



# Caritas Cares Germany Report November 2015

## What this report is about

This report describes the major challenges related to poverty and social inclusion in Germany and provides recommendations for policy makers to address these challenges. The recommendations are based on an analysis of the grass-roots experience of the German Caritas Association which is compared to official data.

## About the German Caritas Association

The German Caritas Association is a big welfare institution in Germany. It has services and institutions in nearly all social fields: healthcare, children and youth, families, elderly persons, people with disabilities and others. A special focus of Caritas activities is paid to the poor and socially excluded; for instance, homes for the homeless, programmes for the long-term unemployed and services for social counselling.

In 2014, the members of the association reached a total of 11,617,862 beneficiaries through its services, including people living in care homes in Germany. Caritas's barrier-free counselling service conducted an estimated minimum of 600,000 consultancies of people at risk of poverty and social exclusion.. 62% of the clients of this service were female, 38% were male. All age groups consulted this service, although people aged 30-49 represented the largest share (47%). 49% had no children living in the household, 13% had more than two children; 29% had not graduated from school and 28% had no higher education than their secondary school graduation; 40% had a migrant background; 57% were receiving basic (unemployment) benefit, of which 47% had already been living off these benefits for over 36 months.



*Photo: ead/Dietmar Gust*

**Recent publications by the German Caritas Association can be found [here](#).**

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**Long-term unemployment and limited access to housing have become major determinants of poverty and social exclusion in Germany**

## Major challenges related to poverty and social exclusion in Germany:

❖ **Elderly migrants are especially vulnerable to poverty and social exclusion.**

For many their pensions are low. Some, such as non-EU residents with a limited residence permit, are not able to cover basic needs with their own means while their residence permit is tied to their ability to secure a living.

❖ **Housing is becoming less and less affordable in “popular” regions.**

Regions with a high population influx are particularly affected; also a decrease in the availability of housing as a consequence of a growing number of smaller households has reinforced the effect of increasing rents per household in regions where flats are in short supply.

❖ **Low take-up of adequate income support is a problem.**

One in three persons does not apply for minimum income assistance although they are entitled to do so.

❖ **Long-term unemployment is structural.**

Current employment services and policy are dedicated mainly to the most employable people and neglect the individual needs of the long-term unemployed.

## Policy recommendations for the National Government:

### **Adequate income support:**

1. Improve the calculation of minimum income schemes by reviewing certain criteria.
2. Increase outreach activities and public information campaigns that effectively increase the take-up of minimum income schemes and other social benefits.
3. Invest more in social housing; make private investment in social housing more profitable and adjust housing allowances so as to make the allowance more equitable.

### **Inclusive labour markets:**

4. Expand capacity and outreach of current employment programmes that target the long-term unemployed and provide individual support, including accompanying measures for the long-term unemployed with additional problems.

### **Other:**

5. Secure the right of residence for elderly migrants so that those in need can access minimum income schemes.

# 1. Poverty and social exclusion in Germany: the reality behind the data

## Problems of concern in Germany

- ❖ Access to housing

### Access to housing

There is a problem of access to housing in some regions of Germany. These are regions which have had influx of people and where there is an excessive demand for flats. Examples are Hamburg, Munich, Stuttgart and Frankfurt, as well as the areas around these cities, in addition to smaller cities which, for example, have a university, like Freiburg for instance. The trend to smaller household sizes leads to an increasing number of households. This phenomenon strengthens the demand for a greater number of smaller housing units to be available for rent, which consequently leads to increasing rents. Moreover, there is only a small number of new constructions in the lower price bracket.<sup>1</sup> Also, the number of social housing units has decreased due to insufficient and/or failed commitments by housing developers and fewer new constructions. This has led to a deficit in affordable housing in these regions.<sup>2</sup> Those in households with low income therefore experience difficulty in finding affordable accommodation.

