tax allowance and housing benefit, and the introduction of a mobility premium. In addition, the economic stimulus programme of 3 June 2020 provides for additional relief from the EEG surcharge. This will contribute to a broad reduction in costs to the public and companies.
- To prevent non-wage labour costs from rising during the crisis as a result of COVID-19, the Federal Government has committed to keeping social security contributions stable at a maximum of 40 per cent (the “Social Guarantee 2021”), by using funding from the federal budget to cover any additional financing requirements until at least 2021. In the interest of both workers and employers, and to ensure that employees and companies continue to have scope for development in future, the Federal Government aims to keep social security contributions below the 40 per cent mark in 2022 as well.
- It remains necessary for all stakeholders to invest in education, continuing education and training and skills development in order to secure future growth and opportunities for social participation. The Federal Government has taken important steps and made preparations in this context, including with the Work of Tomorrow Act (Arbeit-von-morgen-Gesetz) and other measures set out in detail in Chapters V.2.1 and V.2.9.
- The Skilled Immigration Act (Fachkräfteeinwanderungsgesetz), which entered into force on 1 March 2020, has opened up the German labour market to all skilled workers from third countries with a recognised professional qualification. In future, applicants for a work visa will generally only need to have a contract for a skilled job and a recognised qualification. This new opportunity for labour migration will counteract shortages of (skilled) labour.

- The Research and Development Tax Incentives Act (Gesetz zur steuerlichen Förderung von Forschung und Entwicklung) marks the first time that Germany has introduced a tax incentive in the form of a research allowance, as a supplement to project funding. This is an important step towards making Germany a more attractive location for research and innovation. The Second Coronavirus Tax Assistance Act (Zweites Corona-Steuerhilfegesetz) doubled the assessment ceiling, from 2 to 4 million euros, for expenditure which takes place after 30 June 2020 and before 1 July 2026.
- The Federal Government is living up to its responsibility for the competitiveness of the dual system of vocational education and training, both in Germany and abroad, by introducing the Act to Modernise and Strengthen Vocational Education and Training (Gesetz zur Modernisierung und Stärkung der beruflichen Bildung), which entered into force on 1 January 2020. In particular, this Act introduced a minimum level of pay for apprentices, strengthened vocational upskilling, and expanded the options for part-time vocational training. The Act to Promote the Employment of Foreign Nationals (Ausländerbeschäftigungsförderungsgesetz) also expanded the opportunities for migrants to be supported during vocational training.
- With the aim of increasing quality and productivity in the skilled crafts sector, the Federal Government is encouraging the sector to seize the opportunities offered by digitalisation with its “Skilled Crafts 4.0: digital and innovative” guidelines in the framework of the “Innovation for the Production, Services and Work of Tomorrow” research and development programme.

What remains to be done:

- It remains the Federal Government’s aim to create incentives for investment in sustainable and climate-friendly products and innovations.
- The Federal Government also agrees with the German Council of Economic Experts that, in view of demographic change, viable strategies are also needed in the field of social security.
- The Federal Government has published a Data Strategy focused on opportunities and innovation, which also seeks to strengthen processes involving the social partners and to apply the principles of the social market economy to the data economy era. Future measures include support for high performance computing and quantum technologies, the Digital Education Initiative (which aims to boost data literacy) and the Research Data Action Plan (which promotes a new culture of data sharing).

I.1.4 Fiscal and tax policy

An effective, active fiscal and tax policy is characterised by targeted measures, on both the revenue and spending side, which form the basis for sustainable and inclusive societal development and economic growth. This supports the sustainable and climate-friendly transformation of the economy, among other things, and safeguards both the long-term sustainability of public finances as well as social justice.

This allows decisive and socially acceptable action to be taken in response to unforeseen challenges, such as the COVID-19 pandemic. This exceptional crisis shows the capabilities of the German state: the combination of a well-resourced healthcare system, a reliable welfare state and the fiscal capacity to take comprehensive support and assistance measures gives people security. At the same time, these are all important health, social and economic policy factors in enabling Germany to overcome the crisis quickly and well, and emerge stronger from it.

Fiscal and tax policies have a substantial influence on the distribution of income. Low-income households benefited from income tax relief to a below-average extent between 2006 and 2016, as in many cases they already paid little or no income tax (see Chapter B.I in the full report). The Annual Report 2019/2020 published by the German Council of Economic Experts also found that the average burden of taxes and social security contributions increases only moderately as incomes rise, and declines for the highest income brackets. These findings have been taken into account in tax policy in the current electoral term, with priority being given to providing relief to families and individuals on low and middle incomes.

In addition to the steps it is taking to address the social and economic consequences of the pandemic, and the measures planned for this electoral term to provide relief to those on low and middle incomes and to strengthen families' finances, the Federal Government is also continuing to pursue measures at international level to avoid harmful tax competition and to promote a more equitable allocation of taxing rights between countries.

What has already been done:

- Under the Act to Phase Out the 1995 Solidarity Surcharge (Gesetz zur Rückführung des Solidaritätszuschlags 1995), around 90 per cent of those previously subject to the solidarity surcharge on wages tax and income tax will receive full relief from the surcharge from 2021 onwards, while a further 6.5 per cent or so will receive partial relief. This will reduce the burden on lower and middle income brackets, in particular, by more than 10 billion euros each year from 2021.
- The Act on Further Tax Incentives for Electric Mobility and Amending Further Tax Provisions (Gesetz zur weiteren steuerlichen Förderung der Elektromobilität und zur Änderung weiterer steuerlicher

Vorschriften) includes tax relief for employees, supportive measures to ease pressure in the housing market, and measures to tackle tax planning schemes and protect tax revenue, among other things. In addition, the income limits, premium rate and premium ceilings have been increased for the home ownership savings premium from the 2021 savings year onwards.

- Second Family Tax Burden Reduction Act (Zweites Familienentlastungsgesetz) has increased child benefit by a further 15 euros per child, per month, from 1 January 2021 and has adjusted the tax allowance for children accordingly. This means that child benefit has been increased by a total of 25 euros per child in this electoral term. In addition, the basic allowance integrated in the income tax rate has been increased for the years 2019 to 2021 and from 2022, and the other tax thresholds have been shifted to the right. This ensures that the subsistence level is tax-exempt while also offsetting bracket creep.
- The Act to Increase the Standard Tax Allowances for People with Disabilities and to Adjust Other Tax Provisions (Gesetz zur Erhöhung der Behinderten-Pauschbeträge und zur Anpassung weiterer steuerlicher Regelungen) has doubled the standard tax allowances for people with disabilities from the 2021 tax year, among other things. At the same time, the existing standard allowance for family carers has been almost doubled and shifted to a system based on grades of care.
- Two supplementary budgets were passed in 2020 in order to finance the packages of measures to mitigate the COVID-19 crisis. According to the final budget account for 2020, total net borrowing of 130.5 billion euros was necessary. As a consequence, the debt-to-GDP (gross domestic product) ratio rose by roughly 10 percentage points to around 69.8 per cent, and will increase again in 2021 to an estimated 74½ per cent.
- To shield the Federal Employment Agency from the financial impact of the measures set out in Chapter II, it received a federal loan at the end of 2020, which can be carried over to the following year, of around 6.9 billion euros to cover its funding shortfall. The debt from this loan will be cancelled at the end of 2021 if the Federal Employment Agency is unable to repay it by that time and its general reserves are completely exhausted. Furthermore, a federal subsidy of 3.35 billion euros for the Federal Employment Agency has been entered in the 2021 federal budget. The Federal Government will continue to closely monitor the Federal Employment Agency's budget in light of the pandemic.
- Many urgent measures have been taken to tackle the impacts of the COVID-19 pandemic, particularly to improve the liquidity situation, protect jobs and support companies. The Federal Ministry of Finance published a circular on this subject on 19 March 2020 and the highest revenue authorities

of the Länder published identical decrees. The steps taken include the introduction of improved options to defer tax payments and to reduce prepayments in those cases. These measures were extended in December 2020 and again in March 2021. As a result, a simplified procedure can now be used until 31 December 2021 to reduce prepayments for taxes on earnings. Furthermore, taxes can be deferred upon request until 30 September 2021 at the latest. Enforcement measures (e.g. attachment of bank accounts) will not be taken and failure-to-pay penalties will not be charged until 30 September 2021 at the latest, provided that the person liable for payment of due tax is directly, substantially and negatively affected financially by the impacts of the coronavirus pandemic. Tax deferrals or delays of enforcement measures beyond that point are only possible with an agreement to pay by instalments, under the simplified procedure which applies until 31 December 2021.

- The Coronavirus Tax Assistance Act (Corona-Steuerhilfegesetz) provides rapid support for those hit particularly hard by the pandemic. The VAT rate for restaurant and catering services provided after 30 June 2020 and before 1 July 2021, with the exception of the sale of drinks, is being reduced from 19 per cent to 7 per cent (5 per cent until 31 December 2020). In addition, employers' subsidies topping up the short-time work allowance are tax free up to a significant level for wage payment periods that begin after 29 February 2020 and end before 1 January 2021, in line with how these subsidies are treated for the purposes of social security law. (The period has been extended to before 1 January 2022 by Article 2 of the 2020 Annual Tax Act (Jahressteuergesetz 2020).)
- In addition, employers can give their employees financial assistance and support, or remuneration in kind, tax free up to the amount of 1,500 euros in the period from 1 March 2020 to 30 June 2021. This period is to be extended to 31 March 2022. The prerequisite is and remains that the assistance and support must be paid in addition to the wages employees are owed.
- The Second Coronavirus Tax Assistance Act (Zweites Corona-Steuerhilfegesetz) brings together effective and mainly short-term tax measures to boost purchasing power and support economic recovery. One measure which should be highlighted is that the VAT rate has been lowered from 19 per cent to 16 per cent for a limited period, while the reduced rate has been lowered from 7 per cent to 5 per cent. In addition, the loss carryback ceilings for 2020 and 2021 have been raised and a mechanism has been introduced to allow the loss carryback for 2020 to already be used directly and effectively in 2019 tax returns.
- The Third Coronavirus Tax Assistance Act (Drittes Corona-Steuerhilfegesetz) also makes a significant contribution to providing relief to individuals and companies in 2021. In addition to providing for the payment of another child bonus, it extends the VAT reduction for the restaurants and catering sector until 31 December 2022, and increases the loss carryback for 2020 and 2021 to a maximum of 10 million euros, or 20 million euros in the case of joint assessment.

