



European Minimum Income Network country report Germany

Analysis and Road Map for Adequate and Accessible
Minimum Income Schemes in EU Member States

The European Minimum Income Network (EMIN) was a two year project (2013-2014) sponsored by the European Parliament, funded by the European Commission, under contract no Tender N° VT/2011/100 Pilot project – Social solidarity for social integration and promoted by the European Anti-Poverty Network (EAPN). <http://emin-eu.net/what-is-emin/>

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1. Panorama: short description of minimum income scheme(s)

1.1. General overview: description of minimum income scheme(s):

Assistance towards living expenses (Hilfe zum Lebensunterhalt) / Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung) / Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): Tax-financed schemes of means-tested minimum resources to secure a material and socio-cultural subsistence level for beneficiaries who are capable or incapable of working and who do not earn a sufficient income in order to meet their needs and do not receive sufficient support from other people. The level of the benefit entitlement corresponds to the difference between the available determining resources and the needs (differential amount). Entitlement to this differential amount is legally enforceable, and its level is not set in a discretionary way. The Assistance towards living expenses as well as the Needs-based pension supplements in old age and in the event of reduced earning capacity are administered by the authorities of the Länder (predominantly by the local authorities). The Federal Employment Agency (Bundesagentur für Arbeit) and the local authorities are responsible for the basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende).

1.2. Eligibility conditions:

Beneficiaries:

In Germany there are two minimum incomes Assistance towards living expenses (Hilfe zum Lebensunterhalt) /

Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung): Persons who are incapable of work for health-related reasons or due to age. A person is in need of help and thereby entitled to benefits if s/he cannot help him- or herself or does not receive the necessary assistance from other persons (last resort) and if s/he suffers from full temporary work incapacity (Assistance towards living expenses) or is permanently fully incapable of work or above the age limit (Needs-based pension supplement in old age and in the event of reduced earning capacity).

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): All beneficiaries who are capable of working - if they are not excluded due to particular circumstances - and their family members living together with the beneficiary in a domestic unit (Bedarfsgemeinschaft).

The following persons are entitled to receive *unemployment benefit II*:

- person capable of work, i.e. when, as result of sickness or infirmity, she or he is not able to work during an indefinite period for at least 3 hours a day under the regular labour market conditions,
- person in need of help; e.g. is not able to earn his or her living through the income or the assets to be considered or from other aid (last resort). Family members who are incapable of working and share the same domestic unit (Bedarfsgemeinschaft) with beneficiaries who are capable of work, receive social benefit (Sozialgeld), provided they are not

entitled to Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung) (SGB XII).

Nationality:

Assistance towards living expenses (Hilfe zum Lebensunterhalt) /

Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung): German nationals and citizens of the signatory countries to social security agreements (Belgium, Denmark, Estonia, France, Greece, Ireland, Island, Italy, Luxembourg, Malta, Netherland, Norway, Portugal, Sweden, Spain, Turkey und United Kingdom; not Austria and Finland)); other foreigners (with benefit entitlement restrictions) and specific categories of people (civil war refugees). For asylum seekers and foreigners under a legally enforceable obligation to leave the country, a special benefit system applies according to the Asylum Seeker Benefits Act (Asylbewerberleistungsgesetz, AsylbLG).

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): In principle no nationality requirement. Excluded from benefits are foreigners who are neither employed or self-employed in Germany nor falling under the free movement provisions of national or EU law, as well as their family members for the first three months of their stay. Foreigners (as well as their family members) whose stay in Germany is dictated solely by job search are also excluded. The same holds for beneficiaries according to §1 of the Asylum Seeker Benefits Act.

Residence:

Assistance towards living expenses (Hilfe zum Lebensunterhalt) /

Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung): Actual residence in the country. Germans habitually residing abroad may be granted social assistance (Sozialhilfe) in certain exceptional emergency cases, i.e. one of three conditions mentioned in the Act must be fulfilled.

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): Persons with their habitual residence in Germany.

Age:

Assistance towards living expenses (Hilfe zum Lebensunterhalt) /

Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung): No age condition; minors can claim in their own right. From the age of 65 and in case of permanent full earning incapacity from the age of 18, the Needs-based pension supplement in old age and in the event of reduced earning capacity is granted instead of the assistance towards living expenses.

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): Persons from age 15 until standard retirement age.

Means testing:

Assistance towards living expenses (Hilfe zum Lebensunterhalt) /

Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung) / Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): **Income** to be taken into account includes all income in money or in money's worth, with the exception of the basic pension under the federal pension law and pensions payable for damage to life, body or health up to the amount of comparable basic pensions.

All realisable **assets** (movable and immovable goods, claims and other rights) are taken into account. Exempted are the dwelling of an appropriate size which the claimant lives in, as well as goods and rights when their realisation is manifestly inefficient or would imply extra hardship for the person concerned.

Exemptions are explicitly laid down by law: Assistance towards living expenses (Hilfe zum Lebensunterhalt) /

Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung): Only if explicitly stated in the law. As assets for example, an adequate real estate used by the claimant, adequate household equipment, and certain state-funded pension capital or smaller cash savings. As income for example, pensions or allowances under the Federal Compensation Law, the basic pension under the federal assistance act on pensions to war victims, and under strict conditions also assistance of charitable organisations. For the Assistance towards living expenses and Needs-based pension supplement in old age and in the event of reduced earning capacity, the equivalent of 30% of the income from self-employed or not employed activities of the beneficiary are to be deducted, within the limit of 50% of normal requirements (Regelbedarfe) of category 1. When working in a sheltered workplace for disabled persons the amount deductible from the wage is 1/8 of normal requirements of category 1 plus 25% of the wage exceeding this amount. For certain tax-exempted activities (e.g. trainer, local elected officials) 2013 € 175 (2014 € 200) are to be deducted per month. All realisable assets are taken into account, except for protected assets (assets disregarded in the means test) explicitly mentioned in the law. Also exempted are adequate household supply as well as goods and rights when their realisation is manifestly inefficient or would imply extra hardship for the person concerned.

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende):

Beneficiaries who are working can deduct € 100 of the monthly earned income. For earned income between € 101 and € 1,000, 20% are deducted, for earned income between € 1,001 and € 1,200 (for families with children) 10% are deducted. From the assets € 150 per year of age are to be deducted, with a minimum of € 3,100 and a maximum of € 9,750/€ 9,900/€ 10,050 depending on the age. For each child in need a basic tax-free amount of € 3,100 is deducted. State-funded pension if the beneficiary does not retire early. Pensions that cannot be used due to a contractual obligation (€ 750 per year of age, but a maximum of € 48,750/€ 49,500/€ 50,250 depending on the age).