## Groups at risk of poverty with a need for political action in Germany

- ❖ Elderly migrants
- ❖ Long-term unemployed
- ❖ People living on minimum income
- ❖ People in need of social housing

### Elderly migrants



Photo: Christiane Stieff

Foreigners living in Germany at retirement age face particular challenges, as the pension they are entitled to is often much smaller than the pension of a German person. This has multiple causes: firstly, entitlement to a pension of another country (where they may have worked before emigration) may not be effectual at all in Germany or may have a lower value than the German pension. Secondly, they often work(ed) for a low wage in Germany and hence, receive lower pensions. Furthermore, a high proportion of elderly foreigners living in Germany work(ed) as small-scale entrepreneurs and they have not paid into the statutory pension scheme; hence, their poverty risk is very higher.

The severity of their situation is further aggravated if their residence permits are tied to

<sup>1</sup>Müller & Waltersbacher, 2014. Wohnungsengpässe in Ballungszentren: eine Studie im Auftrag des Bundesinstituts für Bau-, Stadt- und Raumforschung and Statistisches Bundesamt, Mikrozensus

<sup>2</sup>Heyn, Braun & Grade, 2013. Wohnungsangebot für Arme Familien in Großstädten. Eine bundesweite Analyse am Beispiel der 100 einwohnerstärksten Städte, eine Studie im Auftrag der Bertelsmann Stiftung

their ability to secure a living. This means that, should they need social benefits, their right to residence is in danger. Moreover, the residence permit is often tied to the ability to fulfil maintenance obligations. To illustrate: if the children of elderly immigrants also have only a limited residence permit and cannot support their parents, then their own residence permits are also in danger. Also, any possible family reunification depends on the ability to fulfil maintenance obligations. Finally, it has also been observed that many elderly foreigners often not take up social benefits although they are entitled to do so.<sup>3</sup>

### Long-term unemployed

In August 2015, there were more than 1,000,000 long-term unemployed in Germany.<sup>4</sup> Of these, there is a group of between 200,000 and 400,000 who have severe additional problems.<sup>5</sup> They may have health problems (psychiatric problems, drug abuse or addiction problems), be homeless, etc. These problems have a negative impact on their employability. German labour market policies are mostly directed towards those unemployed with a high probability of finding a new job, which is why short-term instruments closely allied to the labour market dominate (i.e. courses of further education, training re job applications, computer training, etc.). However, the long-term unemployed and, above all, those with additional problems, need instruments with a long-term perspective. An added value of such instruments is also that these people then experience social inclusion through them.

*M. did an apprenticeship in heating and ventilation installation but worked afterwards as a trucker. Problems with his back forced him to resign. And subsequent separation from his girlfriend led to depression.*

*The Bundesagentur für Arbeit financed his re-training for work as an electronics technician but he did not find a job. He then participated in a publicly financed working initiative of Caritas which structured his day and improved his health. He even started to apply for jobs again - albeit unsuccessfully. The Caritas intervention eventually ended and was not prolonged.*

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<sup>3</sup>Sources: (1) Schimany, P., Rühl, S. & Kohls, M., 2012. Ältere Migrantinnen und Migranten Entwicklungen, Lebenslagen, Perspektiven, Forschungsbericht 18, Bundesamt für Migration und Flüchtlinge; (2) Seils, E., 2013. Armut im Alter – aktuelle Daten und Entwicklungen, in: WSI-Mitteilungen 5/2013; (3) Höhne, J., Linden, B. Seils, E. & Wiebel, A., 2014. Die Gastarbeiter - Geschichte und aktuelle soziale Lage, WSI Report 16.

<sup>4</sup>Bundesagentur für Arbeit, August 2015, Leistungsberechtigte Personen in der Grundsicherung und Arbeitslose nach Rechtskreisen

<sup>5</sup>Sources: (1) Obermeier, T., Sell, S., & Tiedemann, B., 2013. Messkonzept zur Bestimmung der Zielgruppe für eine öffentlich geförderte Beschäftigung. Methodisches Vorgehen und Ergebnisse der quantitativen Abschätzung (Remagener Beiträge zur Sozialpolitik 14-2013); (2) Kupka, P. & Wolf, J., 2013. Sozialer Arbeitsmarkt – Ein Gerüst, das gesellschaftliche Teilhabe ermöglicht?. IAB Forum 2/2013, pp. 70-75.

