



# 2016 Strategic Social Reporting - Germany -



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## 1. Introduction

Within the Open Method of Coordination in the field of social affairs (social OMC), EU Member States report annually as part of Strategic Social Reporting on new national developments, reforms enshrined in law or pending in Parliament, and actions towards the common objectives in the OMC areas of social inclusion, pensions, health and long-term care.

The reports from the Member States form the basis to the report of the European Social Protection Committee (SPC) to the Council on structural social protection reforms. In Germany, reporting is synchronised with the National Reform Programme (NRP) and the European Semester process. With regard to their content, the Strategic Social Reporting, the NRP and the report entitled “Information from Germany on progress in the implementation of the report concerning the EU Framework for National Roma Integration Strategies up to 2020 - Integrated packages of measures to promote the integration and participation of Sinti and Roma in Germany” are complementary, and the reports make reference to one another at the relevant points. Social issues are principally dealt with in Strategic Social Reporting.

The reporting period is from 1 May 2015 to 30 April 2016. In addition, details are also given of some activities that are planned for the near future. Measures that were implemented by 30 April 2015 have already been reported and will not be detailed again in this report.

Within the Federal Government, the Federal Ministry of Labour and Social Affairs has primary responsibility for Strategic Social Reporting, with the Federal Ministry of Health and the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth also making a significant contribution.

Seeking to obtain a high level of transparency and encourage the broad-based participation of all stakeholders, the Federal Ministry of Labour and Social Affairs intensively involved the social partners, welfare and social organisations, as well as the *Länder* and municipalities in the entire process surrounding Strategic Social Reporting. These stakeholders submitted proposals surrounding this year's topics at an early stage, were invited to take part in a personal exchange of opinions and ideas with the line ministries and received the opportunity to comment on the draft of the report. In Germany, the social partners, welfare organisations and social associations, as well as the *Länder* and municipalities, make a key contribution to delivering on the goals of the social OMC and the Europe 2020 strategy, particularly in the areas of social integration and poverty prevention.

The German 2016 Strategic Social Report was approved in the Federal Cabinet together with the National Reform Programme on 13 April 2016.

### **Macroeconomic context and social security**

Germany continues to enjoy solid growth. Macroeconomic capacity utilisation is normal. The upturn in the German economy softened somewhat in the second half of 2015. The slower growth in the emerging economies meant less dynamic exports and corporate investment. However, industrial demand picked up again towards the end of the year. According to the provisional annual figures from the Federal Statistical Office, Germany's economy grew by 1.7% last year. For 2016, the Federal Government again expects an annual average increase in gross domestic product of 1.7%.

The situation on the labour market remains positive. Employment reached a new high in 2015 with an average of 43 million economically active individuals. This translates to roughly 330,000 more individuals (+0.8%) than the previous year.

Averaging roughly 2.8 million in 2015, the number of unemployed persons is at the lowest level ever since 1991. The number of unemployed persons dropped by 100,000 (-3.6%) compared to the previous year, bringing the national rate of unemployment down to 6.4%. The favourable development on the labour market continued through to the end of 2015.

The number of beneficiaries of basic security benefits for jobseekers averaged 6.1 million in 2014, down by 30,000 persons, or 0.5%, compared to 2013. Therefore, the number of beneficiaries expressed as a share of the population of the same age has largely remained constant (9.6% in 2013; 9.5% in 2014). Standing at roughly 1 million, the number of persons entitled to basic security benefits in old age and in the event of reduced earning capacity at the end of 2014 was 4.2% higher than at the end of 2013 (approx. 962,000 persons). At roughly 515,000 persons, beneficiaries aged 65 and over as a share of the population in this age bracket rose to 3.1% (compared with 3.0% at the end of 2013). Even though the specific share of the population has increased slightly in recent years, old-age poverty is still not a widespread issue.

0.06% of the population in the 15-24 age bracket claim subsistence allowances outside institutions under Book XII of the Social Code. The same applies for 0.13% of the population in the 25-29 age bracket. 0.99% of the population in the 15-24 age bracket claim standard benefits under the Asylum Seekers Benefits Act. The same applies for 1.03% of the population

in the 25-29 age bracket. Basic security benefits under Book II of the Social Code are claimed by 8.5% of the population in the 15-24 age bracket.