An adequate vehicle is not taken into account.

Small incomes, funds granted by third parties up to a certain limit and various interim allowances or transitional allowances are not taken into account.

Readiness for work and training: see 1.5

1.3. Amounts of the living wage:

Assistance towards living expenses (Hilfe zum Lebensunterhalt) / Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung) / Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): Through the benefits the sociocultural subsistence level is guaranteed. They are granted in an amount which is necessary to guarantee the subsistence level, taking account of own determining resources. The nationwide uniform amounts of the normal requirements (Regelbedarfe) vary according to the beneficiary's age and household status. They are provided as lump-sums covering the costs for nutrition, personal hygiene, household equipment and personal needs of daily life. Actual housing and heating costs are also covered to the full amount provided these are reasonable.

Assistance towards living expenses (Hilfe zum Lebensunterhalt): Each member in need of help of the eligible household is entitled to claim assistance towards living expenses in his/her own right. The family's total need increases with its size. If parents receive assistance towards living expenses, their adult children not sharing a household with them may have to pay maintenance. The same applies for parents in case their adult children receive assistance towards living expenses.

Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung): In a joint household only the income of the spouses is considered. Children or parents of beneficiaries cannot be requested to pay maintenance as long as their annual income does not exceed € 100,000.

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): The income of a child is only taken into account for their own needs. If the need of a child is covered by his/her own income or assets, the child is no longer part of the domestic unit (Bedarfsgemeinschaft). Single parents caring for and living together with one or more minor children receive a supplement. Benefits are provided for the initial equipment of a dwelling; for clothing in case of pregnancy and delivery; and for education-related costs (educational benefits).

Assistance towards living expenses (Hilfe zum Lebensunterhalt) / Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung) / Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): The normal requirements (Regelbedarfe) are as follows throughout Germany:

	2013	2014
Persons living alone, and single parents	€ 382	€ 391
Cohabiting spouses, registered partners and other partners	€ 345	€ 353
Persons without own household or sharing the same household with a spouse, a registered partner or another partner	€ 306	€ 313
Children from the age of 14 onwards	€ 289	€ 296
Children aged between 6 and 14	€ 255	€ 261
Children under the age of 6	€ 224	€ 229

* In addition the beneficiaries receive the actual costs for housing and heating of an appropriate dwelling. The statistical base for determining the normal requirements is the sample survey of income and consumption (Einkommens- und Verbrauchsstichprobe (EVS)).

The amount of the normal requirements is based on the actual expenditure of households in the lower income range (the lower 15% for normal requirements of adults and the lower 20% for normal requirements of children). A family with two children aged 5 and 10 receive the following amounts:

	2013	2014
Parents	€ 345 x 2	€ 353 x 2
Child (5 years old)	€ 224	€ 229
Child (8 years old):	€ 255	€ 261
Total amount	€ 1.169	€ 1.196

In addition the family receives the actual costs for housing and heating.

Uprating:

In years, in which no new results of a sample survey of income and consumption (Einkommens- und Verbrauchsstichprobe (EVS)) are available for a renewed determination of the normal requirements (Regelbedarfe), these are updated on 1 January. The update is determined by the German (federal) average development of the prices of goods and services which are taken into account for the purposes of establishing the normal requirements (Regelbedarfe) as well as by the German (federal) average development of net wages and salaries per employee according to national accounts. In the mixed index, the rate of change of the development in prices accounts for 70% and that of the development of net wages and salaries for 30%. In both cases, the rate of change is considered over two 12-month periods. Counting from the date of adjustment, the current 12-month period starts on 1 July of the year preceding the previous year and ends on 30 June of the previous year. The previous reference period begins and ends twelve months earlier.

1.4. Time duration: i

Assistance towards living expenses (Hilfe zum Lebensunterhalt): Unlimited, as long as the situation of need lasts.

Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung): Generally limited to 12 months; afterwards, a new application is required.

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): Unlimited, as long as the situation of need lasts; in general review after six months.

1.5 Conditionality:

Assessment:

Assistance towards living expenses (Hilfe zum Lebensunterhalt) / Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung): The institutions responsible for social assistance decide upon the benefit claim. For determining whether the claimant is temporarily or permanently incapable of work, the statutory pension insurers deliver, upon request of the institutions responsible for social assistance, a binding opinion. As a rule, the institutions responsible for social assistance incorporate external services to examine the living and working situation in individual cases.

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): The institution responsible for basic security benefits decides on the request for benefits. The incapacity for work is determined by the employment agency. In case of appeal, the employment agency takes a decision after seeking an expert opinion of the competent pension institution. The institution responsible for basic security benefits has an external service to examine the living and work circumstances.

Readiness to work and training:

Assistance towards living expenses (Hilfe zum Lebensunterhalt) / Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung): Only where beneficiaries can be reasonably expected to do a job despite their restricted capacity on health- or age-related grounds, the assistance also includes the offer of a job as well as the preparation and the guidance of the entitled person. Attention should be given to the aim that the offers of assistance are taken. If entitled persons can be expected to take up a suitable job (usually minor activities) to earn an income despite their constraints, they are obliged to do so and to take part in the necessary preparations.

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): Beneficiaries who are capable of working as well as the persons living together with them in a domestic unit (Bedarfsgemeinschaft) have to resort to all possibilities in order to end or reduce their situation of need. The beneficiaries who are capable of working have to take part in all work-oriented inclusion measures. He/she concludes an integration agreement with the job centre responsible for basic security benefits. If it is not possible for the beneficiary concerned to find employment on the regular labour market, he/she has to accept job offers of suitable employment. Occupational integration benefits include benefits according to the Social Code (book III) as well as the specific integration benefits of the Social Code (book II). The starting allowance (Einstiegsgeld) can be granted to unemployed persons to start their own business or another activity covered by compulsory social insurance in order to overcome their situation of need, provided this is necessary for their integration into the labour market. Self-employed beneficiaries can apply for loans or one-time subsidies for the purchase of goods. Grants cannot be higher than € 5.000. Condition for this grant is that the self-employment is sustainable. In order to retain or regain their employability, beneficiaries capable of working can be assigned to work opportunities. Employers may receive a subsidy of up to 75% of the wage, if they employ a beneficiary capable of working with particular obstacles to finding a job. The free support is supplementary to the general benefits, but cannot circumvent or increase them. This does not apply to benefits for long-term unemployed and to beneficiaries under the age of 25 whose vocational integration is seriously impeded due to particular obstacles to employment. Beneficiaries who

are capable of working are obliged to accept suitable work or to participate in appropriate vocational integration measures. Exemptions exist for example in cases where carrying out work would jeopardise the upbringing of a child under the age of 3 (one's own child or the child of a partner) and/or if carrying out work is not compatible with taking care of relatives, which cannot be secured otherwise.

