

## GERMANY Country Summary

### Introduction and Overview

The post-war German settlement was based on the idea of a 'social state', sometimes rendered as a 'social market economy.' The central principle is that social welfare would most effectively be furthered through economic development, and that the structure of social benefits should reinforce this. A corporatist structure that was first introduced by Bismarck continues to influence the development of the German economy and the system of social protection. Social benefits in Germany are closely associated to one's position in the labour market; are earnings-related; and those lacking work histories may not be fully covered.

There is also a strong emphasis on the principle of subsidiarity. This principle is taken in Germany to mean both that services should be decentralised or independently managed, and that the level of state intervention should be residual—that is, limited to circumstances which are not adequately covered in other ways. Social insurance, for example, which covers the costs of health, some social care, and much of the income maintenance system, is managed by a system of independent funds.

Germany has a constitutional commitment to the family and has a federal ministry that includes "family" among its responsibilities and thus would be listed among countries with explicit family policy. The federal authorities regularly convene groups of scientists who produce "youth" (really children and adolescents) and family reports, all by parliamentary mandate. Some states and communes also publish family reports, covering children and youth as well. Nonetheless, while there are explicit family policies in most social policy domains, there is no one overall integrated policy and no institutionalized rigorous system of implementation.

German family policies, historically, have been designed to encourage and sustain the traditional, two-parent family with an "at-home" mother caring for the children. Indeed, a Danish research group has described the German welfare state as "the male breadwinner model..." (Abrahamson, 1999). In the past, this meant large families, but in more recent years there has been interest in two-child families, "large" in current context. In the last few years, there has been considerable public concern regarding Germany's low fertility rate (1.29 in 2001 compared to the EU average of 1.47). According to a German family policy expert, the media sensationalized "the figures as a drastic population decline entailing considerable disadvantages for Germany as an industrial location." (Bien, 2002). Young people, especially young women, were accused of endangering the survival of Germany, but these allegations soon gave way to more realistic responses. Public policies are now focused on increasing the immigration of highly skilled immigrants, increasing the labor force participation of women, and enacting policies to help reconcile work and family responsibilities. The growing concern around low birth rates contributed to a reevaluation of existing family policy in Germany, that, at least, initially has led to increased spending and an assessment of the best means to provide support to families.

As in other industrialized European countries, there has been a shift in concern and resources from the elderly to the young. The share of young children in Germany now dependent on

public transfers has increased 4-5 times, while the share of elderly receiving transfers has decreased (Bien, 2002). A study by the Kiel Institute of Economics found that German society finances about one-third of the costs of children. The child benefit has been increased three times since January 1999 and at the same time, the basic tax-free amount was raised while the basic tax rate was lowered. Regulations were also changed to enable both fathers and mothers to take time-off from work to care for young children, and new, higher-paying, housing allowances were made available to low-income households. Increased public services were targeted to domestic violence services to increase the status of women and children and enhance the stability of family environments.

## **Government Agencies**

A number of federal ministries are involved in aspects of child, youth, and family policies:

- The Federal Ministry of Families, Seniors, Women and Youth. Concerned with the child-rearing benefit, advanced maintenance, child allowance legislation [works with counterpart departments in the states (Laender)].
- The Federal Ministry of Labor and Social Affairs. Responsible for the social insurance programs and child allowance administration.
- The Federal Ministry for Regional Planning, Building, and Urban Development. Responsible for the housing allowance program, which is administered through municipal housing allowance offices.
- The Federal Ministry of Health. Responsible for sickness and maternity benefits, social assistance and social aid institutions beyond the municipal level; works through the Laender and districts with reference to assistance and aid.
- The Federal Ministry of Financial Affairs. Responsible for child benefits which come as tax allowances.

## **Demographic and Other Social Trends**

The largest country in the EU, Germany has a population of 82.3 million, post-reunification. Its under-15s constitute 15.3 percent of the whole, below both EU and OECD averages. Two decades of low total fertility rates has created concern. Only Italy and Spain have lower rates, but, unlike Germany, their declines are recent.

Over 80 percent of German children live with both their natural parents, who are likely to be married to each other. Though higher than other EU countries, the proportion of children living with married couples has declined in recent decades, as well as re-marriage rates. Parents living in what was formerly East Germany are more likely to have children outside of marriage and have only one child. Four out of ten children in Eastern Germany have parents who are not married.