- The 2020 Annual Tax Act contains tax measures relating to short-time work and the provision by employers of reduced-rent accommodation to employees, as well as measures to boost digitalisation. Enhanced and more targeted investment deductions and special depreciation allowances provide greater tax incentives for investment by small and medium-sized businesses. A range of other measures have also been introduced, such as a working from home tax allowance for a limited period: for 2020 and 2021, a flat-rate sum of 5 euros for each day that a taxpayer works solely from home – up to a maximum of 600 euros per year – can be deducted as business expenditure or a work-related expense.
- On 22 March 2021, the most recent amendment of the EU Directive on administrative cooperation in the field of taxation (DAC 7) was enacted, which was successfully negotiated under Germany's Presidency of the Council of the EU. DAC 7 contains provisions on the introduction of a standardised reporting obligation and on the international exchange of information about sellers on online platforms. It also aims to enhance the legal framework for performing joint audits and improve the efficiency of administrative cooperation between the Member States.
- On 21 April 2021, the Bundestag adopted draft legislation tabled by the Federal Government to curb improper tax planning schemes involving share deals in connection with the real property transfer tax.
- The Federal Government is continuing its resolute efforts to tackle tax fraud, tax avoidance and unfair tax competition. Alongside international initiatives, important national legislation to promote more equitable taxation has been adopted or agreed, which can also play a part in reducing inequality:
- On 20 January 2021, the Federal Government agreed on draft legislation to modernise relief from withholding taxes and certification of withholding tax on income from capital. The bill includes measures to digitalise tax procedures and to prevent the avoidance of tax on dividends, in particular.
- In addition, on 31 March 2021 the Federal Cabinet agreed on a draft Defence Against Tax Havens Act. The bill aims to bring about more equitable taxation, across international borders. Targeted defensive measures will be taken to encourage non-cooperative countries and jurisdictions (tax havens) to implement international standards in the area of taxation, in order to prevent tax evasion, tax avoidance and unfair tax competition.
- The Cabinet also adopted draft legislation in March to implement the Anti-Tax Avoidance Directive (ATAD). With this Directive, the EU Member States have agreed on stricter, uniform rules against aggressive tax planning and profit shifting by multinational companies.

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What remains to be done:

- At European level, the Federal Government is continuing to support the process of introducing a financial transaction tax in the framework of enhanced cooperation.
- At the OECD level, the Federal Government is actively advancing negotiations with the aim of establishing a new allocation of taxing rights in market jurisdictions in the case of digital business models in particular (Pillar 1) and adopting a global minimum effective tax on multinational companies (Pillar 2). This will address the challenges of taxing the digital economy and constitute effective action against aggressive tax planning and tax avoidance.
- The Federal Government is committed to the three-pillar model of the pension system and, in this framework, intends to further develop state-subsidised private pensions and make them fairer. An intensive dialogue process has been launched with the various groups of providers, consumer organisations and the social partners. The aim is to rapidly develop an attractive, standardised Riester product.

I.1.5 Investment in public infrastructure, especially social infrastructure

When it comes to the aim of achieving equivalent living conditions throughout Germany, one key issue is for the municipalities to have the financial scope to maintain and adapt infrastructure, basic public services and voluntary services for the local population. Regional disparities in terms of revenues – particularly in the case of the trade tax and joint taxes, which are heavily business-dependent – and in terms of debt and social expenditure make it difficult for municipalities with inadequate financial resources to actively shape living conditions.

Not all regional disparities in infrastructure and the availability of basic public services can be corrected by decisions taken by public authorities. However, these disparities have a greater impact on people with lower incomes, even if they are ultimately important for the entire population and shape people's perceptions. It is therefore important to make full use of the available scope to take action to improve infrastructure and to create social communities which also foster democracy. Measures must be tailored to the local and regional circumstances and the population must be involved. Wherever possible, targeted, needs-based action must be taken to compensate for structural weaknesses; however, the scope and governance of the funding and measures must nonetheless be transparent and understandable.

The Federal Government has launched a wide range of measures relating to this issue, with broad stakeholder involvement, including in the framework of the Commission on Equivalent Living Conditions.

What has already been done:

- In the summer of 2019, the Federal Government agreed on twelve measures to implement the findings of the Commission on Equivalent Living Conditions. The measures are focused on active structural and regional policy, and include greater support for lagging regions, digitalisation and mobility, rural village development and urban development, and voluntary work.
- Joined-up regional-policy activities and tailored instruments for every lagging region are necessary in order to support regional potential for development and address future challenges. This is the aim of the new Nationwide Support System for Lagging Regions, which has been in place since 1 January 2020. It is one of the twelve priority measures agreed by the Federal Government in July 2019 to implement the findings of the Commission on Equivalent Living Conditions. More than 20 federal programmes in the fields of support for investment and growth, support for innovation and skilled labour have now been brought under one conceptual roof. There are also programmes to strengthen regional infrastructure and basic public services.

As part of the Nationwide Support System for Lagging Regions set up in January 2020, the joint federal/Länder programme for improving regional economic structures has been realigned to focus more on innovation, as proposed by the Working Group on Economic Affairs and Innovation set up by the Commission on Equivalent Living Conditions. In lagging regions, it is now possible to provide funding for investment in research institutions which work closely with industry without this constituting state aid; research institutions can now participate in collaborative applied research and development projects; and funding for ambitious environmental investment has been improved.

- Under the constitutional rules governing public finance, the Länder are responsible for ensuring that municipalities have adequate financial resources to perform their duties and for the fiscal equalisation system among the municipalities, which plays a key role in ensuring equivalent living conditions. The Federal Government is playing its part in easing the burden on municipalities, especially those in weaker financial positions or with high levels of accumulated debt, by increasing the share of housing costs that it bears in the framework of basic income support for jobseekers under Book II of the Social Code (Sozialgesetzbuch) to up to 74 per cent from 2020. In addition, the Federal Government is supporting the municipalities by providing flat-rate compensation for the loss of trade tax revenue in 2020 as a one-off measure, financed together with the Länder; this will help to avoid municipalities incurring new debt.
- A forward-looking investment policy is also upgrading broad education services and downstream infrastructure. The Federal Government's economic stimulus programme provides for an expansion

in the childcare services offered by child day care centres, nurseries and crèches, and an accelerated expansion of all-day services in preparation for the planned introduction of a legal entitlement to all-day care for children of primary school age, as well as greater support for vocational training in this field.

- The Federal Government is providing 500 million euros in funding to furnish teachers with necessary technical equipment. This programme is part of the German recovery and resilience plan which the Federal Government has drawn up to access funding from the EU's Recovery and Resilience Facility. The funding is being advanced from the Digital Pact for Schools (see Chapters II and V.2.9).
- In addition, further funding is being made available to refurbish existing sports facilities and build new ones.
- A temporary safety net has been created to safeguard the country's social infrastructure during the coronavirus crisis, in the form of the Social Service Providers Deployment Act (Sozialdienstleistungsgesetz). The Act provides a legal basis for social service providers to continue to be paid even if they are unable or only partly able to deliver their services as a result of the pandemic. At the same time, the Act requires social service providers to make their resources (e.g. staff, equipment) available for the purpose of tackling the pandemic. This is preserving vital social infrastructure, for example in the field of labour market policy, rehabilitation or assistance for people with disabilities.
- The Federal Government's regular funding is strengthening the cultural sector in rural areas. It has also been implementing the funding programme "Kultur in ländlichen Räumen" (Culture in Rural Areas) since 2019. The funding, worth up to 10 million euros, comes from the programme Bundesprogramm ländliche Entwicklung (BULE) (Federal Programme for Rural Development). These measures are intended to improve participation in and access to cultural activities in rural areas.
- In the summer of 2020, in response to the COVID-19 pandemic's existential threat to the cultural sector and the media, the Federal Government established the rescue package and investment programme NEUSTART KULTUR (New Start for Culture), with one billion euros in funding. NEUSTART KULTUR (New Start for Culture) aims to preserve Germany's cultural infrastructure, which has been hit particularly hard by the restrictions required to contain the pandemic. In view of the negative consequences of the ongoing closures and restrictions in the cultural sphere, and to further increase support for individual artists, the Federal Government has decided to add a further one billion euros to the programme NEUSTART KULTUR (New Start for Culture).
- On 1 January 2021, the Federal Programme for Multi-Generational Homes was launched as a specialised programme in the Nationwide Support System for Lagging Regions. The around 530 multi-

generational homes funded as part of this programme will play a part in ensuring good development opportunities and fair participation opportunities for everyone living in Germany, and thus in creating equivalent and better living conditions in all areas of Germany.

What remains to be done:

- The Federal Government is seeking to ensure that the public are better informed about the benefits offered by the welfare state. To this end, it will examine how the social insurance offices can be strengthened so that they can better fulfil their statutory functions. It is also examining whether and, if so, how the social insurance offices can be developed into first points of contact which act as a guide for all social matters, if possible.
- Local conditions play a major role in social participation and quality of life in old age. To ensure that people can live as independently as possible and with control over their own lives in their familiar living environment as they get older, coordinating structures which perform information, advice, coordinating and other support functions at local and regional level should, where possible, be developed in all regions and communities as part of the implementation of the findings of the Commission on Equivalent Living Conditions. Digital participation is also part of a good life in old age, and must be facilitated everywhere.

I.1.6 Promoting equivalent living conditions: east and west

Thirty years on from Germany's reunification, living conditions in eastern and western Germany have converged in many respects, but are still very much characterised by structural disparities: unemployment and low-wage employment are higher in eastern Germany than western Germany. Factors which contribute to the lower levels of pay overall in eastern Germany include the higher proportion of employees in the commercial sector and in small and medium-sized businesses, several waves of structural change, a lack of high-quality service jobs, and the much lower level of collective bargaining coverage among companies in eastern Germany. Another factor is the lack of people who grew up in eastern Germany among Germany's functional elites. Less than two per cent of the top positions in Germany are held by people from eastern Germany, and even within eastern Germany, just 23 per cent of people in executive positions are from eastern Germany. With the exception of politics, this finding applies across the board to all relevant sectors, from the economy and academia, to the judiciary, the media and even the military. In addition, the exodus in recent decades of younger, highly skilled people, in particular, has had a number of consequences, including the fact that pensioners make up a relatively high proportion of the population.

Taken together, these structural disparities mean that the annual median income (net equivalised income) in eastern Germany is around 3,900 euros lower than in western Germany. The gap between eastern and western Germany widened between 2006, when the difference was just under 2,500 euros, and 2016. The low-income rate is much higher in eastern Germany, at almost 23 per cent, than in western Germany (15 per cent). That said, it must be taken into account that the lower income level in the region goes hand in hand with a lower cost of living in some respects. Average gross assets in the west are more than twice as high as in the east, where both the home ownership rate and property market values are lower, and where the income situation is often poorer as well. Consequently, as set out in Chapter B.11, eastern Germans are overrepresented in disadvantaged socio-economic categories – and the trend is rising.