1.6. Link with other social benefits:

Additional benefits

Additionally, benefits for the following needs are granted upon request:

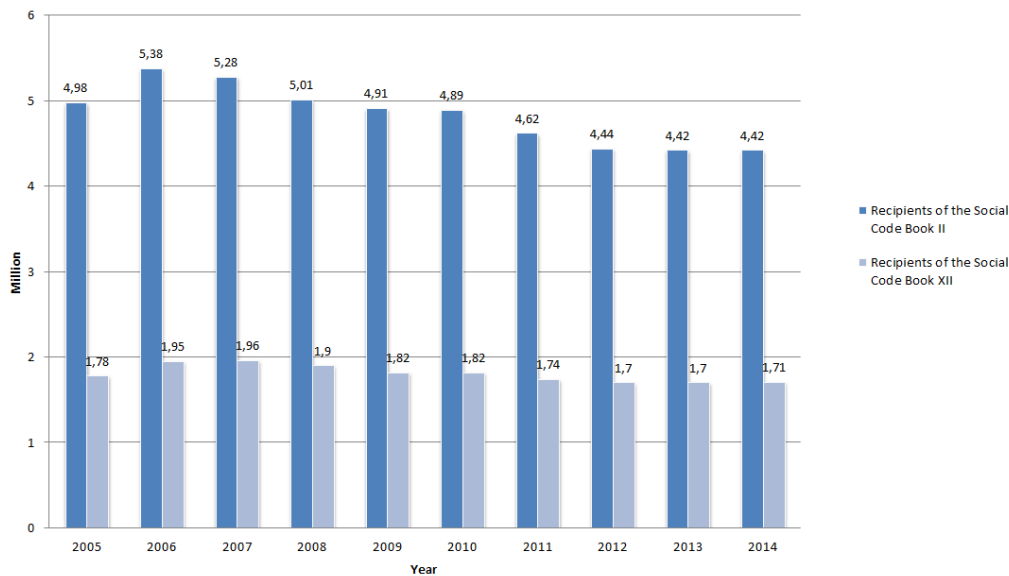
- i) increased requirements (Mehrbedarfe) for certain groups (e.g. single parent families, pregnant women, persons in need for extra nutrition due to certain diseases, etc.).
- ii) One-time requirements (einmalige Bedarfe) that are not included as flat-rates in the normal requirements:
 - * initial equipment of a dwelling including household appliances,
 - * basic items in terms of clothing including for pregnancy and birth,
 - * purchase and repair of orthopaedic shoes as well as therapeutic appliances and equipment.
- iii) Educational needs (Bedarfe für Bildung und Teilhabe) for children, adolescents and pupils:
 - * school or day-care trips lasting one or several days,
 - * personalised school supplies,
 - * school transport,
 - * community lunches (at school or in day-care),
 - * learning/study support,
 - * membership fees for clubs, culture and recreation.

Housing and heating:

Assistance towards living expenses (Hilfe zum Lebensunterhalt) / Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung): Costs for adequate housing and heating are covered, provided that they are reasonable. The reasonable character is generally based on the local conditions.

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende): Actual housing and heating costs are covered to the full amount if these are reasonable. The reasonable character is generally based on the local conditions.

Recipients of Benefits of the Social Code Book II and Social Code Book XII



2. Link between the right to social integration and the active inclusion strategy

2.1. Inclusive labour markets:

Assistance towards living expenses (Hilfe zum Lebensunterhalt) / Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung), Social Book XII:

In the system of Social Code Book XII there is no link between benefits and activation measures. Benefits on the legal basis of Social Code Book XII are provided to persons who are capable to work under the maximum of three hours or who are older than 65 years. The focus of the law is not on the integration of the beneficiaries into the labour market.

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende), Social Book II:

Basic security benefits for jobseekers include benefits to reduce or to terminate their need of help in particular work-oriented inclusion measures.

The system was introduced in 2005. It shows the following principles :_

Benefits on the legal basis of Social Code Book II are provided to persons capable to work at least three hours. The threshold is sufficiently low to provide a lot of persons the benefits on the legal basis of Social Code Book II. The main objective of the law is the (re)integration of the beneficiaries into the labour market.

Persons capable of work and persons sharing the same domestic unit (Bedarfsgemeinschaft) with them have to resort to all possibilities in order to end or reduce their situation

of need. The beneficiaries who are capable of working have to take part in all work-oriented inclusion measures, in particular to conclude an integration agreement. If it is not possible for the beneficiary to find gainful employment on the general labour market in the foreseeable future, he/she has to accept a suitable work opportunity. Suitable to the person capable to work is – in the interest of minimizing the financial burden of the general public – basically any work opportunity.

It is foreseen that the service providers offer beneficiaries capable of work comprehensive support with the aim of integration into the labour market (principle of promoting). The service providers should render all benefits required in the individual case. At the same time they should note the principles of efficiency and economy. The principles of efficiency and economy mean that the service provider should achieve their objectives with as little allocation of resources as possible or ensure an efficient use of funds to achieve the best results.

Benefits for inclusion into the labour market are rendered, so far as they are necessary to prevent or to eliminate, to abbreviate or to reduce the need. The suitability, the individual situation, especially the family situation, the probable duration of need and the duration of inclusion of the beneficiary have to be considered. Measures for the immediate commencement of work should be used on a priority basis. Thereby the principles of efficiency and economy have to be considered.

Beneficiaries who are capable of working are obliged to accept suitable work or to participate in appropriate vocational integration measures. Exemptions exist for example in cases where carrying out work would jeopardise the upbringing of a child under the age of 3 (one's own child or the child of a partner) and/or if carrying out work is not compatible with taking care of relatives, which cannot be secured otherwise.

Important means:

1. Integration agreement (Eingliederungsvereinbarung): The National Public Employment Service (Bundesagentur für Arbeit) in agreement with the municipalities shall agree the benefits necessary for the integration with the beneficiary. The integration agreement should contain the benefits, the efforts including the frequency the beneficiary has to make and the third-party services, in particular other social benefits, he has to apply for. The integration agreement is concluded for six month. Afterwards a new integration agreement is signed.

2. Instant offer (Sofortangebot): Persons who are capable to work and who did not get benefits according to Book Two or Three of the Social Code should be offered integration measures immediately in order to make them not dependent upon unemployment benefits.

3. Benefits for inclusion into labour market (Leistungen zur Eingliederung): The National Public Employment Service may provide further benefits which are governed in Social Code Book III. Benefits for active employment promotion, inter alia, may be: advice and placement process, benefits for activation and active inclusion, benefits for professional education, benefits for professional development, benefits for an employment subject to social insurance contribution.