## **2. Contributions to delivering on the goals of the Europe 2020 strategy in tackling poverty and social marginalisation**

The most important way to avoid poverty is to secure an income, and adequate employment is the most effective tool in the fight against poverty. This not only applies in middle age, but also to childhood and old age, as children are poor if their parents are unemployed or do not earn an adequate income. Old-age poverty also tends to affect people who did not earn a sufficient income in the course of their lives.

The labour force participation of women and older workers continued to develop favourably in 2014 and 2015. Germany has already reached its national goal, set within the context of the Europe 2020 Strategy, to increase the employment rate of women (aged 20-64) to 73% by 2020, as this rate rose to 73.1% on average in 2014. A closer look at the average weekly working hours of women and men reveals that women work nine hours less than men per week (2014 microcensus), a fact which is particularly attributable to the high rate of part-time employment among women. As career breaks and part-time employment for family reasons can impact professional advancement, income development and an individual's ability to secure a livelihood and plan for retirement, the Federal Government introduced a series of measures in recent years to improve people's ability to combine career and family commitments. This has helped increase the rate of gainfully employed mothers, which rose by roughly ten percent between 2006 and 2014. The employment rate of older workers (55 to 64-year-olds) also continued to rise to 65.6% on average in 2014, thereby already clearly exceeding the national goal of a 60% employment rate by 2020 as also set down in the National Sustainability Strategy.

Being unemployed, or underemployed, presents a substantial risk of an individual experiencing poverty and social marginalisation. In Germany, the poverty risk of people in work is only half as high as that of the total population. The importance of labour market participation is further underlined if the risk of poverty is analysed by employment intensity in the household. While the at-risk-of-poverty rate of households with a very low employment intensity stands at 65%, it drops progressively with increased employment intensity to fall below the 7% mark in households in which all employable persons are essentially in full-time employment. Being in long-term unemployment is an extremely stressful situation and makes it all the more difficult to move into employment that suffices to provide stability and security. In multi-person households, long-term unemployment also often has a negative impact on the other members of the household. For this reason, the Federal Government has defined its quantitative goal in the fight against poverty and the promotion of social inclusion based on the number of

individuals living in households affected by long-term unemployment. The aim is to reduce the number of long-term unemployed (unemployed for more than one year according to the ILO definition) by 20% by 2020 (measured against the annual average in 2008). This is equivalent to a drop of around 320,000 long-term unemployed (2008 annual average: 1.62 million). Germany already clearly exceeds this goal. Given the extraordinarily positive employment trends in Germany, long-term unemployment declined significantly in recent years with numbers down to roughly 919,000 persons on average in 2014. Benchmarked against the average for 2008, this equates to a drop of around 43%, or 704,000 people (data on the basis of the Eurostat labour force survey).

The fight against long-term unemployment remains a priority of the Federal Government's labour market and social policy. While long-term unemployment has been trending downwards in recent years, the long-term unemployed benefit less from the positive developments on the labour market. On account of complex, individual problems, sustained integration into work is often only possible with major effort from all parties involved over an extended period.

With the "Opening Opportunities - Safeguarding Social Participation" plan presented on 5 November 2014, the Federal Government is making a significant contribution to reducing long-term unemployment. The plan contains a broad-based package of measures with different priority areas, target groups and approaches including: bundling of the necessary support services, enlisting employers to employ individuals in long-term unemployment, stabilising these employment relationships on a lasting basis, opening up participation options for unemployed individuals far from the labour market and improved access for the long-term unemployed to health promotion and rehabilitation measures. Key elements of the plan include a new, improved approach to support and mobilisation within the networks to activate, advise and offer opportunities; this approach seeks to strengthen the interlinkage and bundling of support services in the regular day-to-day work of the job centres; the ESF federal programme to integrate long-term unemployed beneficiaries under Book II of the Social Code into the regular labour market, and the federal programme to encourage "Social Participation on the Labour Market".

The EU Regulations on Structural Funds for the 2014-2020 programming period specify that at national level at least 20% of ESF funding must be invested in the priority areas of promoting social integration and combating poverty. In the ESF federal programme for the 2014-2020 programming period, this goal will be achieved particularly by combating long-term unemployment through the permanent integration of the long-term unemployed into jobs subject to social security payments; support for migrants and the lasting placement of migrants

in jobs and training; and improved access to employment, training and education for disadvantaged persons (including young people and young adults at the margins of the labour market and out of reach of the educational process).