The disproportionate exodus of more highly skilled workers and the lower supply of high-quality jobs, especially in the service sector, by comparison with western Germany contribute to the fact that, as set out in Chapter I.1.2, it is rarer for people in eastern Germany to experience upward occupational mobility compared to their father's occupational status than in western Germany, and it is becoming even more rare for younger generations, in particular, unlike in the west. Meanwhile the proportion of men in eastern Germany who experience downward occupational mobility is steadily rising. People in eastern Germany are also less likely to expect upward social mobility for themselves or their children (see B.V.2.3).

What has already been done:

- Under the Conclusion of Pension Alignment Act (Rentenüberleitungs-Abschlussgesetz), pension levels in the eastern German Länder are to be brought fully into line with western German levels in a series of steps over the period from 1 July 2018 to 1 July 2024, while the other parameters used to calculate pensions (including the contribution assessment ceiling) are being gradually aligned by 2025.
- The Nationwide Support System for Lagging Regions launched on 1 January 2020 follows the expiry of Solidarity Pact II (Basket II) at the end of 2019, and is one of the Federal Government's twelve priority measures to implement the findings of the Commission on Equivalent Living Conditions. It ensures the reliable continuation of support for the eastern German Länder, and additionally opens up support to all lagging regions throughout Germany.
- The Federal Government made a commitment to preferentially establish the sites of new organisations and spin-offs by public authorities and departmental research institutions in lagging regions or regions affected by structural change – and, within these regions, primarily in small and medium-sized towns. At least 5,000 jobs are to be created by 2028 in coal mining areas alone. The ministries

have taken several location decisions in line with the targets and are continuing location planning processes to benefit lagging regions. The clearing house set up in the Federal Ministry of the Interior, Building and Community (see section 19 of the Structural Strengthening Act for Mining Regions (Strukturstärkungsgesetz Kohleregionen)) will support this process beyond the end of the current electoral term.

What remains to be done:

- Civil society in eastern Germany must be further strengthened and supported, while giving due consideration to special regional requirements.
- To encourage integration and identification with Germany as a whole, regional comparisons should not be limited to contrasting the east and west. Suitable distinguishing characteristics must be further developed and established.
- In talks with representatives of key areas of society, the Federal Government will seek to ensure that the importance of giving greater consideration to eastern Germans when filling executive positions is recognised as a factor in successfully achieving full German unity, and that this approach is accordingly taken in future.

I.1.7 Democracy

Political and social participation are interconnected. Inequalities continue to exist in terms of participation in elections, interest in politics and engagement. Education is the most important factor in this context, but structural conditions also limit the political participation of women, people with a migrant background and people with disabilities, as well as people with experience of poverty.

Nonetheless, it cannot be assumed that a simple correlation exists between voting and socio-economic category or personal experience of downward mobility or poverty. Further research is also needed into how these issues are connected to fears of downward mobility and fears for the future, demographic trends and regional disparities.

What has already been done:

- The Inter-Ministerial Working Group on Youth has developed a Federal Government Youth Strategy in consultation with young people and young adults, and civil society more widely. It is based on fields of action which reflect young people's key interests and needs.

- With the federal competition entitled “Demokratisch handeln – Ein Wettbewerb für Jugend und Schule” (Democratic citizenship – a competition for young people and schools), the Federal Government is encouraging the development and reinforcement of democratic attitudes and positions among children and young people, which has a long-term influence on participation in democratic processes.
- The Federal Government is facilitating and encouraging the active participation of people with disabilities in political decision-making processes through the Participation Fund for People with Disabilities.
- The Federal Government held a decentralised dialogue with the public on the future of work and the future of the welfare state in order to develop potential solutions to current challenges facing policy-makers.

What remains to be done:

- People with a migrant background should be better addressed by means of tailored services and given more information about opportunities for participation and engagement.
- Civic education is the foundation for participation. Migrant organisations play a key role by building bridges in this context, as they have direct access to the target groups and communicate with them on an equal footing. Migrant organisations should be equipped with greater skills as civic educators. New immigrants should receive low-threshold civic education services at an early stage.
- Support for engagement should be expanded further: civil-society engagement in associations and organisations correlates positively with political participation.

Enhancing individual parameters for social participation

On an individual level, labour force participation, education and health are important factors which influence people’s participation in the life of society. However, in a market economy, participation is also directly dependent on income, as many dimensions of participation are linked to consumer spending. The lower the income, the greater the proportion of household income which has to go towards basic needs such as housing and food, and the more limited people’s financial scope is for other dimensions of participation, such as building up savings, or engaging in cultural, sports and social activities.

These dimensions are all interrelated in various ways. Welfare state policy-making therefore focuses on various areas of life at several levels. In doing so, it also accepts responsibility for eliminating structural disadvantages.

The following sections provide an abbreviated overview of some of the measures taken by the current Federal Government with the aim of enabling and supporting people to participate in the life of society on a self-determined basis, and to help to shape it. More in-depth information can be found in the full report.

I.1.8 Employment

Employment trends were positive during the reporting period until the beginning of the pandemic. Falling unemployment and long-term unemployment, and rising employment – including employment in jobs with compulsory social security coverage and migrant employment, in particular – were accompanied by rises in wages and salaries. Employment security improved. At the same time that employment was rising, there was a fall in fixed-term employment, involuntary part-time work and temporary agency work. Non-standard forms of employment are an important component of the labour market. In many cases, these forms of employment are also the employees' own choice, and although they have disadvantages in certain respects, they are not systematically insecure or precarious. That said, they do require separate regulations in some cases.

As set out in detail in Chapter B.III of the full report, Germany remains a country where it is more common for people to experience upward occupational mobility compared to their parents, rather than experiencing downward mobility or remaining in the same occupational group. In many cases, the disparities which exist between, for example, eastern and western Germany, people with and without a migrant background, people with and without health impairments, and men and women, are declining, even though they are still identifiable.

By contrast, the disparities which exist between people with middle or higher levels of education and those with few formal qualifications, who are more affected by unemployment, low pay and insecure employment, are at risk of increasing further. This has a particular impact on the group of immigrants who had already successfully established themselves in the German labour market in recent years. It remains to be seen whether the conditions for integration into the labour market will return to being as favourable once the acute stage of the pandemic is over as they were immediately beforehand: the number of unemployed people per registered vacancy had fallen further during the reporting period. The vacancy duration, i.e. the period from the date when the vacancy would ideally be filled until the vacancy is removed from the list of vacancies, had increased by almost a quarter compared to 2017 for vacancies removed from the list of vacancies in 2019. This applied primarily to skilled jobs, however.

In the short term, sharper increases in unemployment will have to be addressed again. In the long term, the challenges will continue to consist of integrating people in long-term unemployment and people

who came to Germany in recent years into the labour market, and ensuring that both employees and unemployed people receive targeted continuing education and training.

To address these challenges, the Federal Government is taking a large number of measures relating to the labour market and employment.

What has already been done:

- With the Skills Development Opportunities Act (Qualifizierungschancengesetz), which has been in force since 1 January 2019, the Federal Government has expanded the support available and given employees access to support for continuing education and training under Books III and II of the Social Code (Sozialgesetzbuch) irrespective of their qualifications, age and the size of the organisation that employs them. The aim is to increase the support for continuing education and training for unemployed people, people at risk of unemployment and employed workers, and to make this support more flexible.
- The Work of Tomorrow Act (Arbeit-von-morgen-Gesetz)², which was promulgated in the Federal Law Gazette on 28 May 2020, built on the provisions of the Skills Development Opportunities Act by further enhancing and expanding services to support the continuing education and training of employees in the case of organisations and employees particularly affected by structural change. The Act also introduced a fundamental legal entitlement for people without a professional qualification to receive support for continuing education or training leading to a professional qualification. Key agreements from the National Skills Strategy have been implemented.
- Further changes were also made to support for initial vocational training in the framework of this Act. Assisted vocational training was refined, merged with training-related assistance, and enshrined in law as a permanent support instrument.
- The Federal Government has developed an overarching strategy to reduce long-term unemployment, known as the “MitArbeit” integrated strategy. A holistic approach aims to enhance the employability of people in long-term unemployment by means of intensive mentoring, individual counselling and effective assistance, and at the same time seeks to ensure that more employment options are offered in the general and social labour markets. At the heart of the “MitArbeit” integrated strategy is the Participation Opportunities Act (Teilhabechancengesetz), which entered into

² Full German name: Gesetz zur Förderung der beruflichen Weiterbildung im Strukturwandel und zur Weiterentwicklung der Ausbildungsförderung.

force on 1 January 2019. The Act seeks to ensure that people who have already been unemployed for a very long time regain labour market prospects.

- The Act to Further Develop the Law on Part-Time Work (Gesetz zur Weiterentwicklung des Teilzeitrechts) entered into force on 1 January 2019. This introduced a general legal entitlement to work part-time for a fixed period (temporary part-time work) in the Part-Time and Fixed-Term Employment Act (Teilzeit- und Befristungsgesetz), alongside the existing entitlement to work part-time for an unlimited period of time. In the case of temporary part-time work, the employee returns to his or her original working time after the agreed period of between one and five years of part-time work.
- On 29 November 2019, the Act to Improve Care Workers' Wages (Pflegelöhneverbesserungsgesetz) entered into force. It provides for various changes to the Posted Workers Act (Arbeitnehmer-Entsendegesetz). These changes involve, firstly, the regulations about the Commission on Long-Term Care (commission-based approach) and, secondly, regulations on the extension of provisions laid down in a collective agreement (collective agreement-based approach). This means that stakeholders in the long-term care sector have two routes to establish minimum working conditions in the sector. With effect from 1 January 2020, the Caring Professions Reform Act (Pflegeberufereformgesetz) has permanently enshrined in Book III of the Social Code the possibility for employment agencies and Jobcenters to provide three years of funding for retraining as a care professional.

What remains to be done:

- The Federal Government will examine, on the basis of the completed evaluation, whether the Minimum Wage Act (Mindestlohngesetz) and its ordinances require changes, and if so, what changes are needed.
- The Federal Government is examining the possibility of further measures to counteract the continuing decline in collective bargaining coverage.
- To enhance the work-life balance, action should be taken to increase the options for flexibility in terms of working time and location (e.g. remote working). The parties to collective agreements should also reach agreements on remote working.
- Amendments in labour law are planned to limit the use of fixed-term contracts without an objective reason and so-called "chain fixed-term employment", which results when several fixed-term employment contracts are used in succession.