## The challenges in achieving active inclusion in Germany

- ❖ Adequate income support
- ❖ Inclusive labour markets

### Adequate income support

In Germany, minimum income schemes are accessible but their take-up is relatively low. For example, about 4.9 million people who could receive the so-called “*Grundsicherung für Arbeitsuchende*” (social benefits for jobseekers and their children (SGB II)) do not apply for them. This represents 34% (44% when including children) of the total number of eligible persons. Additionally, between about 57% and 68% of the elderly persons who are entitled to a minimum income do not ask for it.<sup>6</sup> The reasons for the low take-up are not always clear but might be related to “shame” or “ignorance”. *Grundsicherung für Arbeitsuchende* is also available for people who work but do not earn enough to secure the minimum survival needs of their family. As there is no fixed amount as to what this minimum level might be in Euro<sup>7</sup> it is difficult to assess whether one might be eligible or not.

In general, minimum income schemes can be considered moderately adequate in covering basic living needs, but there are some flaws in the calculations. The minimum income scheme should guarantee a basic socio-cultural existence. This is essentially derived from the living standard of households with low incomes that, however, are not in need of the minimum income scheme (reference group). German legislation has made the reference group smaller, which leads to a lower average income of this group. Also, people who do not ask for the minimum income, although they are entitled to do so, are in the reference group. As a consequence of this and other calculation specifications, the minimum income gives too little financial flexibility to react to unforeseen expenditures. Furthermore, some of the obligations tied to the schemes are inappropriate, as they may lead to sanctions that lower the amount of the benefits, which then may not allow for the coverage of basic living needs.

### Inclusive labour markets

The labour market in Germany is becoming slightly more inclusive, largely as a result of sound labour market development (bringing about higher employment rates). However, the long-term unemployed with multiple social problems continue to have very limited access to the labour market.

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<sup>6</sup>Becker, I., 2012: Finanzielle Mindestsicherung und Bedürftigkeit im Alter. ZSR 58 (2012), Heft 2, pp. 123–148.

<sup>7</sup>E.g. because the cost of rent and heating is paid within certain, adequate limits and there are margins beyond which income is taxed.

## Access to rights is limited for people at risk of poverty and social exclusion in Germany

- ❖ Right to housing
- ❖ Right to equality and non-discrimination
- ❖ Right to work
- ❖ Right to healthcare

The main problems related to not being able to realise these rights are a lack of supply and the unaffordability of housing as well as discrimination in the labour market and housing access.

Access to healthcare is limited for elderly foreigners if they have language problems and cannot easily express their health problems.

## 2. How effective are Germany's policies to fight poverty and social exclusion?

The Country Report for Germany,<sup>8</sup> published by the European Commission in February 2015, does not reflect these major problems and the reality of poverty and social exclusion in the country. The document does not address the high risk of poverty among elderly immigrants and fails to mention the problem of their inadequate pensions. Moreover, the report entirely leaves out the low take-up rates of minimum income schemes in Germany. At the same time, the National Reform Programme<sup>9</sup> published by the Government of Germany does not reflect these major problems and the reality of poverty and social exclusion in the country, as the document fails to highlight the above-mentioned issues.

In general, it can be said that the current policies implemented in Germany address some of the problems related to poverty and social exclusion. With regards to access to housing, there have been two reforms that can be considered as a positive move: (1) A limitation on rising rental prices in tight housing markets and (2) a reform of the housing benefits. However, the reform of housing benefits was long overdue and it is ineffective if there is no housing with low rents. Moreover, the limitation on raising the rental prices is only valid in tight housing markets and does not reach across all regions.

The recent initiative of the Ministry of Labour "*Chancen eröffnen – soziale Teilhabe sichern*" is seen as positive, as it foresees state-assisted jobs for the long-term unemployed who have additional problems. However, the programme is too small and should address many more people.

Regarding policies implemented in recent years, it can be stated that these have been somewhat effective in addressing the problems of poverty and social exclusion. There are, however, problems remaining, some of which are described in this report. For

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<sup>8</sup>European Commission, 2015. [Country Report Germany 2015](#).

<sup>9</sup>Government of Germany, 2015. [National Reform Programme Germany 2015](#).

example, regarding the aforementioned reform of the limitation on rising rental prices, the housing markets have to be defined as "tight". Also, the recently introduced minimum wage can be considered as a positive measure, but its effects and effectiveness in fighting poverty and social exclusion must be closely monitored.