The ESF/federal programme seeks to give roughly 30,000 entitled persons under Book II of the Social Code who are long-term unemployed and fit for work the prospect of lasting inclusion into employment on the regular labour market. Total ESF and federal funding of €885 million will be directed into this programme through to 2020. The funding enables job centres to specifically recruit employers to hire long-term unemployed men and women. Further to this, skills gaps are closed and participants receive intensive support after taking up employment in order to put the employment relationship on a stable footing on the long term. Employers are compensated for expenses incurred by the fact that the workers are not yet able to work at full capacity at the start. The programme unlocks additional workforce potential and helps further strengthen domestic demand.

The aim of the federal programme to encourage "Social Participation on the Labour Market" is to enable the participation in society of people furthest from the labour market through subsidised employment and individually tailored job centre services and thereby improve their chances of unsubsidised employment. The programme is aimed at long-term unemployed individuals who have been receiving benefits under Book II of the Social Code for at least four years and during this period have not worked at all or have only worked for a brief period. Beneficiaries in need of special support for health reasons are a particular priority of the programme. People living with children in a joint household constitute a second focus of the programme. Support is given to around 10,000 employment relationships subject to mandatory social insurance contributions (without unemployment insurance), which are additional, have a neutral effect on competition and are in the public interest. The maximum level of support for 30 hours per week is €1,320. With pay in line with the minimum wage, this is equivalent to a financing rate of 100%. It is possible to enter subsidised employment with a gradual increase in the number of working hours. A total of €450 million from the integration budget (*Eingliederungstitel*) under Book II of the Social Code will be made available for the federal programme in the period spanning 2015 to 2018.

Subsidised employment alone is not enough to bring about social participation. Therefore, within the scope of their regular work the job centres provide in-employment measures that support subsidised employment and stabilise the individuals. Furthermore, complementary activities by third parties, such as the *Länder*, foundations or local authorities, are also possible. The "Social Participation on the Labour Market" federal programme is designed as a model

project and will be evaluated concurrently. The aim is to gather information on what form approaches should take to enable participation on the labour market and facilitate the transition to the regular labour market. The programme commenced with the publication of the funding guideline on 7 May 2015. Following a call for competition, 105 job centres with over 10,000 sponsored places for participants were selected to take part in the model project. The first jobs were filled in autumn 2015. The programme will run through to 31 December 2018.

The fight against poverty and social marginalisation in Germany by no means stops at efforts to get long-term unemployed persons back to work. Attention must also be paid to health issues, access to affordable housing, good and appropriate child-care, good schools, higher education and initial and continuous training, and the risks for social participation associated with particular personal circumstances. Germany's qualitative goals in the reduction of poverty and social marginalisation continue to centre primarily on the following target groups: children, young people, women, single parents, individuals from a migrant background, people with disabilities and older people. Various strategies and programmes have been introduced at the federal, *Länder* and municipal level in this respect with the aim of improving the opportunities of the disadvantaged groups to partake at a social and economic level. Everyone must be given the opportunity to realise their individual potential at every stage of life.

Since 2015, the comprehensive bundle of measures rolled out at federal level has also included the Fund for European Aid to the Most Deprived (FEAD). Following a lower-threshold approach, the FEAD promotes the social inclusion of persons not reached by the advisory and support services of the regular system of assistance. This includes newly arrived European Union citizens and their children, as well as homeless persons and people at risk of being homeless. While the aim is to bring the adult European Union citizens, homeless persons and people at risk of being homeless into the regular system of assistance comprising language courses or targeted advice, for example, the migrants' children are to be offered better access to early childhood education and social inclusion, such as child day care facilities.