I.1.9 Reliable, flexible and sustainable employment promotion systems and minimum income schemes

The number of people receiving wage replacement benefits such as unemployment benefit and the short-time work allowance, but also minimum income benefits, fell steadily during the reporting period until the outbreak of the COVID-19 pandemic. The pandemic and the resulting economic crisis have highlighted the importance of these systems, and of effective providers.

Even before the crisis hit, the Federal Government regarded the social security systems as learning systems which must be adapted to reflect changing challenges, while taking into consideration new findings and judicial decisions.

What has already been done:

- The Skills Development Opportunities Act (Qualifizierungschancengesetz) has expanded the protection offered by unemployment insurance. The framework period within which the minimum coverage period for entitlement to unemployment benefit must be completed has been increased from two years to 30 months with effect from 2020. The special arrangement reducing the minimum coverage period to six months for employees mainly on short fixed-term contracts has been extended until the end of 2022, and it has been made easier to meet the eligibility requirements for this option.
- At the same time, relief has been provided to employees and employers: the contribution rate for employment promotion has been lowered from 3.0 per cent to 2.4 per cent (with 0.2 percentage points of this reduction applying for a limited period until the end of 2022).
- Improvements for benefit recipients: the overall reduction in the contributions to be paid by employees also lowers the flat-rate social security deduction used when calculating unemployment benefit and other benefits under Book III of the Social Code (Sozialgesetzbuch), taking it from 21 per cent to 20 per cent. This results in an increase in these benefits.
- The Strong Families Act (Starke-Familien-Gesetz) has implemented a key commitment from the coalition agreement: redesigning the child supplement for low-income families and enhancing the benefits provided under the education and participation package. One particularly important step is the significant increase in the amount provided for personal school supplies, from 100 euros to 150 euros, coupled with regular increases from 2021. The contribution to be paid by parents towards communal meals provided in schools, child day care centres and in the case of childminders, and towards school transport, has been abolished. These benefit improvements provide tangible relief to those affected and greatly simplify implementation for service providers. The same is true

of the clarification that educational support is not dependent on the child being at risk of having to repeat a year.

- The Family Members Relief Act (Angehörigen-Entlastungsgesetz) establishes limits in Book XII of the Social Code on recourse to support from parents and children who are liable to provide support and whose gross annual income does not exceed 100,000 euros. The Act is intended to provide relief to children and parents who are liable to support recipients of assistance towards long-term care or other social assistance benefits under Book XII of the Social Code. Relief has also been provided in the context of social compensation law.

What remains to be done:

- The Federal Government is examining how basic income support for jobseekers can be developed further to better align it with effective integration into the labour market, thereby implementing the Federal Constitutional Court's ruling of 5 November 2019 on individual benefit reductions in the framework of basic income support for jobseekers.

I.1.10 Gender equality

Gender equality is on the rise in many important aspects of everyday life. Particularly in couple families, it is increasingly common for parents to share responsibility for family commitments and paid work.

In some respects, convergence is taking place in areas of life where disparities have so far existed between women and men. On average, women in younger generations have at least as high a level of educational attainment as men. Men's life expectancy is moving towards the somewhat higher level for women. Women still have lower employment and labour force participation rates than men, but these rates are rising more sharply. However, the (unadjusted) gender pay gap when comparing average gross hourly earnings, which is indicator 5.1a of the German Sustainable Development Strategy, was still 18 per cent in 2020. Taking into account that women are less likely to work full-time and to hold executive positions, the gap is still around 6 per cent (this is known as the adjusted gender pay gap, the gap for men and women performing the same job, working the same number of hours, and with the same qualifications; figure from 2018). Another factor is that jobs frequently performed by women remain less well-paid, even though these are high-pressure jobs which require high qualification levels.

There has been almost no change in the fact that women are worse affected than men by disadvantaged circumstances: it is more common for single parenthood, disability or age-related impairments to

pose a risk of poverty for women than for men in the same situation.³ The impacts of traditional gender roles can reinforce inequalities: women with low levels of formal educational attainment are less likely to work than those with higher qualification levels.

At the same time, women and mothers play a special role in the development of gender equality. Analyses of educational mobility show that girls and young women are particularly influenced by their mothers' example in their educational decisions.

Health and social services is the sector of the economy with the highest proportion of women, with women accounting for 77 per cent of the workforce. Social services professionals – especially professionals in childcare and long-term care occupations – provide early childhood education, ensure equal opportunities for children, and deliver professional care for the elderly and infirm. By doing so, they also facilitate the employment of millions of parents and family members, meaning that they perform a critical role in two respects. However, this is not reflected in their pay and prospects for professional advancement.

The Federal Government is taking the following measures to foster gender equality.

What has already been done:

- The Act to Further Develop the Law on Part-Time Work (Gesetz zur Weiterentwicklung des Teilzeitrechts) has introduced a general legal entitlement to work part-time for a fixed period (temporary part-time work) in the Part-Time and Fixed-Term Employment Act (Teilzeit- und Befristungsgesetz), alongside the existing entitlement to work part-time for an unlimited period of time.
- The draft legislation supplementing and amending the regulations on the equal participation of women in executive positions in the private sector and public service (Zweites Führungspositionen-Gesetz, adopted by the Cabinet on 6 January 2021) is intended to increase the percentage of women on the management boards of listed companies with parity co-determination, companies in which the Federal Government has a majority stake, and social security corporations. Furthermore, the Federal Government has established the goal of achieving the equal participation of women in all executive positions falling within the scope of the Federal Act on Gender Equality (Bundesgleichstellungsgesetz) by the end of 2025.

³ It is not possible to provide a fully gender-disaggregated presentation of the at-risk-of-poverty rate, as key indicators can only be meaningfully determined at household level. Gender comparisons are problematic in this area, as the concept of equivalised incomes assigns an equal level of income to each household member. Men and women who form a shared household thus have, by definition, an identical net equivalised income.

- Building on the evaluation of the Act to Promote Transparency in Wage Structures Among Women and Men (Transparency in Wage Structures Act, Entgelttransparenzgesetz), which was published by the Federal Government in July 2019, there is a greater focus on companies when it comes to transparency in wage structures. For example, the end of 2020 saw the launch of the programme “Entgeltgleichheit fördern – Unternehmen beraten, begleiten, stärken” (Promoting Pay Equality – Advising, Supporting and Strengthening Companies), which helps companies to implement the Transparency in Wage Structures Act and the principle of equal pay. The three-year programme includes a service centre and a series of dialogues to support employers in making internal wage structures transparent and implementing equal pay for women and men.
- To pave the way for attractive professional development paths, the federal programme “Fachkräfteoffensive Erzieherinnen und Erzieher” (Skilled Labour Offensive for Early Childhood Educators) provides targeted encouragement for specialised careers in the form of a career advancement bonus. For the caring professions, agreement was reached on opening up trainer careers in the care sector in the framework of the training campaign for care workers (2019-2023).
- The Act on the Protection of Working Mothers (Mutterschutzgesetz) guarantees the right to participation of pregnant women and nursing mothers. Before these women are prohibited from working, employers are required by law to try to organise their working conditions in a way which protects them.
- The “Initiative Klischeefrei” (Cliché-Free Initiative), together with “Girls’Day – Future Prospects for Girls” and “Boys’Day – Future Prospects for Boys”, seeks to ensure that career guidance measures are free of gender stereotypes, enabling every young woman and young man to choose a professional career and training course based on their individual strengths and interests.

What remains to be done:

- One priority of Germany’s Presidency of the Council of the EU in the second half of 2020 was supporting gender equality in working life. In this context, Council conclusions on tackling the gender pay gap were agreed by all EU Member States. They look at improvements in the valuation and distribution of paid work and unpaid care work. An equal distribution of paid work and care work between women and men can also contribute to reducing the gender pay gap, as it is more common for women to take career breaks, and to take longer career breaks, in order to care for children or family members or be homemakers.
- Options are being examined to provide financial support, in certain circumstances, to working parents, single parents, older people and family carers in making use of household-related services, in

order to further enhance people's ability to combine family responsibilities and paid work, and to support the independence of older people.

- The Federal Government will continue to encourage rewarding specialised career paths in early childhood educator professions.
- The Federal Government will implement and update its Gender Equality Strategy.

I.1.11 Families and children

Children are dependent on their parents having an income which is sufficient to meet the needs of all household members. Income from employment is often low in the case of families with several children, or in which only one parent works or can work while receiving a relatively low wage.

All families, including low-income families, are focused on giving children good and healthy conditions in which to grow up, and parents do all they can to give their children a stable home and good development opportunities. It is important to parents to provide for their family themselves. However, they experience a great deal of financial strain in day-to-day life.

Families are particularly dependent on paid employment with adequate wages and salaries. The tax and benefits system must take targeted measures to alleviate higher financial pressures. Childcare services also provide necessary and effective support when children are of preschool and primary-school age.

When parents share paid work and family responsibilities on an equal basis, this opens up sources of income and thus reduces income risks (e.g. in the case of separation or unemployment). The earlier in life and more permanently that this kind of equal distribution is practised, the lower the income risks are.

What has already been done:

- The Strong Families Act (Starke-Familien-Gesetz): Ideally, children should receive fair opportunities for social participation and be able to reach their full potential, irrespective of their parents' financial resources. One aspect of this is ensuring that the specific sociocultural subsistence level of children, adolescents and young adults is met by providing education and participation benefits. The Strong Families Act significantly enhanced the benefits provided under the educational package with effect from 1 August 2019 (see also Chapter V.2.2). In addition to increases in certain benefits and the abolition of the contribution to be paid by parents towards communal meals provided in schools, child day care centres and in the case of childminders, all benefits can now also be provided as cash benefits. The requirement to submit a separate application has also been abolished in most cases.

- Temporary part-time work is strengthening the legal framework for organising working time in a way which suits people's lives and family circumstances (see also Chapter V.2.1).
- With its "Success Factor Family" business programme, the Federal Government is working closely with trade unions and associations of trade and industry to create a family-friendly working environment.
- The special fund for child day care expansion and the Act on Good Early Childhood Education and Care (Gute-KiTa-Gesetz): Childcare services create scope for an increase in paid work. The expansion of child day care and the Act on Good Early Childhood Education and Care both have the aim of making it easier to combine work and family life. Besides increasing the number of places or converting places to all-day places, measures such as expanding the opening hours of child day care centres or cutting fees, in particular, can help parents to better combine their paid work and family life.
- As part of the economic stimulus programme "Tackling the impacts of COVID-19, securing prosperity, strengthening future viability", a fifth investment programme will provide a further one billion euros in 2020 and 2021 to expand childcare places in child day care centres and with childminders. This funding can also be used to pay for digital equipment or for conversions to facilitate hygiene measures and thus ensure better protection.
- The reform of the parental allowance will make it even more flexible, simpler and based on partnership – with more options to work part-time, less bureaucracy and a higher parental allowance in the case of very premature babies. The new arrangements apply in the case of children born from 1 September 2021 onwards. This will help parents to better combine family life and paid work, and further reinforce the principle of partnership in families and in working life.
- The expansion of the maintenance advance allows support to be provided to all single parents and their minor children. Since 1 July 2017, an entitlement has also existed for children from the age of 12, without a cap on the period for which the maintenance advance can be received.
- Making family-related benefits digital means they are easier to access for those who are eligible. The first online options are already available, in the form of websites where people can apply for the parental allowance and child supplement. In addition, the Federal Government is examining possible ways of increasing uptake of the child supplement, and is drawing on the results of the dialogue on the future of the welfare state in this context.