## What policies are needed to address poverty and social exclusion more effectively?

Concerning the improvement of access to housing, the German Caritas Association developed detailed proposals which include earmarking of dedicated funds by the federal government (i.e. investment in social housing) as well as a more equitable adjustment in housing allowances. The position paper was published in July 2015 and can be accessed on our [website](#).

With regards to addressing long-term unemployment, an important step would be to make social inclusion and participation in the labour market explicit goals of the labour market policy. Moreover, labour market programmes must better address the additional problems faced by many long-term unemployed. This could be done by ensuring that such programmes are individualised, are flexible and are structured in small steps. Furthermore, they should be combined with psycho-social support. In general, programmes targeting long-term unemployment must take into account the dimension of the problem (i.e. total number of long-term unemployed) and be equipped with the necessary capacity and resources to target everyone affected by long-term unemployment (i.e. expand the programmes to reach all those affected).

Regarding elderly immigrants, the legislation should guarantee residence permits for those with small pensions. This problem has to be made known and solutions have to be found.

The low take-up rates of the minimum income schemes should be further examined. Information deficits should be tackled through information campaigns. Furthermore, the calculation of the minimum income has to be improved by correcting the calculation flaws. The German Caritas Association has made proposals for this which can be found on our [website](#).

In this context, the EU could support the Government of Germany in addressing the problems of poverty and social exclusion more effectively by providing tailored policy guidance (e.g. Country Reports, Country Specific Recommendations) that would help to address the problems described in this report.

## The use of EU funds in Germany

- ❖ 38% of the European Social Fund (ESF) funds of the Federal Operational Programme are foreseen for the promotion of social inclusion and the fight against poverty in Germany.
- ❖ The German Caritas Association will be involved in the implementation of this programme.

Caritas has been invited to the consultation process of the European Structural and Investment Funds 2014-2020 as part of the *BAGFW* (Federal Association of non-Statutory Welfare). The *BAGFW* was involved in the development of the Partnership Agreement and the Federal Operational Programme (OP). Some recommendations of the *BAGFW* were adopted in the final documents, e.g. in the section on beneficiaries. The *BAGFW* is involved in the implementation of the European Structural and Investment Funds 2014-2020. It is represented by two members on the National ESF Monitoring Committee and the Monitoring Committee of the Fund for European Aid to the Most Deprived (FEAD) respectively. 38% of the ESF funds of the federal operational programme are foreseen for the promotion of social inclusion and the fight against poverty. One investment priority is addressed in the Federal OP: Active inclusion.

### 3. The response of Caritas: initiatives that have been effective when addressing poverty and social exclusion

The following initiatives run by the German Caritas Association have been demonstrated to have a positive impact on the reduction of poverty and social exclusion in Germany:

#### ENERGY SAVING INITIATIVE

<http://www.stromspar-check.de>

#### Project “Stromspar-Check PLUS”



#### Description

In this project, which is run in cooperation with the *eaD* (*Bundesverband der Energie- und Klimaschutzagenturen Deutschlands*) and sponsored by the *Ministerium für Umwelt, Naturschutz, Bau und Reaktorsicherheit*, households with low incomes can invite a “consultant for energy issues” (*Energieberater*) into their home. The consultant analyses how much energy the household spends and tells them how they could save energy. Furthermore, the consultant gives them energy-saving light bulbs. The households do not have to pay for the consultation nor for energy-saving facilities. In the end, the households save money and their low income of social benefits has increased a little bit. The “consultant for energy issues” is a long-term unemployed person who has received training on questions around energy. Further information, in nine different languages, can be found at <http://www.stromspar-check.de/downloads.html>

## Problem addressed

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This project addresses a challenge related to the “adequate income support” and “inclusive labour markets” pillars of active inclusion with regards to energy poverty, training of the long-term unemployed on sustainable consumption practices, as well as labour inclusion.

## Results

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Poor households save money, the long-term unemployed are more empowered, and energy is saved. From 2009 to 2014 approximately 125,000 households were counselled on energy saving. The annual savings per household lay between 107 and 160 Euros.