### **3. Most recent reforms and political initiatives in the field of social inclusion**

#### **3.1 Access for all to resources, rights and services; preventing and combating exclusion and all forms of discrimination; supporting entry into the labour market**

##### **Integration of refugees**

The Federation, the *Länder* and the municipalities have substantially increased the resources for the care and integration of refugees. In 2015 and 2016 alone, the Federal Government is providing the *Länder* and municipalities with additional funding of roughly €5.6 billion for the care and support of refugees. Added to this, amounts totalling approximately €4.2 billion are additionally being mobilised from the federal budget in 2016 to fund measures to support integration. This includes additional funding of €575 million for labour market integration services under Book II of the Social Code (€325 million for administrative expenses and €250 million for integration services) and €179 million for job-related language learning programmes (power to issue statutory instruments under Section 45a of the Residence Act, the programme will commence mid- 2016) and €19 million for the IQ support programme for occupational integration and advice for immigrants. Totalling roughly €559 million, the funding earmarked for integration courses in 2016 enables 300,000 new participants to take part in integration courses (some two-thirds are eligible asylum seekers and recognised beneficiaries of protection).

The main parts of the Act to Expedite Asylum Procedures (*Asylverfahrensbeschleunigungsgesetz*) entered into force on 24 October 2015. This Act secures the effectiveness of the welfare benefits system under the Asylum Seekers' Benefits Act (*Asylbewerberleistungsgesetz*). At the same time, it increases healthcare-related benefits to also include vaccinations and medical check-ups. The processes of asylum application processing and labour market integration have been closely interlinked with the Act to Expedite Asylum Procedures so that necessary integration measures can commence at an early stage. For example, the Federal Employment Agency can take action very early on – even at the preliminary reception facilities. In particular, refugees with good prospects of remaining in Germany should learn German quickly and take part in active labour promotion measures to help place the individual in employment. Complementing this, barriers to access to the labour and training market have been further removed.

Further to this, in tandem with the Federal Employment Agency and the German Confederation for Skilled Crafts, the Federal Government has launched the joint skills development initiative entitled "Paths to Training for Refugees". With a comprehensive skills development and

support system and intensive career guidance and job preparation services, the programme seeks to attract into training in a craft or trade persons with entitled to asylum and recognized refugees as well as asylum seekers or persons with a tolerated status (*Geduldete*) with access to the labour market and generally aged between 18 and 25. The aim is to integrate up to 10,000 refugees into a craft/trade apprenticeship over a period of two years. The Federal Government seeks to recruit businesses for the integration of refugees into internships, training and employment with the extension of the "The right candidate for the job" programme to include up to 150 "welcome guides" who are established members of the chambers and other organizations of the business community. The "Businesses Integrate Refugees" business network and a wide range of information services, such as those provided by the Centre of Excellence on securing skilled labour, complete the portfolio.

With regard to housing, the *Länder* and municipalities will receive a total of €2 billion in support in the 2016-2019 period through the rent-free use of federal properties for the purpose of accommodating refugees and the reimbursement of appropriate fitting-out costs by the Institute for Federal Real Estate, the sale of federal sites at a reduced price for the purposes of social housing and additional compensation for the discontinuation of support for social housing.

In the first phase of the "imd2start – Advice for Young Refugees" pilot project from 2015-2017, 24 of the youth migration service centres funded by the Federal Government will open their advice and support services for unaccompanied and accompanied young refugees aged 12-27 who either have a tolerated status or whose asylum application is being processed. Specific services focussing on training, the labour market, health, accommodation or educational integration will be developed and trialled. Funds of €7.1 million are provided for the two-year pilot phase.

Further to this, asylum seekers and refugees can also take part in many European Social Fund programmes at the federal and *Länder* level whose measures do not focus exclusively on refugees. In the German federal Operational Programme for the implementation of the ESF these programmes are: ESF qualification in the context of the Professional Qualifications Recognition Act, a career entry support programme, ESF Integration Guidelines of the Federal Government, *JUGEND STÄRKEN im Quartier* (local youth empowerment programme), "Strong at Work: Mothers with a Migrant Background Get to Work", JOBSTARTER plus, "KAUSA" module, Education, Economy and Work in the Neighbourhood (*BIWAQ*).

The existing instruments aimed to promote training will be made available to young refugees earlier than was previously possible. Assistance during training has been opened up to persons with a tolerated status. Where previously persons needed to be in the country for four years before being eligible for such services, this has now been shortened to 15 months to enable their earlier access to certain services that foster vocational training.