What remains to be done:

- Although the Federal Government, Länder and municipalities have together created more than 400,000 new places at child day care centres across Germany just for children under the age of three over the past 10 years, this is still not sufficient to meet the demand for childcare. A further expansion is necessary to meet the increase in demand caused by the rise in labour force participation, preferences for early childhood education and childcare, rising birth rates, and the arrival of entire families of refugees.
- Further efforts are needed to expand the all-day services available for children of primary school age, with the aim of creating a legal entitlement to all-day care for all primary-school-age children in Book VIII of the Social Code (Sozialgesetzbuch) by 2025. Implementing this legal entitlement will require an expansion in childcare infrastructure at municipal level. To support the municipalities in this context, the Federal Government has provided 2 billion euros in a special fund entitled “Expansion of all-day educational and childcare services for primary-school-age children” for the Länder and municipalities to invest in the expansion of all-day schools and childcare services. Furthermore, up to 1.5 billion euros in additional funding from the Federal Government’s aforementioned economic stimulus programme has been earmarked for accelerated infrastructure improvements.
- To encourage more families to split the time spent on paid work and family responsibilities more equally between the parents, and thus increase the economic stability of mothers and families, it is necessary to make it easier for people to take a partnership-based approach to combining family and work commitments. The Federal Government has set itself the task of developing models which can create more scope for families to spend time together.

I.1.12 A good life in old age

Germany’s population is ageing and living in good health for longer. Most elderly people in Germany have an income in old age which enables them to maintain their standard of living. The percentage of people above the standard retirement age who receive basic income support, at around 3 per cent, is below the average for the population as a whole, at over 8 per cent. This must be maintained in the coming decades. Those who have been unable to make adequate provision for old age, despite making significant efforts and working most of their lives, should also have the security of knowing that they are well protected.

Retirement is also a life phase in which significant inequalities develop. Health, social participation, housing, need for long-term care and preferred care arrangements vary a great deal for older people, including within various socio-economic categories. As people get older, their ability to influence these

factors declines. Accordingly, policies are needed which reflect the diverse nature of old age and offer targeted solutions, including before people reach retirement age.

What has already been done:

- The basic pension which entered into force on 1 January 2021 for new and existing pensioners honours the lifelong contribution made by people who have worked for decades and paid compulsory contributions to the statutory pension insurance system, raised children and cared for their loved-ones. The increase in pensions by means of an individual basic pension supplement boosts people's confidence in the statutory pension insurance system and makes an important contribution to social cohesion. The new exempt amounts for basic income support and housing benefit introduced to flank the Act on the Basic Pension (Grundrentengesetz) with effect from 1 January 2021 also have the effect of increasing income in old age for those who have been insured for many years.
- The Act on Improving the Benefits Provided by the Statutory Pension Insurance System (RV-Leistungsverbesserungs- und -Stabilisierungsgesetz) has introduced significant improvements to benefits:
- A dual commitment has been introduced: the replacement rate before tax (also known as the "pension level") will be kept at 48 per cent until 2025, and the contribution rate for pension insurance will not rise above the 20 per cent mark before 2025.
- The safety net in the event of a reduction in earning capacity has been significantly improved. The added period is being increased annually for new pensioners to reflect the standard retirement age; this ensures that people who receive a reduced earning capacity pension are in the same position as if they had been employed until they reached the standard retirement age.
- For parents of children born before 1 January 1992, the child-raising period taken into account in pensions is being increased by six months, with the result that mothers or fathers now gain 2.5 earnings points in accrued pensions rights for each child.
- To provide relief to low earners, the previous progressive contribution wage band, in which employees who earn between 450.01 euros and 850.00 euros per month pay lower contributions, has been developed into a "transition range" with effect from 1 July 2019, and the ceiling has been increased to 1,300 euros. Steps have also been taken to ensure that the reduced pension contributions do not lead to lower pension benefits.
- Under the Conclusion of Pension Alignment Act (Rentenüberleitungs-Abschlussgesetz), pension levels in the eastern German Länder are to be brought fully into line with western German levels in a

series of steps commencing with the 2018 pension adjustment and ending on 1 July 2024 at the latest, and the divergent parameters currently used to calculate pensions in the eastern German Länder are to be aligned with the western parameters gradually over the period to 1 January 2025. The fourth step in this process has currently been reached, and it involves raising pensions in eastern Germany from 97.2 to 97.9 per cent of the western level with effect from 1 July 2021. In the coming years, the relative value will be increased to at least the adjustment level specified in the Act, until the current pension level in eastern Germany reaches 100 per cent of the level in western Germany, no later than 1 July 2024.

- The Act on the Development and Introduction of a Digital Pension Overview (Rentenübersichtsgesetz), promulgated on 17 February 2021, provides for the introduction of a digital pension overview, with the aim of ensuring the public are better informed about their own provision for old age.
- Various reforms have been introduced in long-term care insurance to expand the scope of many benefits which primarily benefit older people (see Chapter V.2.11).

What remains to be done:

- The Reliable Intergenerational Contract Commission published its report on the results of its work in March 2020. The Commission's recommendations are a valuable aid for future decisions by the Federal Government and will feed into its thinking on how the long-term financing of the statutory pension insurance system can be secured in view of the rapid ageing of the population. These kinds of adjustments to the pension system must be carefully examined and properly prepared. The next steps in this process are due to take place in the next electoral term.

I.1.13 Inclusion

People with disabilities or health impairments often need special support to ensure they can participate equally in the life of society and working life. This is also reflected in key findings of the report.

The share of students with special educational needs who are being taught at regular schools is rising. However, a high percentage of students with special educational needs still attend special needs schools, where it remains the case that they rarely obtain a lower secondary school certificate. It is welcome that the labour force participation rate for people with severe disabilities, i.e. the proportion integrated into the labour market, has continued to rise during the reporting period and that their unemployment rate has fallen. However, the latter remains more than twice as high as for the population as a whole. People with physical or health impairments are still at higher risk of long-term unemployment. In

addition, despite increases in the labour force participation rate, only 46.9 per cent of all working-age people with severe disabilities were in employment in 2017.

The average income of people with disabilities or a reduction in earning capacity with a severity of at least 50 per cent or “(fairly) poor health” was, at 19,920 euros, below the average for the population as a whole, and it increased by 22.8 per cent from 2006 to 2016, which is lower than the average increase. In particular, people with disabilities are more likely than average to have a low income permanently. That said, this must also be seen in the context of the fact that they are older than the average for the population as a whole and are more likely to already be retired.

The Federal Government has taken further measures and updated existing measures to enhance the participation of people with disabilities.

What has already been done:

- The Family Members Relief Act (Angehörigen-Entlastungsgesetz) establishes limits in Book XII of the Social Code (Sozialgesetzbuch) on recourse to support from parents and children who are liable to provide support and whose gross annual income does not exceed 100,000 euros. The Act is intended to provide relief to children and parents who are liable to support recipients of assistance towards long-term care or other social assistance benefits under Book XII of the Social Code. Relief has also been provided in the context of social compensation law.
- With effect from 1 January 2020, the contribution paid by parents towards integration assistance benefits for adult children with disabilities (e.g. for personal assistance services) has been completely abolished.
- With effect from 1 August 2019, the provisions relating to the training stipend for apprentices with disabilities have been reformed. The needs rate structure has been adapted to reflect that used for the vocational training grant, and the needs rates and exempt amounts have been increased in several steps.
- The Federal Government is significantly improving the data available on the situation of people with disabilities with the Report on Participation published in 2021.
- Since 2020, 1.1 million euros has been available each year in the Participation Fund. Funding is provided for measures which enhance disability organisations’ ability and means to help shape policy and society on an equal basis.

- With effect from 1 January 2020, significant improvements relating to the contributions paid on assessed income and assets by benefit recipients and by family members liable to provide support for them have entered into force in the law on integration assistance for people with disabilities.
- In 2018, the funding principles for the Federal Government's "Placement and Integration" programme were amended to enable more targeted support to be provided for the inclusion of people with disabilities and to make it easier for people with impairments to access the arts and culture and to develop their creative talents.

What remains to be done:

- Continued action to ensure employers are better informed about their legal obligations and about the scope of the services offered by the integration offices could help to improve the participation of people with disabilities or health impairments in the labour market. A review could also be undertaken to determine whether assistance can be organised in an even more transparent and unbureaucratic way.

I.1.14 Integration of migrants

The share of the population made up of people with a migrant background has grown in recent years and become more diverse. The socio-demographic composition of the new arrivals, the fact that many are refugees, language barriers, a lack of professional and educational qualifications or difficulties in securing recognition for these qualifications, and more generally a polarisation of the qualifications structure: all of these factors mean that many of these people tend to be on the lower end of the income distribution. Consequently, the average figures for migrants' income, employment status and educational attainment declined at the beginning of the reporting period and subsequently improved, at least until the outbreak of the COVID-19 pandemic. In 2016, the average net income of people with a migrant background was only around 1,000 euros higher than in 2006. The gap between their income and the average income of the population as a whole has thus widened. The incomes of people with a migrant background at the five and ten per cent marks of the income distribution were 16 and 11 per cent lower respectively in 2016 than in 2006. The main reason for this is that many people with a migrant background have newly entered the labour market; their earnings rise significantly with increasing length of residence.

However, a higher proportion of young people with a migrant background continues to leave general education without a school-leaving certificate and faces significant problems in the transition to vocational training and the labour market than is the case for the population as a whole. This should also be

seen in the mutually reinforcing context of the fact that the unemployment rate for people with a migrant background is more than twice as high as the rate for the population without a migrant background, despite falling in recent years until the outbreak of the COVID-19 pandemic.

That said, most people with a migrant background are now understood to form an integral part of all areas of society: schools and advanced education institutions, companies, the public administration and the public sphere.