4. Municipal rehabilitation services (kommunale Eingliederungsleistungen): In order to provide an holistic and comprehensive advice and support to the person capable to work

the following services can be provided: caring for minor or disabled children, home-based health care for relatives, psychosocial counselling, drug counselling.

5. Starting allowance (Einstiegsgeld): This benefit can be granted to unemployed persons to start their own business or another activity covered by compulsory social insurance in order to overcome their situation of need, provided this is necessary for their integration into the labour market. It can be granted for a maximum of 24 month. In order to determine the amount of the benefit, the duration of the unemployment as well as the size of the domestic unit of the beneficiary are considered.

6. Benefits to integrate self-employed persons (Leistungen zur Eingliederung von Selbstständigen): Self-employed beneficiaries can apply for loans or one-time subsidies for the purchase of goods. Grants cannot be higher than € 5.000. Furthermore, these persons can be supported by advice and skill sharing of appropriate third parties, if these services are necessary to promote the pursuit of self-employment. The transfer of professional knowledge and skills is excluded. Conditions for these grants are that the self-employment is sustainable and that the need for help can be overcome or reduced within a reasonable period. In order to assess the sustainability the National Public Employment Service should seek the opinion of an expert agency.

7. Work opportunities (Arbeitsgelegenheit): In order to retain or regain their employability, beneficiaries capable of working can be assigned to work opportunities (one-euro jobs). The conducted work has to be additional to existing jobs, in the public interest and competitively neutral. Benefits enabling the direct integration into the labour market take priority over the work opportunities. Work opportunities may be assigned for a maximum of 24 month within five years. The beneficiary capable to work gets a reasonable compensation for the extra expenditure besides unemployment benefit II.

8. Promotion of new jobs by means (Förderung von Arbeitsverhältnisses): Employers may receive a subsidy of up to 75% of the wage, if they employ a beneficiary capable of working with particular obstacles to finding a job. The free support is supplementary to the general benefits, but cannot circumvent or increase them. This does not apply to benefits for long-term unemployed and to beneficiaries under the age of 25 whose vocational integration is seriously impeded due to particular obstacles to employment.

9. Free promotion (Freie Förderung): The National Public Employment Service may provide free benefits for inclusion into labour markets besides the benefits regulated by law.

The National Public Employment Service may additionally provide up to 10 % of the financial means for integration to extend the possibilities of the integration services. The majority of the integration services are specifically regulated. The period and the amount of support as well as further conditions are defined in detail. With the free promotion integration services can be adapted to local conditions. It is also possible to explore new ways of integration. If these new ways of integration are successful, they can be extended to cover the whole of Germany (best practise). Beneficiaries as well as employers and providers can be supported. There are three kinds of promotion:

- Development of a new benefit
- Increasing or circumvention of benefits regulated by law
- Supporting projects

For example, travel costs to the job interview can only be refunded, if the future employment is in the EU, the EWR or the Switzerland. Under certain conditions the National Public Employment Service may assume travel costs to other countries, especially if the jobseeker

is long-term unemployed and the regular instruments will not be successful in integrating him within the next six months.

In conclusion, vulnerable people don't get the unemployment benefit II for free. They have to fulfill some duties in order to get the benefits.

Violation of duties (Pflichtverletzungen): Beneficiaries capable to work violate their duties, if they – despite the written information of the consequences –

- refuse to fulfill the duties in the integration agreement, especially to prove sufficient efforts,
- refuse to start or to continue a suitable employment, a vocational training, a work opportunity or a supported employment or prevent the initiation by their behavior,
- do not start or discontinue a sustainable measure for integration or gave reasons for the termination.

It is no violation of duties, if the persons may demonstrate an important reason for their behavior.

Consequences of the violation of duties (Rechtsfolgen bei Pflichtverletzung):

If the beneficiary capable to work violates his duties for the first time, the unemployment benefit II is reduced by 30 per cent of the normal requirements (Regelbedarfe) that has been determined as being applicable to the person concerned. If the beneficiary violates his duties for the second time, the unemployment benefit II is reduced by 60 per cent of the normal requirements that has been determined as being applicable to the person considered. If the beneficiary violates his duties for the third time, the unemployment benefit II is completely suspended. The period of reduction takes three months.

If the beneficiary capable to work is subsequently willing to fulfill his duties, the public services may limit the reduction from that moment to 60 per cent of the normal requirements that has been determined as being applicable to the person considered.

There is a special legislative provision for beneficiaries under the age of 25 years. If a beneficiary under the age of 25 years violates his duties for the first time, the unemployment benefit II is limited to the housing and heating costs. If the beneficiary violates his duties for the second time, the unemployment benefit II is completely withdrawn. The period of reduction takes three months. If the beneficiary under the age of 25 years is subsequently willing to fulfill his duties, the public services may provide from this moment housing and heating. When deciding the public services have to take into account all factors relevant to the circumstances of the case.

When it comes to sanctioning of beneficiaries under the age of 25 years, the public services may limit the reduction to the normal requirements (and supplement) to six weeks – in consideration of all factors relevant to the circumstances of the case.

The decision of the reduction is only admissible within six months from the date of violation of duties .

If the unemployment benefit II is reduced more than 30 per cent of the normal requirements (Regelbedarfe) that has been determined as being applicable to the person concerned, the public services may provide contributions in kind to an reasonable extent when requested.

Persons who are subjects to an administrative penalty may appeal against the administrative act which imposes the penalty. Authority responsible for appeal procedures makes a final decision concerning the appeal. If the appeal is declared founded, the administrative act which imposes the penalty is quashed. If the appeal is unfounded, the person gets an

appeal notification and the penalty remains unchanged. The affected person can dispute the appeal notification in a lawsuit.

Closer link between activation measures and benefits over the years

The Social Code Book II was established in the year 2005. The former social system did not have a strong link between benefits and activation measures. People who have never worked before have been in an minimum income system without any access to activation measures. By the introduction of the Social Code Book II a link between benefits and activation measures has been established. For example, work opportunities (Arbeitsgelegenheiten) have been established in a large number. The aim of the introduction of the new social system was to strengthen the self-responsibility of beneficiaries capable to work and their relatives living in their household.

Since the introduction of this new system the link between benefits and activation measures has even been strengthened. For example, the instant offer (Sofortmaßnahme) was established in the year 2006. The instant offer has been introduced to check the willingness to work of the beneficiaries. The instant offer is not an inclusion measure. It makes reference to the existing inclusion measures based on the Social Code Book II. The instant offer generates only an obligation for the service providers to make a fast offer, for example a work opportunity, to the beneficiary.