The major influx of asylum seekers to Germany also presents a serious challenge to the Federation and the *Länder* with regard to integration into the labour market and the associated need for support, mentoring, advice and skills development. To integrate successfully into the labour market, migrants need good prospects and assistance as they often have to contend with numerous obstacles, including poor German language skills, no professional qualifications or qualifications which are not recognised or not in line with market needs, little or non-recent professional experience, lack of knowledge about the German labour market and real and perceived discrimination. Getting people into work takes time, money and effort. The qualification and skills development of migrants who come to Germany for a variety of reasons or who are already living here and have completely different individual profiles is "precision work" that requires made-to-measure solutions. This is what prompted the launch of the "Integration through Qualification (IQ)" network ten years ago, which has since evolved into a nationwide support programme with a comprehensive range of services. In the current support phase, the aim is to improve the labour market opportunities for migrants. Furthermore educational qualifications obtained abroad should more often result in employment in a job that matches the individual's level of education. In collaboration with the Federal Employment Agency, the Federal Government has managed to put a strong structure in place in all the *Länder* (realised by the Federal Office for Migration and Refugees). Some *Länder* also invest their own funds in the programme. Support is lent to 16 networks at *Land* level with over 340 component projects in total and five nationwide specialist units. The current support phase focuses on the following action areas of the supported projects:

- nationwide recognition and qualification advice and guidance
- upskilling measures that can lead to the recognition of vocational qualifications or a place on the labour market that matches the candidates' level of training
- intercultural skills development for labour market stakeholders (job centres, employment agencies, local authorities, businesses) to enable successful integration

The services are provided for immigrants irrespective of their status, including asylum seekers, recognised refugees and tolerated persons.

In so many ways, the organisations under the Federal Association of Non-statutory Welfare support both the initial reception of refugees and their integration into facilities and social

services within the context of initial reception, advice on the asylum application process and social counselling. Germany is currently only able to cope with the influx of refugees thanks to the enormous civic engagement of thousands of volunteers. Therefore, great importance is attached to the qualification and coordination of voluntary efforts. With the financial support of the Federal Integration Officer, the organisations have introduced a nationwide programme entitled Coordination, Qualification and Promotion of Voluntary Support for Refugees. The charitable organisations make their skills, expertise, knowledge and organisational structures available by providing or organising volunteer officers, volunteer agencies and coordination points for civic engagement, for example.

### **Equality of opportunities in education**

With the 25th Act to Amend the Federal Educational Assistance Act (BAföG-Änderungsgesetz), since 2015 the Federation has provided full funding for the monetary allowances under the Federal Educational Assistance Act, thereby granting the *Länder* annual relief of roughly €1.17 billion on a lasting basis to give them more latitude for the funding of education, particularly in the field of third-level education. Further to this, *BAföG* entitlements and income allowances will both be increased by approximately 7% starting in the 2016/2017 academic year or the 2016/2017 winter semester. These measures will raise the levels of financial support provided and increase the number of *BAföG* recipients by around 110,000 on an annual average in 2017 - the first year the measures fully come into effect. The increase in entitlements will be applied to the vocational training support grant and the training grant for people with disabilities pursuing vocational training. Due to the additional above-average increase in the housing supplement for students not living at home, the levels of support for this demographic will even increase by around 9.7%. This specifically factors in the increase in rental costs that have been witnessed even for student accommodation. The child care supplement will also be raised and standardised to ensure individuals can even better combine family commitments and education. Previous gaps in support in transitioning between Bachelor's and Master's programmes are largely closed. With simpler procedures and less bureaucracy, the *BAföG* assistance system will also become far more user friendly. This *BAföG* reform is a decisive step towards greater participation in learning and equal opportunities in the education system. As a result, pupils and students dependent on *BAföG* assistance can continue to rely on a solid system of education funding in the future.

### **Support young people transition to working life**

In place since 2010, the aim of the Youth and Vocation Work Alliances project is to ensure coordinated cooperation between the employment agencies, job centres and youth welfare

services with the involvement of schools. Now frequently termed agencies for youth employment, these alliances seek to offer young people coordinated support in making the transition from school to work and currently total over 200. The scope of the collaborative work ranges from the mutual exchange of information to collaboration under one roof. The plan is to expand the collaboration between the various stakeholders both in terms of quality and quantity in the coming years. In tandem with the chambers and other organisations of the business community, the Federal Government supports small and medium-sized enterprises through the ESF-sponsored programme "The Right Candidate for the Job".