This shows that a consistent, outward-looking and accepting integration policy is effective. It is important to continue to pursue and further develop this approach. To this end, the Federal Government has taken the following steps in the current electoral term.

What has already been done:

- The integration courses developed by the Federal Ministry of the Interior, Building and Community, which have been offered nationwide since 2005 and which support migrants, based on their individual needs and circumstances, in developing their German language skills and learning about participation in the life of society, have, together with the vocation related language training developed by the Federal Ministry of Labour and Social Affairs, been developed into a joint modular system, the Integrated Language Programme.
- The Ordinance regulating vocation related German language training (Deutschsprachförderverordnung), which entered into force on 1 July 2016, marked the first time that nationwide federal language courses which explicitly aim to improve participants' opportunities in the vocational training and labour market had been established as a standard support scheme in Germany.
- The Act to Promote the Training and Employment of Foreigners (Ausländerbeschäftigungsförderungsgesetz), which entered into force on 1 August 2019, makes it easier for foreign nationals to take part in German language courses and receive the support they need from when they begin a vocational training programme until they successfully gain a vocational qualification.
- With effect from 1 September 2019, the gap in support for apprentices and students under the Asylum Seekers Benefits Act (Asylbewerberleistungsgesetz) has been closed. People whose deportation has been suspended and people with certain residence permits on humanitarian grounds who are undertaking a school-based vocational training programme or who live with their parents and have started a university course can now also receive supplementary benefits under the Asylum Seekers Benefits Act in addition to the support they receive under the Federal Training Assistance Act (Bundesausbildungsförderungsgesetz), for example.

- Regarding foreign professional qualifications, comprehensive information and advisory services, such as the “Integration through Qualification” funding programme, have been continued or created since the entry into force of the Recognition Act (Anerkennungsgesetz) in 2012, and are experiencing rising demand. It has also been shown that recognition of professional qualifications is effective, improves people’s life situation and has a positive influence on integration into employment and on wages. The piloting of the recognition grant has closed a financing gap.
- Funding has been provided for childcare during integration courses for participants who are parents, if no childcare place is available at a standard childcare service.
- The arts and culture can foster social cohesion. Key federal projects in this area include:
 - Cultural institutions which receive federal funding pursue broad participation as a core element of their remit and as a cross-cutting task, and work to increase diversity in relevant bodies and among their staff, audiences, programmes and partners.
 - Cultural institutions which receive federal funding are strengthening their operational exchange of experience on integration-related matters via the new “Cultural Education and Integration Network 2.0” at Haus Bastian, the Centre for Cultural Education, which was opened in 2019 by National Museums in Berlin – Prussian Cultural Heritage Foundation.
 - The knowledge base is being expanded by a report, funded by the Federal Government, on diversity in cultural institutions which receive federal funding. The German Culture Council will produce the report in the framework of the Cultural Integration Initiative 2021.
 - The subject of migration is being highlighted more visibly thanks to the new federal funding for migration museums.
 - Diversity in education and skills development is being encouraged with federal funding. One element of this is the further training programme run by the German Federal Cultural Foundation for 40 cultural institutions in the framework of the “360° programme” and in cooperation with the Federal Academy for Cultural Education Wolfenbüttel.

I.1.15 Housing

The vast majority of people in Germany live in high-quality housing and have security of tenure. As housing and utility costs represent the single largest item in the household budget for many households, trends in housing costs, especially relative to incomes, affect people’s prosperity and wellbeing, and are a factor in determining how much money households have left over for other aspects of participation.

During the reporting period, the financial burden on households from housing costs has remained stable on average. However, a geographical breakdown reveals large disparities: sharp rent increases are a problem primarily in the seven most populous German cities (which have a combined population of around 10 million inhabitants), above all because incomes there have not kept pace. Lower-income tenant households in cities, in particular, are therefore forced to spend an above-average share of their income on housing costs.

A breakdown by income also reveals significant disparities which remain relatively stable over time: the 20 per cent of the population with the lowest income (the first quintile) spent around 35 per cent of their disposable income on housing costs in 2018, compared to around 13 per cent for the 20 per cent of the population with the highest incomes. Single-parent households, in particular, are at a disadvantage, as are one-person households and older people. Couple families tend to face a lower burden. The housing cost burden for tenant households is much higher than that faced by owner-occupier households. The social security systems relating to housing have a major role to play in this context: housing benefit and consideration of actual housing and heating costs in the framework of minimum income schemes help to ensure that households do not face an excessive housing cost burden.

Home ownership plays an important role in individual wealth creation and provision for old age for private households. At the same time, it strengthens regional ties, requires and encourages individual responsibility, and contributes to good and high-quality housing provision. Overall, the home ownership rate has remained stable in recent years. Since 2000, there has been a slight trend towards a declining home ownership rate for those on low incomes, and a rising rate for those on high incomes.

As the population ages, there is a growing need for accessible or partially accessible housing. This is very important for people with limited mobility – not only for their autonomy, but also for social participation. More than one in five people in Germany are over the age of 65. Around one in four over-65s have a severe disability. Demand for housing appropriate to their needs is accordingly high and will continue to increase as the average age of the population rises. Yet just 15 per cent of all households in which people over the age of 65 live state that they have step-free or accessible-threshold access to their home. Only 3 per cent of this age group have a home which meets all of the criteria to be considered partially accessible.

What has already been done:

To create more affordable housing, the Federal Government agreed on a Joint Housing Strategy with the Länder and municipalities at the housing summit on 21 September 2018. The Strategy is a package of measures on a historic scale, which includes programmes to encourage housing construction and ensure

affordability, as well as a wide range of measures to contain construction costs and secure the supply of skilled labour.

Encouraging investment in housing construction

- The Federal Government is making a total of 5 billion euros available to the Länder between 2018 and 2021 for the provision of social housing – including one billion euros each year in 2020 and 2021 as programme funding for the construction of social housing. Germany’s constitution, the Basic Law (Grundgesetz), was amended to allow this, and as a result, from 2020, the Federal Government can once again provide the Länder with ring-fenced financial assistance for nationally important investment in the field of social housing. Together with funding from the Länder and municipalities, this will allow more than 100,000 social housing units to be created.
- Alongside social housing, privately financed rental housing also contributes to the provision of housing for people on low or middle incomes. A special depreciation allowance has therefore been introduced to create tax incentives for building affordable new rental properties.
- The family housing grant (Baukindergeld) supports families in buying their first home. By January 2021, 320,000 applications had been received with a funding volume of more than 6.7 billion euros. The applicants’ average taxable household income is 45,000 euros. The family housing grant thus primarily reaches low- to middle-income families.
- The home ownership savings premium has been improved by raising the income thresholds, the premium rate, and the expenditure to which the premium applies. The home ownership savings premium is an incentive to save the necessary equity to buy a home.
- Under the KfW “Age-Appropriate Conversion” programme, the Federal Government is seeking to increase the availability of accessible or partially accessible housing by providing grants to private homeowners and tenants – irrespective of their income and age – to remove barriers to accessibility in residential properties and implement building measures that provide homes with anti-burglar protection. In 2021, the Federal Government is making 130 million euros in programme funding available for the removal of barriers to accessibility.
- The Federal Government is supporting the Länder and municipalities by providing federal financial assistance in the framework of the “National Urban Development Policy” initiative, to promote balanced urban development in social, environmental, economic and demographic terms. With its Urban Development Support Programmes and the “Investment Pact for Social Integration in Neighbourhoods”, the Federal Government made around one billion euros in programme funding available in 2019 and again in 2020. The “Investment Pact for Sports Facilities” (Golden Plan) was also

launched in 2020, with 150 million euros in funding, and is being continued in 2021. Together with the Urban Development Support Programmes, a total of 900 million euros has been earmarked for 2021. In addition, the interministerial strategy “Social City – Empowering Neighbourhoods, Togetherness in the Quarter” includes various pilot programmes.

Ensuring affordable housing

- A key prerequisite for creating affordable housing is affordable building land. The Federal Government is making a direct contribution to this by selling its own land at reduced prices.
- By comparison with other European countries, Germany has a strong rental housing market. Social protections for tenants are therefore very important. They have been updated and enhanced in several respects during this electoral term: the rent-rise cap has been reinforced, the period taken into account when establishing the local reference rent has been extended, and further limits were placed on rent increases after properties have been modernised.
- Housing benefit helps to lower the housing cost burden faced by low-income households. The 2020 housing benefit reform raised the level of housing benefit, increased the maximum amounts of rent or costs which can be taken into account, and introduced a new rent tier for regions with tight housing markets. The 2020 reform means that existing recipient households now receive around 30 per cent more housing benefit on average. Housing benefit was increased further in the context of the introduction of carbon pricing in 2021. In addition, housing benefit will be adjusted in line with the trend in rent and incomes every two years from 2022, to ensure that the relief provided by the 2020 housing benefit reform is permanent.

Construction costs and securing the supply of skilled labour

- Moderate construction costs and adequate capacity in the construction industry are also key prerequisites for creating additional housing at affordable prices. Measures to reduce construction costs, such as support for serial and modular construction or limits on the consequential costs of regulation and standardisation, thus contribute to housing affordability. At the same time, many of these measures aim to speed up planning and construction processes. In particular, the opportunities offered by digitalisation are being seized in this context. Not only does this reduce construction costs; it also, in combination with the measures to encourage investment, facilitates a faster expansion of the housing supply. The following measures are among those taken in this electoral term:

- With support from the Federal Ministry of the Interior, Building and Community, the Federal Association of German Housing and Real Estate Companies (GdW) has developed a framework agreement on “serial” and “modular” housing construction which has been accepted by the housing sector.
- In the framework of the Online Access Act (Onlinezugangsgesetz), successful efforts are being made to digitalise the building application process, as part of the “Construction and Housing” thematic area. The first pilot implementations are already online.
- The Skilled Immigration Act (Fachkräfteeinwanderungsgesetz) and the extension of the Western Balkans regulation are boosting the availability of skilled construction workers.

All key measures contained in the Housing Strategy have now already been implemented or are in the process of being implemented. A detailed overview of the implementation status of the Housing Strategy, with information about many more measures, is available (in German) at

www.bmi.bund.de/wohnraumoffensive-bilanz.