## Innovative features & success factors

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The project combines measures that promote labour market inclusion, a sustainable environment and poverty reduction.

## UPCYCLING EMPLOYMENT INITIATIVE

<http://www.einzigware.de>

EINZIGWARE

## Project EINZIGWARE

### Description

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The initiative is run by the *BAG Integration durch Arbeit* (Federal Association for Inclusion through Working Opportunities) of the German Caritas Association. Long-term unemployed people practice up-cycling: they make new products out of old textiles or furniture. The products are then sold online at the web address [www.einzigware.de](http://www.einzigware.de).



Photo: Caritas Kaufhaus Wertvoll, Düsseldorf

## Problem addressed

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The project helps to address challenges regarding the inclusive labour market.

## Results

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More than 20 organisations of Caritas take part (in thrift shops). The work is creative and meaningful and therefore the self-esteem of the participants is also increased.

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## 4. Recommendations to address the described problems

### **Recommendation 1: Improve the calculation of minimum income schemes by reviewing the adequacy of certain criteria.**

- **Problem addressed if implemented:** inadequate Income support to cover basic needs for some groups.
- **Governmental department that could lead this measure:** The Federal Ministry of Labour and Social Affairs.
- **Policy framework:** The EC Recommendation on the active inclusion of people excluded from the labour market (the “adequate income support” pillar).
- **How the European Commission could support this measure:** By providing tailored policy guidance (e.g. Country Reports, Country Specific Recommendations) that addresses the adequacy of income support and its potential to alleviate poverty in Germany.

### **Recommendation 2: Secure the right of residence for elderly immigrants so that those in need can access minimum income schemes.**

- **Problem addressed if implemented:** Poverty, social exclusion and insecurity of elderly migrants.
- **Governmental department that could lead this measure:** The Federal Ministry of the Interior, and the Federal Ministry of Labour and Social Affairs.
- **How the European Commission could support this measure:** By providing tailored policy guidance (e.g. Country Reports, Country Specific Recommendations) that addresses the poverty risk facing elderly immigrants in Germany.

### **Recommendation 3: Increase outreach activities and public information campaigns that effectively increase the take-up of minimum income schemes and other social benefits.**

- **Problem addressed if implemented:** Low take-up of social benefits, including adequate income support.
- **Governmental department that could lead this measure:** The Federal Ministry of Labour and Social Affairs in cooperation with the respective Ministries in the different States (*Länder*) and the local authorities.
- **Policy framework:** The EC Recommendation on the active inclusion of people excluded from the labour market (the “adequate income support” pillar).
- **How the European Commission could support this measure:** By providing tailored policy guidance (e.g. Country Reports, Country Specific Recommendations) that

enhances the take-up of social benefits, which would promote the alleviation of poverty and social exclusion in Germany.

**Recommendation 4: Invest more in social housing; make private investment in social housing more profitable and adjust housing allowances so as to make the allowance more equitable.**

- ➔ **Problem addressed if implemented:** Shortage of affordable housing for adequate living conditions.
- ➔ **Governmental department that could lead this measure:** The respective Ministries responsible for social housing in the different States (*Länder*) and at federal level and in the local authorities.
- ➔ **Policy framework:** The EC Recommendation on the active inclusion of people excluded from the labour market (the “adequate income support” pillar).
- ➔ **How the Commission could support this measure:** By providing tailored policy guidance that addresses the shortage of affordable housing in specific regions in Germany.

**Recommendation 5: Expand the capacity and outreach of current employment programmes targeting the long-term unemployed and provide individual support, including accompanying measures, for the long-term unemployed with additional problems.**

- ➔ **Problem addressed if implemented:** Inadequate capacity of current employment programmes; inadequacy of these programmes to promote inclusive labour markets.
- ➔ **Governmental department that could lead this measure:** The Federal Ministry of Labour and Social Affairs, and the Federal Employment Agency.
- ➔ **Policy framework:** The EC Recommendation on the active inclusion of people excluded from the labour market (the “inclusive labour markets” pillar).
- ➔ **How the European Commission could support this measure:** By providing tailored policy guidance that addresses the problem of long-term unemployment and non-inclusive labour markets in Germany.



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