The Federal Government has continued to develop the "Education Links to Obtain a Training Qualification" initiative to help strengthen equality of opportunity in vocational training. The initiative seeks to assist young people along their path towards their first job and thereby reduce the percentage of school-leavers without an educational qualification and the share of trainable young adults without a professional qualification and prevent people dropping out of VET measures wherever possible. The initiative will be developed further by establishing stronger interlinkages between the federal instruments and the activities of the *Länder*. In this context, the Federal Government is seeking to conclude relevant agreements with the *Länder* and the Federal Employment Agency. The first agreements have already been finalised with Hamburg and Hesse, and agreements with the remaining *Länder* are set to be concluded by the end of 2016.

Since January 2015, 179 model municipalities nationwide have been implementing the ESF pilot programme for local youth empowerment - JUGEND STÄRKEN im Quartier - for which roughly €115 million in ESF funding and €5 million in federal funding is made available for the 2015-2018 period. The municipalities develop counselling, advice and mentoring services for young people who are making the transition from school to work and in particular need of assistance but are no longer reached by other services. Depending on the needs in the municipality, this also includes homeless young people and young refugees. The programme focuses on districts and urban areas that fall within the scope of the "Socially Integrative City" urban development assistance programme and other socially disadvantaged areas.

In the "YOUTH EMPOWERMENT: 1000 Opportunities" project run by the German sector of Junior Chamber International, young entrepreneurs and executives support young people who have got off to a difficult start to make the transition to training and employment. Through low-threshold offerings with a practical orientation, such as "Book an Entrepreneur", "Open Enterprise", "Next Step" or "Coach4Life", the project offers young people their first gateway to the local business community. The project collaborates closely with youth welfare services and

starting in 2016 offerings will be even more closely linked to activities to upgrade and enhance the local neighbourhoods.

The temporary new "Assisted Training" instrument was introduced as a central measure of the Alliance for Initial and Further Training 2015-2018 on May 1 2015 with the aim of getting more disadvantaged young people to successfully complete in-company vocational training in the dual system. The instrument seeks to give new business prospects to young people who have only been able to receive extra-company vocational training up until now. Support can be granted to the individual and continuous mentoring of socially disadvantaged young people and young people with learning difficulties from the point of looking for a training position to the successful completion of a vocational training course, as well as to measures to support the administrative and organisational tasks of businesses that offer training to such disadvantaged young people. If appropriate provisions are made in Land-specific strategies for the transitional area (school to work) and for assisted training, and a third-party co-finances at least half the costs, other young people who require additional assistance given the difficulties of their personal circumstances can also receive support through the Assisted Training instrument.

As part of another central measure of the Alliance for Initial and Further Training, the group of young people who are eligible for training-related assistance was expanded on 1 May 2015. Now training-related assistance is not only open to socially disadvantaged young people and young people with learning difficulties but also to all young people who need support to commence, continue or successfully complete in-company vocational training.

Despite the very broad and increasingly nuanced range of instruments of work promotion and integration services, as well as youth welfare-related support for socially and individually disadvantaged young people, practical findings and the rate of those not in education, employment or training (NEETs) suggest that a not insignificant but unquantifiable group of young people are at least occasionally not reached by the offerings of the social benefits systems. The Federal Government's RESPEKT pilot project enables targeted additional assistance that supports young people in difficult circumstances and brings them (back) on the path to education processes, work promotion measures, training or employment. The programme extends the portfolio under Book II of the Social Code for the provision of service components and methods, which cannot be provided as work integration services within the legal framework of Book II of the Social Code. The aim is to help establish a network in which liaison officers can build personal, long-term relationships with the young people, establishing trust and a sense of security and paving the way to a continuous, viable path to training and employment. Grants are provided to support agencies for projects that offer additional

mentoring and support services for the target group to facilitate their integration into education processes, active work promotion services, training or employment and secure the transition to further development through continued and reliable mentoring, support and advice.