Especially the work opportunities are used as instant offer. At the beginning the use of work opportunities was widespread. If the beneficiary were not willing to accept the instant offer, the benefits were reduced. But later on, the use of this instrument has decreased because it has become obvious that was not the suitable way to achieve the objective to integrate all kinds of persons into the labour market.

In the course of time one noticed that not for every person the participation in more and more measures gets him into work. Especially for people who have not been working for a long time or have social or health problems new measures were introduced. In the year 2007 promotion of new jobs by means (Förderung von Arbeitsverhältnissen) was introduced. The aim of this new instrument was to activate beneficiaries and to support their participation in work. It was realized that it is important to help these persons far from the labour market to participate in working life. The measures offered to the beneficiary should be voluntary for the process to be effective. In conclusion, for persons far from the labour market the focus shall not be on the link between benefits and activation measures. But since that time this measure has again been changed so that the original intention cannot be fulfilled any more. Therefore Caritas claims new measures for these people.

2.2. Access to quality services:

**Assistance towards living expenses (Hilfe zum Lebensunterhalt) /
Needs-based pension supplement in old age and in the event of reduced earning capacity (Grundsicherung im Alter und bei Erwerbsminderung) /
Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende):**

Persons in special living conditions with social difficulties can be offered benefits on the basis of Social Code Book XII to overcome these difficulties, if they are not able to overcome these difficulties by themselves. This assistance includes all measures needed to

avoid, eliminate or mitigate problems or prevent them from getting worse (especially advice and personal counselling for persons seeking help together with their families), assistance with training, finding and keeping a job, keeping or finding accommodation, help in building up and maintaining social relationships, and in going about day-to-day life. Beneficiaries can obtain these benefits even if they are capable to work.

Basic security benefits for jobseekers (Grundsicherung für Arbeitsuchende):

After the establishment of the Social Code Book II there was an insecurity regarding to the access to quality services. For example, regarding the assistance to the homeless. These persons were uncertain as to whether they were eligible for these social benefits (like debt counseling for example). In the meantime this difficulty has been overcome. It is clarified that there principally is an access to quality services.

Important role of the case manager

Even if the case manager in a job centre is willing to provide a comprehensive service and care he/she is not able to do so. The job centres have to support the job-seekers in a comprehensive way, according to her or his specific needs, with the aim of integrating them as well and as fast as possible into the labour market. In order to fulfill this obligation, the job centres have to provide personal contact persons for every job seeker (and his needs community). Activating programmes can only be effective when professional case managers provide intensive counselling and support during the job-search process. The problem is that the framework conditions and the concepts of case management differ widely between the job centres. But in all job centres, users are classified in different activating categories according to their specific integration obstacles. For each category different kinds of advice and support are defined. Normally case management is only provided for the group of people with major integration barriers. But there is still a lack of comprehensive assessment for the integration of the long-term unemployed.

There are several steps of employment-oriented case management: contacting, basic counseling, building a working alliance, diagnosis and assessment, integration contract and agreement on support services, control and monitoring of services. An important precondition of a successful case management is mutual trust between the case manager and the job seeker to enable a fruitful cooperation. The case manager should recognize the individual needs of the jobseeker as well as consider his/her living conditions.

The other task of a case manager is to steer and control the integration process. This also contains the decision on integration measures and sanctions in the case that the jobseeker is not willing to look for or to accept a job opportunity. The work of a case manager is characterized by a tension between the different tasks. On the one hand, he has to offer helpful advice and support. On the other hand he is obliged to control and sanction the jobseeker. This requires high social and professional competences of the task manager as well as framework conditions enabling an intensive process of advice and support. Experiences show that it is difficult to fulfill these conditions. Substantial savings contribute to make the job of the case managers difficult. Because of the lack of staff the caseload of a case manager is so high that an individual support is hardly possible. But persons far from the labour market rely on a comprehensive and individual advice and support. Therefore, this group is suffering particularly by the savings policy.

Approach to integration measures for long-term unemployed people

Since 2010 the funds for integration measures for long-term unemployed people were cut back over the coming years. In the year 2011 a new reform of the integration instruments under Social Code Book II has been adopted by the federal government. This reform represents the main element of the federal government's consolidation package and is therefore primarily aimed at reducing fiscal costs rather than improving the effectiveness of labour market policy. The heavy cuts in the integration budget for unemployed job seekers in the context of the Social Code Book II reduces the opportunities and prospects of young entrants and long-term unemployed with regard to becoming integrated in the labour market. The reform package did not include measures to improve the situation of special target groups, such as unemployed immigrants, the elderly unemployed, etc.

The objective of social inclusion is based on the assumption that the strong economic growth will continue. Because this assumption does not seem to be becoming true, the labour market situation of the most vulnerable groups in the labour market can be expected to deteriorate.

From 2005 to 2010, the total number of beneficiaries in integration measures in the context of the basic income support for job seekers increased from 576,000 to 758,000 people. The participants represent only a limited subgroup of the total number of unemployed beneficiaries.

The activating ratio was around 24.8% in the year 2010. Since the introduction of the Social Code Book II the distribution of participants between the different integration measures has changed. Most participants could be found in employment creating measures, followed by placement related measures and employment accompanying measures.

Even if the impact of the reform project in general is assessed positively, negative effects have also been identified. A main problem was and still is that it was previously not possible to offer individually tailored integration measures in a sufficient way. Unfortunately long-term unemployed persons had only low priority in the German labour market integration policies. This can be derived from the fact that long-term unemployed were underrepresented in all types of integration measures. In consequence the integration rate of long-term unemployed into the normal labour market has not improved since 2005.

Funds for integration measures

This result will likely not be improved because of savings in the funds for integration measures. The currently funds for integration measures is around 3,9 billion Euros for 1,965 millions of unemployed people. An increase to 5,5 billion Euros would be necessary to fulfill the objectives of integration of long-term unemployed into the labour market. In 2010 fund for integration measures was around 6,017 billion Euros for 2,16 millions of unemployed people. Hence the average expenditure for active labour-market policy per unemployed people was around 2.782 Euros.

3. Identification of obstacles to the implementation of adequate minimum income schemes

3.1. Coverage:

As a basic principle, all citizens who have their main residence in Germany have the right to receive an adequate minimum income. The Social Code Book II and XII regulate these demands. The minimum income is supposed to cover the basic needs and to enable a participation in social life. But in fact there are some groups who do not receive an adequate minimum income.