Germany has one of the lowest percentages of family households with children in the entire EU. Of all German lone mothers, 39 percent are divorced, 22 percent widowed, 13 percent separated, and 27 percent unmarried. Cohabitation has been increasing rapidly in Germany, about 35 percent of 16-29 year old couples are living in a consensual union.

Pre-unification, West German female labor force participation was mid-range for the EU. Currently, while behind all Nordic countries, it exceeds the EU and OECD averages of 60.2 percent. In 2000, 64 percent of all German women were employed, 84.5 percent of whom were working part-time, one of the highest female part-time employment rates among OECD countries (average 71.2 percent) but just above the EU average of 81 percent. Female labor force participation rates fall with the presence of children. In 2000, 63 percent of married mothers worked outside the home and 67 percent of lone mothers worked (Table 2.31). Among women with children under age 6, 45.9 percent of married mothers are employed and 49.6 percent of the unmarried. The rates are only slightly different when children are under 3. This is a major increase in employment for married mothers over the past 25 years.

## **Social Protection**

Since World War II, a series of legal enactments relating to individual rights and public social guarantees, and the evolution of a pattern of bargaining and cooperation by the "social partners" (employers, labor, government) have created a unique model in Germany, based on a conservative, capitalist, private property, market economy. Two German scholars sum-up as follows: "The broad consensus on the social market economy combining competitive markets, social partnership in industrial relations and the welfare state [has] held for more than fifty years" (Bahle & Rothenbacher, 1998, p.37).

As one of Europe's active welfare states, Germany spent nearly 30 percent of its GDP in 2000 on social protection, which is above the EU average of 22.9 percent. In the last decade, Germany has had to contend with both the costs of reunification and the problems posed by the unemployment shocks of the 1990s. But its general economic situation has permitted protection of family policy goals. Germany allocated 10.6 percent of social expenditures to family and child benefits in 2000, notably above the EU average of 8.2 percent. Germany is not the single benefit or program leader in most areas, but remains among the more generous countries in social guarantees generally.

Germany ranks 10<sup>th</sup> in child poverty, measured by the U.S. poverty line (12.5 percent of all children.) The comparable U.S. rate is 13.9 percent. Using the European relative measure (50 percent of median income), the Germany rate is 10.7 percent, placing it 11th. German lone parent families have a 51.2 percent child poverty rate (UNICEF, 2000).

German federalism and subsidiarity channel federal enactments (the center of policy development and enactment) to the states, which develop implementation plans, and to the local level for delivery. The subsidiarity principle, a derivation from Catholic theology, stresses priority for local voluntary associations. Therefore government delivers few direct services (as contrasted with cash benefits) and the Catholic, Protestant, Jewish, union-related, Red Cross and other non-denominational voluntary groups are regularly subsidized by the public treasury to close to 90 percent of their expenditures. Some 70 percent of institutions caring for children and youth are in the voluntary sector. The six major voluntary associations (working through 60,000

social service locations) come together in a loosely organized national coordinating body. The public considers it all part of public provision.

## **Child, Youth and Family Policy Regimes**

### Maternity, Paternity, Parental, and Family Leaves

*Maternity Leaves*, are paid, job-protected leaves for 14 weeks (6 weeks before childbirth) and continuation of all fringe benefit coverage without payment of contributions or taxes. A female employee is entitled to a maternity benefit equal to average net pay up to 12.78 Euros/day and an additional amount paid by the employer during protected maternity leave. Persons in the statutory health insurance scheme are entitled to a benefit equal to their sickness benefit or a one-time childbirth allowance of 77 Euros. Female employees not insured by the federal government receive a one-time maternity allowance of up to 205 Euros.

A two-year flat-rate, income-tested *Parental Leave*, a child-rearing allowance (*Erziehungsgeld*) and related three-year *Job Protected Leave* (*Erziehungsurlaub*) as an extended benefit following childbirth. *Erziehungsurlaub*, which tends to connote vacations in Germany, has been changed to *Elternzeit*, or parental time. Both mothers and fathers who work in firms that have more than 15 employees are entitled to take a three-year parental leave and since 2001, can do so at the same time. Although both parents are eligible, mothers are the users overwhelmingly, with less than one percent of eligible fathers taking any part of the leave. The child-rearing allowance has increased several times in the last five years after being frozen for almost ten years. New reforms give parents the option of collecting the grant over two years or receiving the allowance for 12 months at a substantially higher level. Parents have the option of working part-time during their parental leave. The number of hours a parent could work and continue to claim the benefit was increased from 19 to 30 hours. Some states provide income replacement for the third year. Parents may postpone the third year of parental leave until their child's eighth birthday and may also now collect unemployment benefits while receiving a child-rearing allowance.