### **Continued development of basic security benefits for job-seekers**

The social security systems need to rise to new demands with regard to user-friendliness, the avoidance of unnecessary bureaucracy and the sustainable use of ever scarcer resources. This also applies, in particular, to basic security benefits for jobseekers. Therefore it is necessary to permanently examine to what extent basic security benefits for jobseekers are still in line with changing demands and where they need to be adapted. The proposed legislation for regulatory simplification (draft of the Ninth Act to Amend Book II of the Social Code) makes a major contribution in this respect.

Over 30 suggested improvements have been developed by experts on the part of the Federation, the *Länder*, the Federal Employment Agency, the local authority central organisations, the German Association and also by specialists at the job centres themselves. The amendments contained in the current legislative project aim to ensure that people entitled to benefits receive swifter, more straightforward clarification regarding the existence and scope of legal entitlements and that the procedural rules to be applied by staff at the job centres are simplified. The law is expected to enter into force in the second half of 2016.

### **Improving the participation of people with disabilities**

With a total of €140 million from the national rehabilitation fund, the "Inclusion Initiative" already in place promotes career orientation for young people with severe disabilities, the training of young people with severe disabilities, the employment of older people with severe disabilities and the inclusion skills of the Chambers of Commerce. To be able to assess the effectiveness and sustainability of the promotion of new in-company training places and new workplaces for unemployed or job-seeking individuals with a severe disability aged 50 and over, action areas 2 and 3 of the Inclusion Initiative are currently being evaluated. Due to the *Länder*-specific surveys that are needed, the time required to process the evaluation has been estimated at 36 months. The mandate was given on 15 June 2015. The aim of the evaluation is to provide particular insight into how best to design special future activities to improve the participation of people with severe disabilities in working life on the regular labour market in order to facilitate effective and sustainable participation. The evaluation is set to be completed in 2018, when the Inclusion Initiative also draws to a close.

In line with the requirements of the Coalition Treaty, the Federal Participation Act (*Bundesteilhabegesetz*) seeks to improve the personal situation of people with disabilities and thereby continue to develop German legislation against the backdrop of the UN Convention on the Rights of Persons with Disabilities. People who only have limited opportunities to take part in community life due to a significant disability are to be lead out of the current "welfare system", and integration assistance is to be developed further towards a modern right of participation. Services and benefits are to be geared towards personal needs and determined on an individual basis according to a standardised nationwide procedure. Benefit provision will be person-centric, rather than institution-centric as previously the case. The right of people with a disability to choose and express preferences within the sense of the UN Convention on the Rights of Persons with Disabilities will be respected. The reorganisation of participation structures for the benefit of persons with disabilities will not give rise to new spending dynamics. The draft bill is currently being drawn up following a broad-based participation phase involving affected parties, representative associations, service providers and funding agencies, as well as the *Länder* and the municipalities in the working group for the "Federal Participation Act". The draft bill is due for submission in spring 2016 and the Federal Participation Act should also be adopted in 2016.

In the draft bill to modernise the law on public procurement, (here: Section 118 of the Draft Bill against Restraints of Competition), for the first time ever the Federal Government has included provisions for the reservation of public contracts for certain contractors (e.g. sheltered workshops and social enterprises) provided that at least 30% of the workers in these businesses are people with a disability or disadvantaged persons.

### **Reducing gender-specific segmentation in the labour market and facilitating female labour force participation**

To reduce vertical gender-specific segregation, the Act for the Equal Participation of Men and Women in Executive Positions in the Private Sector and in Public Service (*Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst*) entered into force on 1 May 2015. The new legal regulation seeks to increase the proportion of women in executive positions in Germany. Since 2016, a 30% gender quota applies for all new appointments to supervisory boards of publicly listed companies and businesses with obligations for full employee co-determination. Since 30 September 2015, publicly listed companies or businesses with obligations for employee co-determination have been required by law to set targets for increasing the share of women on executive boards, supervisory boards and in top-level management positions, and set dates by which these targets will be reached. This information is to be disclosed publicly.

Furthermore, such businesses must report on implementation regularly, thereby providing transparency on progress towards the targets.