Asylum-seekers have a special law that regulates their claims, the Asylum Seeker Benefit Act (Asylbewerberleistungsgesetz AsylbLG). They have only restricted access to the health care system. Usually asylum seekers get no money; they get benefits in kind and have to live in so called transitional homes. There exist no legal claim for a health or nursery insurance and only the costs for medical emergencies are covered. All other medical needs have to be paid out of one's own pocket. As a result many asylum-seekers are medically underserved. During the first three months of the detention asylum-seekers have no access to the employment market and cannot earn money which makes them even more dependent on the welfare state. As they are not part of the Social Code Book II, they receive no special training to make the access to the labour market easier.

The big obstacle for undocumented migrants is the obligation to register. When they are registered they have the same rights as asylum-seekers. But if they register they will be deported. Without being registered they have no legal claim to get access to the German minimum income scheme. And therefore they have no access to the health care system. Only cases of emergency will be medicated. For other cases concerning medical assistance they can ask the social welfare office for financial support but here again, they must register in Germany and that involves the risk of being detected and deported. Housing is another problem for undocumented migrants. Without being registered they do not get access to any kind of free accommodation. Children do get free access to public kindergartens and schools without being reported to the authorities. But they do not get any financial support for material or excursions. And even if there exists no duty for teachers to report the children to the authorities parents are concerned of being detected and do not let the children attend school.

For the first three months family members that move to Germany have no legal claim to get any financial support. They depend on their relatives who often don't have enough money for themselves. They live at risk of poverty and have no chance to help them.

Homeless people have the right to receive an adequate minimum income. There are special accommodations where they can stay and they have access to the health care system. But they need to proof their indigence, which means they need to go to the social assistance office, fill in a form and make appointments to receive what is needed to be identified as a poor person. Several of the homeless people are mentally ill and/or are addicted to alcohol and drugs and therefore are not able to make use of their rights. Without specific help these people are unable to cope with the formal requirements, like showing up on time to

an appointment. They have a high risk of falling through the social security net and live a life in poverty.

Another Problem concerning the coverage are the gaps between legal spheres. There exist many interfaces between legal spheres where the competence is not clearly regulated. As a result, the affected people have to wait a long time until they get their money. None of the authorities feels responsible.

Another obstacle can be showed by the work of a case manager (compare also part 2.). The work of a case manager is characterized by a tension between the different tasks. On the one hand, he has to offer helpful advice and support. On the other hand he is obliged to control and sanction the jobseeker. This requires high social and professional competences of the task manager as well as framework conditions enabling an intensive process of advice and support. Experiences show that it is difficult to fulfill these conditions. Substantial savings contribute to make the job of the case managers difficult. Because of the lack of staff the caseload of a case manager is so high that an individual support is hardly possible. But persons far from the labor market rely on a comprehensive and individual advice and support. Therefore, this group is suffering particularly by the savings policy.

3.2. Take-up

Number of people that took up their right: 4.419.587 (SGB II), 1.712.716 (SGB XII). The Federal Employment Office (Bundesagentur für Arbeit) releases every month the number. But there is still a relevant group of persons who are entitled, but do not take up their right. The German IAB (Institut für Arbeitsmarkt- und Berufsforschung), an institute for researches on the labour market, developed a micro-simulation model to identify people that are entitled for benefits under SGB II or SGB XII. The range lasts from 34% to 43%.¹ There are many reasons why people don't take up their right. The following list is again the result of a simulation model for a study conducted by the "Friedrich-Ebert-Stiftung" (2007).² The model enables to draw conclusions to the question about barriers for take up. The following barriers were identified:

- shame, fear of stigma,
- negative experiences with the authorities,
- lack of information, wrong knowledge,
- administrative and organisational barriers,
- cost-benefit considerations for the high levels of bureaucracy,
- Fear of back payment.

The experience in the facilities of the welfare organisations like helpdesks shows that many people have difficulties to fill in a form and would need assistance. This applies, above all, to people with minor education or migration background. Because of the unfriendly attitude from the employees in the authorities they don't dare to ask for help.

¹ Vgl. Cf Bruckmeier, Kerstin; Pauser, Johannes; Walwei, Ulrich; Wiemers, Jürgen (2013): Simulationsrechnungen zum Ausmaß der Nicht-Inanspruchnahme von Leistungen der Grundsicherung * Studie im Auftrag des Bundesministeriums für Arbeit und Soziales zur Abgrenzung und Struktur von Referenzgruppen für die Ermittlung von Regelbedarfen auf Basis der Einkommens- und Verbrauchsstichprobe 2008. (IAB-Forschungsbericht, 05/2013), Nürnberg.

² Cf Becker, Irene (2007) : Verdeckte Armut in Deutschland Ausmaß und Ursachen.

3.3. Adequacy:

The Federal Statistical Office defines the amount of the standard rates of the minimum income (Regelsatz). The basis is a national survey of the private households about their consumption expenditure on different items like food, clothing, and health care. To define the amount of the minimum income scheme the spending habits of a single households is considered. But only the spending habits of the lowest 15% tail of income distribution. Households that receive a minimum income are excluded to avoid circular reasoning (if they were not exclude the following problem arises: these people have less money to spent, if their spending habits are taken as basis for the minimum income, they get not enough money).

Products that are considered to be not relevant for the minimum income are also excluded like alcohol and tobacco. That means these items are subtracted in the survey and do not affect the amount of the standard rates. People who are entitled to receive minimum income but do not take up their right are not excluded. Students that have only a little income but receive many other price reductions aren't excluded either. Especially these two groups are distorting the results.

Costs for housing, heating and water are not collected in the survey because they differ from region to region. These expenses are paid as long as they do not exceed a "reasonable margin". Children and youngsters receive also an extra amount so that they can join school trips, have private lessons when it's needed or participate in a sport or music club (Bildungs- und Teilhabepaket)

The standard rates are updated every year. They are adapted to the development of prices and salaries (see also 1.3.). To make the minimum income adequate the reference group for determining the requirements should be enlarged. The minimum income should be based on the expenditures on the lower 20% of low-income households as it was till 2012. It was reduced to the group of the lower 15 % of low-income households because of financial reasons. The leading associations of the welfare organizations criticize that the new definition of the reference group (15 % instead of 20%) leads to a too low standard rates.

In terms of adequacy table 1 and table 2 in the annex show , the standard rates together with the average costs for housing and heating in comparison with the at risk of poverty threshold (amount and ratio). The standard rate is lower than the at-risk of poverty threshold. The welfare organizations agree that the standard rate is too low at the moment. But they focus on different aspects.