What remains to be done:

- When individuals first begin receiving basic income support for jobseekers, they should initially be protected from having to sell their home or other properties they own. As the law currently stands, homeowners are required to sell their home or other properties they own in order to support themselves if the size of the property is inappropriate. In this initial phase, people should be able to concentrate on getting back into employment without worrying about losing their home and their familiar living environment. The Federal Government is therefore planning to do more to protect owner-occupiers and tenants from losing their homes.
- Strengthening rent level surveys (Mietspiegel), as an important means of determining the local reference rent: draft regulatory requirements have been drawn up to improve legal certainty and the quality of qualified rent level surveys (qualifizierter Mietspiegel), and are currently before Parliament.
- Mobilising more building land for housing construction. The Building Land Mobilisation Act (Baulandmobilisierungsgesetz), which gives the municipalities greater scope to take action, is currently before Parliament.
- Continuing to keep climate action in mind when thinking about housing supply. The trend towards more households, larger homes and fewer members per household is resulting in a trend towards greater consumption. However, this trend is being offset by the steadily improving energy-effi-

ciency standards for new buildings and energy-efficiency upgrades for existing buildings. It is important for climate measures in the building sector to be implemented in a socially minded way. The Climate Action Programme 2030 and the Cabinet decision on draft legislation to harmonise the legislation on energy conservation for buildings of 23 October 2019 contain an agreement to examine the possibility of amending tenancy and energy legislation to allow a limited share of carbon pricing costs to be passed on to tenants.

- The measures contained in the Housing Strategy are being continued.

I.1.16 Educational opportunities

Education paves the way for upward mobility, financial independence and prosperity. It also improves many other dimensions of people's lives (health, social participation and political participation).

It is therefore welcome that participation in education in Germany is high, both in absolute terms and in terms of enrolment rates. It is already the case that almost all children aged three to six, and increasingly younger children as well, attend a child day care centre. The expansion of education and childcare in child day care centres, nurseries and after-school care facilities create new opportunities – especially for equality of opportunity in education. At secondary level, the Gymnasium – a type of secondary school which prepares school students for higher education – is becoming the most commonly chosen type of school. In addition, ease of transfer in the education system has increased in general. As these trends have been ongoing for decades, there has been a steady increase in the proportion of families which provide favourable conditions for learning and encourage ambitious career goals. Completed vocational training programmes and higher education degrees continue to bring high returns.

In view of these successes, it is all the more important to provide targeted support to disadvantaged children and young people and to support their development. Educational attainment is often still influenced by conditions in the family home over the individual's entire educational career and beyond. Further quantitative and qualitative improvements of childcare facilities and information and support services for school students and apprentices can supplement each other in this context. Child day care centres meet a particularly large number of key criteria when it comes to providing effective support. In addition, it is important to look at schools and types of school which face special structural challenges.

What has already been done:

- The national reports on education ("Education in Germany"), jointly funded by the Federal Government and the Länder, allow the strengths and weaknesses of the education system to be identified.

The report also looks at socio-economic background and at the development of children from households in “at-risk groups” – in social, educational and financial terms.

- The Act on Good Early Childhood Education and Care (Gute-KiTa-Gesetz): The Federal Government is providing around 5.5 billion euros by 2022 to support the measures taken by the Länder to further enhance the quality of early childhood education settings and to reduce the fees paid by parents.
- The first three “Childcare Financing” investment programmes have created more than 560,000 childcare places for children under the age of three nationwide. The funding from the fourth and fifth investment programmes will create a further 190,000 places for children up to school entry.
- Since 2009, the Upskilling Initiative for the Early Childhood Education and Care Workforce (WiFF) has been strengthening early childhood education as the foundation of the education system. The Upskilling Initiative has grown into a platform where all stakeholders in training and employment in the field of early education can participate.
- By providing continued funding for the “Language day care: Because language is the key to the world” federal programme in 2021-2022, the Federal Government is supporting high-quality early childhood education services.
- Since 2020, the “Education through Language and Literacy (BiSS)” initiative has been continued in the form of a five-year transfer phase, in partnership with the Länder. As part of the “Transfer of Language Education, Reading and Writing Support (BiSS-Transfer)” programme, around 2,700 child day care centres and schools are working – with support from the state institutes for teacher education and school development and the institutes of continuing education of the Länder – to incorporate enhanced measures to encourage language learning and promote literacy skills in their institution.
- Since 2011, the Federal Government has been funding activities run by the Stiftung Lesen Foundation, such as “Lesestart – Three Reading Milestones” (around 12.7 million euros) and subsequently “Lesestart 1-2-3” to encourage reading skills, for which around 21 million euros has been made available for the period up to 2026. The “Reading is our Future: Lesestart for Refugee Children” reading programme focuses particularly on young children of preschool age.
- The Federal Government is supporting access to early childhood education by continuing to fund the “Child day care centre entry: building bridges to early education” federal programme in 2021-2022.

- The “Skilled labour campaign for early childhood educators: recruiting young skilled workers and retaining professionals” launched by the Federal Government is supporting the Länder in recruiting more people for this profession and keeping them in the profession.
- The ESF federal programme “Opportunities for parents II – getting families involved in education early on” improves the conditions for individual educational opportunities and social participation by getting parents involved in their child’s education at an early stage.
- In the framework of the Digital Pact for Schools, which entered into force on 17 May 2019, the Federal Government is providing financial assistance for nationally important investment in municipal digital education infrastructure, which is supplemented by contributions from the Länder and municipalities. The aim is to put the conditions in place to ensure that, in the era of digital transformation, the education system can facilitate participation for all young adults, equip them to make informed decisions, and provide equal opportunities for each and every child. In total, the Federal Government is now investing 6.5 billion euros in equipping schools with digital technologies, following the topping-up and expansion of the existing Digital Pact, as set out in Chapters II and V.1.3.
- Targeted support for high-quality education in schools helps to improve the conditions for individual educational attainment. One example of this is the joint Federal Government-Länder initiative “Schule macht stark (School makes you strong)”. It helps to improve the educational opportunities of socially disadvantaged children and young people in schools in difficult social environments.
- The “Qualify and Connect – the education chain up to qualification” initiative supports young people in their career choice and offers perspectives for the transition from school to vocational training or higher education.
- With its Lifelong Vocational Guidance service, which is available to people both before and during working life, the Federal Employment Agency is expanding its vocational guidance and counselling service to support young people and adults throughout their working lives.
- The 26th Act amending the Federal Training Assistance Act (26. BAföG-Änderungsgesetz) of 7 July 2019, which entered into force before the start of the school year and the winter semester, significantly and permanently improved the assistance available under the Federal Training Assistance Act, including by increasing the standard rates and income allowances in several stages, in order to better reach young people facing the decision of whether to embark on a school-based vocational training programme or enter academic education.
- Action has been taken to avoid pandemic-related hardship caused by financing interruptions as a result of disruption to teaching at schools and higher education institutions. For this reason, it is possible to continue to receive assistance under the Federal Training Assistance Act even beyond

the maximum duration for assistance. Furthermore, additional income from jobs begun in essential sectors since 1 March 2020 to mitigate the effects of the COVID-19 crisis is completely exempt when calculating the amount of assistance received under the Federal Training Assistance Act. If an ongoing further training programme is interrupted by the pandemic-related closure of schools and other educational institutions, recipients of assistance under the Upgrading Training Assistance Act (Aufstiegsfortbildungsförderungsgesetz) continue to receive such assistance.

- The National Skills Strategy provides responses to digital transformation from the perspective of skills policy, and contributes to equal opportunities in the world of work. The National Skills Strategy sets out measures to support a new skills culture and personal control over individual education and career paths in the midst of structural change. One key priority is strengthening preventive approaches. The introduction of a general legal entitlement to support for continuing education and training leading to a vocational qualification for low-skilled individuals, and the changes introduced by the Work of Tomorrow Act (Arbeit-von-morgen-Gesetz)⁴ to strengthen the support for continuing education and training provided by the Federal Employment Agency, represent an important contribution to the Strategy's aim of improving access to continuing vocational education and training.
- Since the end of 2018, the ValiKom-Transfer project (which runs from November 2018 to October 2021) has expanded the validation process for informally acquired skills, widening its scope from industry, commerce and the skilled crafts sector to include more regions and occupations, as well as agriculture.

What remains to be done:

- Educational research projects: scientific findings provide a basis for educational policies which are fair, inclusive and promote equal opportunities.
- The "Digital Education Initiative" aims to help learners to develop skills throughout their educational career in a digital world, and to strengthen equal opportunities, including in digital education. The Federal Government intends to create a digital education area by linking new and existing digital education platforms to form a nationwide platform eco-system. The key element will be the National Education Platform. This will enable everyone, irrespective of their age, learning situation

⁴ Full German name: Gesetz zur Förderung der beruflichen Weiterbildung im Strukturwandel und zur Weiterentwicklung der Ausbildungsförderung.

and past learning pathways, to gain self-directed access to individual advice and guidance throughout their personal educational career, and to gain access to and participate in learning opportunities. In addition, a digital platform for instructors in vocational education and training is to be developed, as well as – in partnership with the Länder – centres of excellence for digital and digitally enabled teaching, with the aim of ensuring that teachers are better qualified in this respect.

- A legal entitlement to all-day education and childcare for children of primary school age: in the coalition agreement for the current electoral term, the Federal Government undertook to create an individual legal entitlement to all-day education and childcare for children of primary school age from 2025, and to support the necessary investment by the Länder and municipalities with 2 billion euros in federal funding. As part of the Federal Government's economic stimulus programme, up to 1.5 billion euros in additional funding has been earmarked for accelerated infrastructure improvements.
- Counselling, mentors and tutors are to be made available for children and young people from disadvantaged families who need special support.
- The educational and participation opportunities of children from disadvantaged families must be improved further by means of targeted intervention measures involving parent mentoring. This is planned as part of the new ESF Plus federal pilot programme "Parent mentoring for families in special circumstances".
- Steps will be taken to increase the transparency of opportunities and programmes for continuing vocational education and training, and to improve digital access options.
- The partners of the National Skills Strategy explore options and variants for how the tried-and-tested validation process for non-formally and informally acquired skills (ValiKom) can be anchored in a binding way nationwide. In addition, the "MySkills" testing process is being used in Jobcenters and employment agencies to test professional knowledge in the case of non-formally and informally acquired skills.
- Further measures will be developed to foster recruitment and retention among the early childhood education and care workforce and to upgrade the status of this work, for example by encouraging specialised career paths.
- Measures are to be taken to improve working conditions for the early childhood education and care workforce; proposals will be developed to increase the representation of men in this workforce, and action will be taken to recruit migrants and people with other vocational backgrounds to work in this sector.

I.1.17 Health

Physical and mental health has an important influence on an individual's opportunities to organise their lives, participate in the labour market, educate themselves and participate in other ways in the life of the community. The reverse is also true: life circumstances have a significant influence on health.