Working adults in a two-worker family also have the right to remain at home up to 10 days per year to care for an ill child under age 12. The single mother may remain at home for up to 20 days, per child. A family with several children may use up to 50 days.

### Early Childhood Education and Care (ECEC)

There is good coverage for the 3-5s in public and publicly subsidized preschools (90 percent), but with half-day operation and very poor coverage for infants and toddlers or for children whose mothers work (5 percent). A strong streak in public opinion considers it wrong for infants and toddlers to be reared outside the home—unless theirs are "inadequate" families. Since 1997, the government has introduced a guarantee of a place for the 3-5s, in fact, and 90 percent are now enrolled. Kindergartens have shifted from being seen as unwanted intrusions into family life to being defined as the primary stage of education. But they are not adequately organized as child care for the children of working mothers, a topic in the states' jurisdiction since most children must go home for lunch.

### Family and Child Allowances

Cash allowances and tax exemptions were integrated into the family allowance system in the mid-1990s. These tax credits, *Bundeserziehungsgeldgesetz*, are viewed as a support to the entire community and as equalizing family burdens. Universal child benefits are the same amount for the first two children and increase for each child thereafter. Benefits are generally available through age 18, and may be extended to age 21 for unemployed youth, age 27 if continuing education, and there is no age limit for disabled youth. Those ineligible for child tax exemptions receive the child allowance. German benefits are generous in European context but are not among the leaders.

### Child and Family Tax Benefits

There is an income tax child allowance and income tax care allowance (for children under age 16 or who are disabled) for families whose child (tax) benefits are less than the full exemptions allowed under law. Higher-income families typically use both of these allowances.

Parents who receive one of the child tax allowances or child tax benefit and have a child at school or pursuing vocational training, may receive education tax allowances from 920 to 2,147 Euros annually per child. Additional educational support from public grants may be available to offset the cost of education.

Single-parents may claim a household tax allowance if they receive one of the child-related tax benefits or allowances. This benefit was increased in 2002.

Income-splitting provisions in the tax code are valuable to single-earner families. The combined income of both parents is halved and the tax assessed on the halved income is doubled. In this way, the progression of the income tax rate is slowed.

### Child Support

All non-resident parents are obliged to pay child support. Single parents who do not receive support from the other parent are granted a maintenance advance from the government. A judicial maintenance ruling is no longer necessary. Advance maintenance is paid for a maximum of 72 months until the child's 12<sup>th</sup> birthday. The payment is income-tested at a low level and inadequate for an unemployed single mother. One level of payment is for children up to 6 years old and a higher level for those 6-12 years old.

### Housing

A 2001 reform modified the "accommodation allowance" to better serve the needs of families with children. Low-income households with children are now eligible to receive a more generous benefit that increases, in part, with the number of children in the family. Allowances were increased for those who increased benefits prior to the reform. Home ownership subsidies have also been reformed and are now more generous and focused on assisting families with children.

### Other Child Conditioned Income Transfers

Social welfare assistance is available to persons who are unable to support themselves and the type, form and level of assistance is determined according to an individual's special needs and circumstances. The program is administered locally. Expectant mothers who qualify may receive a 20 percent supplement to the standard rate beginning the 12<sup>th</sup> week of pregnancy. Single-parents with a child age 6 or younger, or two children age 15 or younger, may receive a 40 percent supplement to the standard rate. A poor single-parent with four or more children, is eligible for a 60 percent supplement.

In order to compensate from one of the disadvantages resulting from child-rearing, the German government now credits mothers who spends up to 3 years at home in child rearing with a pension credit equal to up to 3 years of work at average wages. Applies to additional children as well. Five years of such credit assures a minimum pension for a mother with no labor force experience. In addition, there are child survivor benefits under the social security system, and also under work injury insurance. There are dependent child benefits under unemployment insurance and unemployment assistance.

### Child and Adolescent Health

There is coverage under a statutorily mandated insurance system, which includes 90 percent of the population. There is a strong program of preventive health care for children included and some localities continue an earlier program of post-childbirth home health visits by nurses or social workers.

All of this is subject to development and modification with gender-role changes, German adaptation to the market, the economic recovery and fall in employment in the late 1990s, and the results of current policy debates about immigration and asylum.

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