To get an adequate amount for the standard rates, the following things should be changed: The leading welfare organizations agree that minimum income the reference group must be changed:

Reference group:

At the moment, people that are entitled but do not take their right are part of the reference group to calculate the minimum income. This leads to circular calculations and, to a lower standard rate. This group must be excluded from the reference group. Students are part of the reference group. As they get special discounts in many parts of life they should be excluded. Without these groups the consumption expenditures would be higher which again would lead to higher standard rates.

Costs for housing and heating:

The welfare organizations agree that the costs for housing and heating need to be higher. Reasons: beneficiaries often have old electrical equipment that has higher energy consumption. Another reason is that beneficiaries spend much time at home and not at work. Due to that fact they spend more money on electricity. One demand of the welfare organizations is to calculate that the average amount of the *beneficiaries* and not of the reference group because this would lead to a higher amount. Another solution is to pay the actual consumption of the beneficiaries to make sure they have enough money.

The average of the actual consumption from beneficiaries should be evaluated and included in the standard rates.

Yet the budget in the standard rate for transportation is too low to cover the real costs. Especially children are often not able to join in a sport or music club because they cannot reach this. For children there exists an extra benefit for participation in social life, but without the opportunity to reach it, it is worthless. The welfare organizations claim that in places where a monthly ticket for the local traffic cannot be paid from the standard budget, these costs should be subsidized.

In addition the standard rate needs an adaption of 1%. Although the standard rates for the minimum income are adjusted every year but that happens with a delay of six month. To ensure that the minimum income is able to cover the sociocultural minimum standard of living this delay must be absorbed with that adaption. For the year 2008 the German Caritas calculated that the amount of 445 € instead of 389€ would be necessary to live a decent live.³.

3.4. Effectiveness:

In Germany every government is obliged to release a report about poverty and wealth (in which the main focus is on poverty) in Germany. The latest was published in 2013 and it shows the at-risk-of-poverty thresholds, which is defined as 60% of the median income of the German society. There are four different institutes that collect the data and as they use different methodologies the numbers differ. For the year 2010 for example the threshold for a single-person-household differs from 826 € (Mikrozensus) to 953 € (EU-SILC) to 993 € (SOEP), and the EVS (compare 1.3.) calculated for the year 2008 a threshold from 1063 € (and has no data for 2010) yet. The height of the standard rate amounted for the year 2010 only 641 € (costs for housing and heating included).are

slightly. The German MIS is able to reduce intensity of poverty, but only partially. Of course, Housing and heating is paid and affected people get (a little) money. But if a person is not able to meet the requirements, like showing up on an appointment or doesn't understand the forms, the person is excluded. This applies in particular to immigrant people, people with minor education or people that are mentally ill (see also above). For this people the MIS in Germany fails.

It also fails, when a beneficiary has unforeseen expenditures (e.g. car repairs) or when new acquisitions (fridge, stoves etc.) have to be taken. The standard rates are tightly calculated and allow no flexibility. When it comes to unforeseen expenditures beneficiaries have to live below the poverty line.

³ Compare: <http://www.caritas-bueren.de/stellungnahmen/regelbedarfe-muessenerhoehwerden/332565/?searchterm=>

The German MIS is not able to *prevent* poverty. A big problem is the transmission of poverty from one generation to the next. Equal educational opportunities are therefore needed.

A general problem in Germany is that education is closely tied to the socioeconomic background of the parents. Especially young people from a migrant background are less likely to have a high education which mostly leads to little chances on the labour market; also many studies show the strong link between social status (parental home) and social career. For problems like that, the German MIS offered no solution and cannot prevent people from poverty.

4. Active Inclusion policy

4.1 Link with inclusive labour markets:

The income scheme for people capable of working is based on an activating approach. It consists of both, rights and obligations. That means it combines incentives with sanctions and it includes labour market integration services and activation measures.

To make work pay recipients of unemployment benefit are allowed to earn and still receive their basic income. The first 100 € are not credited. For an income between 100 € and 1000€, 20% are not credited. For an income from 1000€ till a certain limit, 10% are not credited. This regulation promotes work incentives in the lower income sections.

Sanctions as consequences of the violations of duties, are also included in the system as another incentives to work (compare 2.1.9). The sanctions have led to a higher willingness to work and an acceptance of lower wages. If the reason for the unemployment only a lack of motivation, sanctions might help. But long-term unemployment is often attributed to other integration problems like lack of education or social problems. The low level of sanctions because of unwillingness to work confirms that statement.

The IAB conducted a study and could reject the poverty trap hypothesis for the German minimum income scheme. Obviously the motivation to return to the labour market is high. The wage demands are not too high and the financial incentives are given. As mentioned above the reasons why especially the long-term unemployed do not re-enter the labour market are minor education, high age, inadequate language skills or family obligations like care of family members.

4.2. Labour market integration

In the last years the number of registered unemployed people has almost constantly declined. This might be the result of the labour market reforms. But another possible explanation is the improvement of the economic growth in Germany that led to the decline of the unemployment. To which extent the for example activating measures are responsible for the higher employment rate is unclear.

The group that benefits neither from the reforms nor from the economic growth are the long-term unemployed. Their situation has hardly improved. In the year 2005 the proportion of the long-term unemployed of all unemployed persons was 36%. Except for small changes during the last years, the proportion has remained constantly at exactly that level.

The Federal Statistical Office announced exactly the same quota for April 2014 (36%). This development is remarkable against the background that the Federal Government has announced in the EU 2020- strategy that the number of long-term unemployed people should be reduced about 20 %. That is about 1 Mio long-term unemployed persons. This objective Germany has fulfilled already.

The IAB conducted a study and could reject the poverty trap hypothesis for the German minimum income scheme. Obviously the motivation to return to the labour market is high. The wage demands are not too high and the financial incentives are given. As mentioned above the reasons why especially the long-term unemployed do not re-enter the labour market are minor education, high age, inadequate language skills or family obligations like care of family members.

4.3 Link with access to quality services:

The health insurance or the costs of medical assistance for benefit recipients (except asylum seekers, see above) is covered. But yet there are items which are not covered: For example, glasses are not financed by the health insurance. But these costs can hardly be financed from the standard rate.

Benefit recipients do not need to pay for the child care. In recent years the biggest problem was to get a place in a kindergarten because the demand exceeded the supply. Since 2013 there exists a legal claim to a place also for children under the age of 3 and the number of places for infants has been extended. Caritas welcomes the extension of the places for infants but is concerned about the quality of the service. Time will show if the legal anchoring of the demand will meet the demands of young families, especially for single mothers.