The management of the pandemic has particularly highlighted how important an effective healthcare system is: local public health offices can only effectively track chains of transmission, which reduces further infections, if they are well-resourced in terms of staff and digital resources. When it comes to acute care for people who fall ill, Germany has been very successful by international standards: a high standard of medical capacities is available, and in particular there are sufficient intensive-care beds.

Average life expectancy at birth has increased over the past 25 years, both overall and for all income groups studied; however, significant disparities can be observed between the income groups. This is partly attributable to the fact that individuals with a lower social status are still more commonly affected by chronic disease and ailments in Germany. Higher health risks and problems in childhood often manifest in health impairments later in life.

The picture is similar in terms of behaviour affecting health. International studies regard tobacco consumption, unhealthy diets and lack of exercise, lower awareness and uptake of preventive healthcare options and services, and greater pressures in people's living and work environments as important factors in the continued existence of these inequalities.

What has already been done:

- Under the Act to Provide Relief to Insured Persons in the Statutory Health Insurance System (GKV-Versichertenentlastungsgesetz), all statutory health insurance contributions have been financed equally by employers and employees since 1 January 2019; meanwhile, relief from statutory health insurance contributions for insured persons worth around 8 billion euros each year has been implemented.
- The Act to Improve Healthcare and Long-Term Care (Gesundheitsversorgungs- und Pflegeverbesserungsgesetz) has implemented the Social Guarantee 2021. Thanks to the payment of a supplementary federal subsidy to the Health Fund amounting to 5 billion euros in 2021 and a levy on the health insurance funds worth around 8 billion euros, the average additional contribution rate in the statutory health insurance system has been limited to 1.3 per cent in 2021 and thus largely stabilised.

- In 2019, the “Statutory Health Insurance Alliance for Health”, a joint initiative by the health insurance funds to further develop and implement settings-based health promotion and disease prevention, launched a nationwide funding programme, with the support of the Federal Centre for Health Education (BZgA), to strengthen health promotion and disease prevention in municipalities on the basis of socio-economic categories. The health insurance funds are making a total of around 90 million euros available for the nationwide establishment and further development of municipal structures and for the implementation of supportive interventions focused on specific target groups. This can benefit particularly vulnerable groups in terms of health, such as single parents, people with a migrant background, people with disabilities, and children and young people from families with addiction or mental health problems. Funding for settings-based health promotion and disease prevention has also been significantly increased by the Prevention Act (Präventionsgesetz).
- Economic and social pressures can have a negative impact on families’ capacity for action. Good intersectoral cooperation plays an important role in this context. The nationwide services run by the early childhood intervention networks make a significant contribution to reaching families facing particularly high levels of pressure and offering them supportive services.

What remains to be done:

- The efforts being made to improve equal opportunities in healthcare are to be continued, both in health policy-making and beyond. The implementation of the Prevention Act and the intensification of cross-cutting collaboration between all relevant stakeholders will continue in future to play an important role in reducing inequality in health chances caused by social determinants.
- Ensuring that the finances of the statutory health insurance system are sustainable remains a major challenge, especially against the background of the COVID-19 pandemic, with lower revenue increases and rising expenditure. (For details about social security contributions, see Chapter V.1.1.)
- The Act to Further Develop Healthcare (Gesetz zur Weiterentwicklung der Gesundheitsversorgung) is intended to enhance quality and transparency in healthcare and to expand the services provided to insured persons. Service improvements will be achieved by the further development of outpatient emergency structures in hospitals and easier access to appointments via appointment service centres, for example. Statutory health insurance will contribute a significantly higher amount to the funding of psycho-oncology out-patient services, and the Federal Joint Committee will be tasked with developing a new structured disease management programme for the treatment of obesity.
- The Federal Government and Länder, together with the municipalities, agreed on the “Pact for the Public Health Service” in September 2020. It will be implemented from 2021 to 2026. Its aim is to

strengthen the public health service's human, digital and technical resources across the board. The Federation will provide a total of 4 billion euros in support for its implementation.

I.1.18 Good conditions for long-term care and for people in need of long-term care

Basically, people in need of care have equal access to benefits under Book XI of the Social Code (Sozialgesetzbuch), irrespective of whether they are affected by physical or intellectual impairments or mental health problems, in line with the grade of care they are assigned after assessment. In spite of this, social and income disparities can make themselves felt when it comes to the need for long-term care, but also in the context of caring for family members. With regard to institutional care, rising co-payments can lead to financial overstretch, especially for those who require care for a longer period. Women with low earnings, in particular, severely limit their employment if they care for family members, which places them at additional risk in terms of their employment history and their income in old age. More than 70 per cent of family carers are women (38 per cent of whom are over 70 years old). This often poses a major challenge for families. Family carers who take on the task of providing care for a family member on top of raising children and engaging in paid employment need support and greater flexibility in terms of time. For carers who reduce their working hours or stop working to care for family members, for example, long-term care insurance covers the payment of contributions to statutory pension insurance and unemployment insurance; in addition, wage replacement benefits are paid under Book XI of the Social Code if a family carer takes a temporary absence from employment or provides stand-in care. Equity in health requires, not least, that sufficient carers are available to ensure an adequate level of care.

What has already been done:

- The Act to Strengthen Nursing and Care Staff (Pflegerpersonal-Stärkungsgesetz) made it possible, with effect from 1 January 2019, to fund additional care workers for every nursing home as well as additional nursing staff in hospitals. Furthermore, the Act improved family carers' entitlement to rehabilitation benefits and the advisory services available to people receiving the long-term care allowance. The Act also provided funding for better working conditions in the long-term care sector, in order to make it easier to combine caring responsibilities, family life and employment. The support for investment in digitalisation in the care sector provided for by the Act also aims to reduce the burden on care workers.
- In addition, the Act to Improve Healthcare and Long-Term Care (Gesundheitsversorgungs- und Pflegeverbesserungsgesetz), which entered into force on 1 January 2021, funds up to 20,000 new jobs for care workers in nursing homes.

- In June 2019, the Federal Government agreed with all relevant stakeholders in the care sector on a comprehensive set of measures to permanently improve care workers' working conditions: the Concerted Action for the Care Workforce. This includes agreements to enhance vocational training for care workers, agreements to improve staffing levels in nursing homes and agreements on better pay. The first report on progress made in implementing these measures was published on 13 November 2020.
- The introduction of a new, scientifically developed quality system for institutional care has brought about significant changes to internal quality assurance, external quality inspections and reports on quality as the foundation for achieving a better quality of care and greater transparency for consumers. The Nursing and Care Staff Improvement Act also boosted the funding provided for organisations representing people who require care and family carers. The funding provided by long-term care insurance per calendar year was increased from 0.10 euros to 0.15 euros per insured person, which means that long-term care insurance now provides around 12 million euros per year in funding for such organisations in the long-term care sector, up from around 8 million euros previously. In addition, start-up grants and support can be provided for organisations of this kind, including at federal level.
- Various measures have also been taken to improve the quality of care review visits, which are mandatory for recipients of the long-term care allowance; for example, recommendations have been issued on quality assurance for care review visits, requirements have been established regarding the agreement of fair compensation, and uniform guidelines will apply in future regarding the preparation, assessment and standardised documentation of the results of care review visits.
- In June 2019, the Independent Advisory Board on Work-Care Reconciliation published its first report, containing key recommendations for action addressed to the Federal Government.
- With the aim of improving and increasing the supply of support and housekeeping services, the Appointment Service and Healthcare Supply Act (Terminservice- und Versorgungsgesetz) has introduced support services as licensed service providers in the social insurance system for long-term care. This allows the care received by people who require long-term care to be delivered by a wider range of specialist backgrounds and thus also by a wider range of staff. The services delivered by support services include support for household-related activities, assistance in day-to-day life, and support in maintaining social contacts and capabilities.
- Personal advice and rapid assistance for family members are offered by the care helpline run by the Federal Ministry for Family Affairs and the service website for long-term care, www.wege-zur-

pflege.de. This service is aimed at people who require long-term care, family carers, service providers in the long-term care sector, as well as employers and associates of family carers, and offers specialised information, advice and assistance, particularly in stressful and critical situations.

- The Federal Ministry of Health runs a helpline on long-term care insurance and the digital “care services help tool”, as well as a service for people who are deaf or hard of hearing, and in this way offers the public a professional and independent point of contact for all questions relating to the German long-term care system.
- The project “Pause button – Those who help others sometimes need help themselves” run by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth has existed since January 2018 as a low-threshold, nationwide advisory service to support young carers. The “pause button” project aims to help them to take breaks, reflect, take up offers of assistance, or talk about their own situation – anonymously if they wish. In addition, the Federal Ministry for Family Affairs has launched a nationwide network to support young carers.
- Since 1 January 2020, the Family Members Relief Act (Angehörigen-Entlastungsgesetz) has provided relief to parents and children who are liable to support recipients of social assistance and social compensation benefits. In future, they will only be required to contribute financially if their income exceeds 100,000 euros annually. Specifically, the Act provides financial relief to the children of parents who require long-term care and to the parents of children with disabilities.

What remains to be done:

- Family carers of people with dementia face particular challenges because of the time-intensive support which is often required and the psychological stress involved. The Federal Government therefore adopted the National Dementia Strategy on 1 July 2020. In total, 162 measures have been developed with the aim of improving provision for people with dementia and their family members in the coming years (by 2026).
- The Federal Government’s new national gender equality strategy, which was adopted in July 2020, also touches on the need to make it easier to combine caring and work responsibilities, with a view to ensuring that family caregiving responsibilities are divided more equitably between women and men. Among other things, the strategy seeks to ensure a more equal division of paid work and unpaid care work between women and men – including in the context of family caregiving.
- The Federal Government will continue to examine proposals on how to make it easier to combine caring and work responsibilities. It will also engage with the recommendations made by the Independent Advisory Board on Work-Care Reconciliation from a technical and financial perspective.

- The long-term care sector must make greater use of the potential offered by digitalisation. This applies to digital-enabled care models, among other things.
- The COVID-19 pandemic has made clear how important it is to continue to make consistent progress on providing better support for care workers, a path which began with the Concerted Action for the Care Workforce, and to continue to improve working conditions in the care sector (more responsibility, better staff ratios, better pay). The implementation of the agreements of the Concerted Action will therefore continue. A first report on the progress made in implementing these measures was published in November 2020; a report on further progress will be published in 2021.
- Family members play a key role in supporting people who require assistance and care. Long-term care insurance must facilitate and further strengthen this engagement. This includes the option for family carers to be able to use long-term care insurance benefits flexibly and in a way which is tailored to their specific individual circumstances.
- Care workers are to be better paid, and more staff are needed, especially in nursing homes. That said, it is important to ensure that people who require care do not experience financial overstretch as a result of rising co-payments for nursing home care.