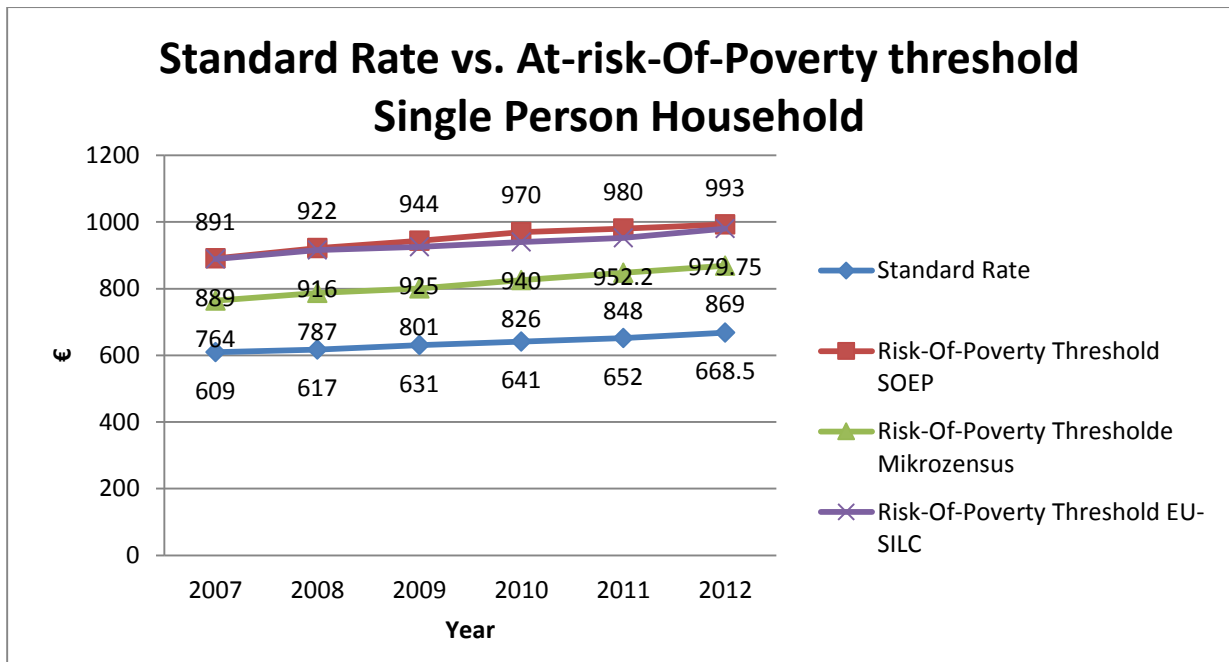
Costs for housing and heating are borne as long as they do not exceed a reasonable limit. For electricity there is a fix budget included in the standard rate. As mentioned above the covered amount for energy must be adjusted for the beneficiaries (compare part 3). To avoid liabilities for energy and as last consequence the shutting down of the energy supply, a better co-operation must be established between the "jobcenters", the social welfare office, the beneficiaries and the energy providers. With a better co-operation in advance liabilities could be avoidable in many cases.

If the beneficiaries get access to social services (like for example debt counseling, counseling for addicted persons) is remaining at the discretion of case manager. It is a case-to-case decision whether a certain service is permitted or not. But even if services are permitted most of the social services have a long waiting period as there is a great demand for assistance.

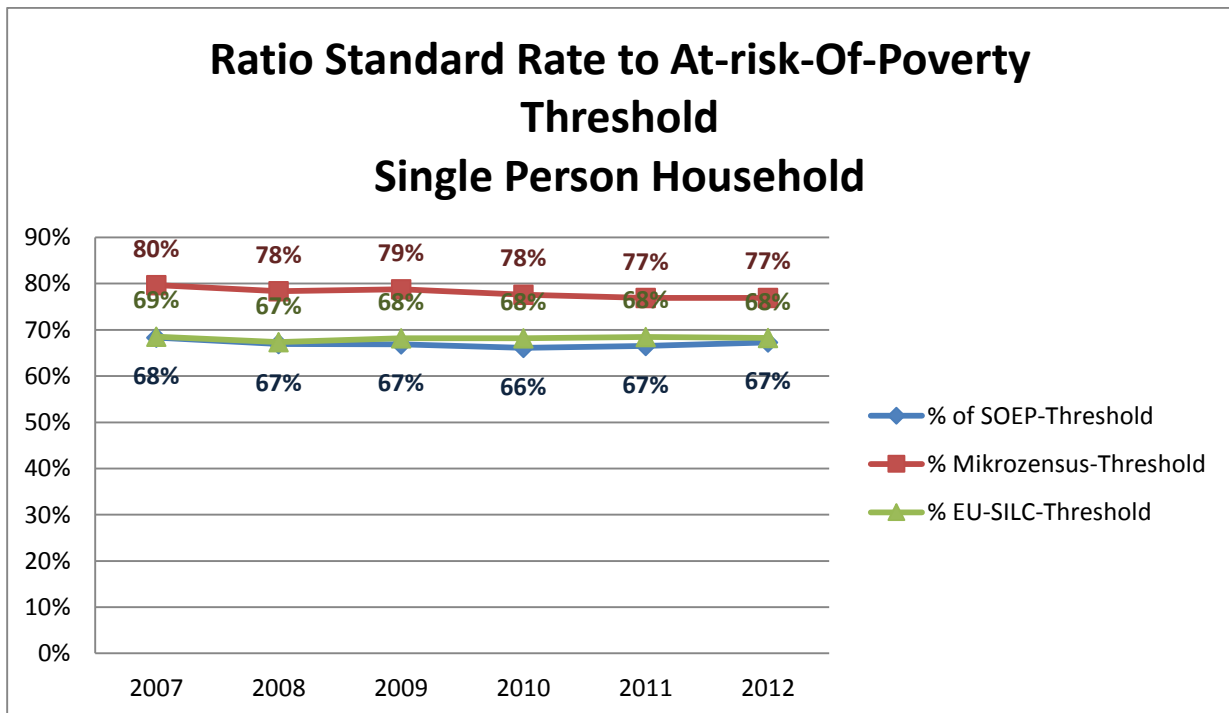
Costs for transportation are calculated in the standard rate. Yet the budget is often too low to cover the real costs for transportation. Caritas claims that in places where a monthly ticket for the local traffic cannot be paid from the standard budget, these costs should be subsidized

5. Annex

Table 1: Standard Rate vs. At-risk-Of-Poverty threshold. Single Person Household



Source: standard rate: Bundesagentur für Arbeit, SOEP: DIW Berlin, Mikrozensus/ EU-SILC: Statistisches Bundesamt; EU-SILC; own calculations



Source: standard rate: Bundesagentur für Arbeit, SOEP: DIW Berlin, Mikrozensus/ EU-SILC: Statistisches Bundesamt; EU-SILC; own calculations



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