The Appointment to Federal Bodies Act (*Bundesgremienbesetzungsgesetz*) of 1994 and the Federal Act on Gender Equality (*Bundesgleichstellungsgesetz*) of 2001 have also been revised within the context of the amended law. In keeping with the new rules for the private sector, a gender quota of at least 30% applies from 2016 onwards for all new appointments to government seats on supervisory boards on which the Federation is entitled to at least three seats. The aim is to increase this proportion to 50% from 2018 onwards. Key federal bodies must work towards the equal representation of women and men. This can be achieved gradually by initially setting a gender quota of at least 30% starting in 2016 and increasing this to 50% from 2018 onwards. With the amendment to the Federal Act on Gender Equality, the Federal Government continues to pursue the medium-term goal of bringing about a significant increase in the percentage of women in leadership positions in federal service. For supreme federal authorities, progress towards this goal will, in future, be recorded in the form of an equality index and published annually.

The existing gender pay gap is unacceptable. To help promote the principle of “equal pay for equal and equivalent work” the Federal Government wants to create more transparency as set down in the Coalition Agreement. An obligation is to be placed on businesses with 500 or more workers to state their position on the promotion of women and equal pay in accordance with legal criteria in their management reports as defined in the German Commercial Code. Building on this, an individual right to information is to be defined for male and female workers. In addition, businesses will be encouraged to set binding procedures and work with staff and stakeholders to eliminate, on their own responsibility, any pay discrimination that has come to light in the company. Complementing this, at the initiative of the Federal Government regular talks will be held with representatives of the trade unions and umbrella organisations of German industry.

The ILO project "Promotion of Equal Pay in Germany" supports the proposed legislation and focuses the implementation of specific measures at the level of the social partners and the business community. The results of the project will be presented in mid-2016.

"What do Women Earn? Economic Independence!" is a project of the German Trade Union Confederation implemented in collaboration and consultation with the Federal Government and running from September 2014 to August 2016 that wishes to strengthen the economic independence of women and thereby also contribute to closing the gender pay gap. Targeting

young women and mothers in particular, the project seeks to specifically illustrate the interconnection between economic independence, the wage gap and jobs that secure a livelihood, and to explain what women can be mindful of and watch out for in their professional lives. In implementing the project, the German Trade Union Confederation takes advantage of its access to women and disseminators in business enterprises and trade unions. The project focuses on people at junctures in their lives, particularly women transitioning from training to working life, or coping with work and motherhood.

The ESF program "Changing Careers – Men and Women in Child Day-Care Centres", for example, aims to reduce horizontal gender segregation on the labour market. It promotes the qualification of individuals who are changing careers to become educators in child day-care centres. Due to the training structures, such career change proves very difficult at present. The programme is trialling new, paid, adult-appropriate training courses for this target group, thereby helping to further open this field to men (as men, in particular, often tend to choose this career later in life) and increase staff diversity in child day-care centres.

The "Gender-Responsive Career and Study Programme Orientation" initiative of the Federal Government ties in with the experience gathered over many years from the New Paths for Boys/Boys' Day and Girls' Day programmes and the career orientation programme. These programmes will be continued and a group of experts will identify existing gaps in research and develop recommendations for action. The research gaps are to be closed and the recommendations for action implemented with the participation of the relevant stakeholders. By implementing relevant measures, the aim is to ensure the topic enjoys broad acceptance and to help raise awareness among those involved.

### **3.2 Investing in children**

#### **Support for the labour market participation of both parents**

Both parents in gainful employment is the best way to protect children against the risk of poverty. Mothers go back to work earlier and work more hours if fathers assume more family responsibilities. The employment rate (36%) of mothers whose partners are on parental leave is more than twice that of mothers whose partners do not take parental leave (17%). The parental allowance addresses both parents individually, thereby encouraging fathers to be more active in assuming family responsibilities.

To provide greater assistance to parents in combining work and family commitments in a spirit of partnership, new regulations surrounding parental allowance were developed and the new

"parental allowance plus" (*Elterngeld Plus*) introduced. Parental allowance plus creates the best possible framework for parents to be able to receive parental allowance in conjunction with a part-time job, thereby making it easier for parents to return to work. Parents who work part-time after the birth of their child can now extend the entitlement period beyond the first 14 months of the child's life. One previous month of parental allowance has now been made into two months of parental allowance plus. Further to this, the parental allowance has been complemented by a partnership bonus that seeks to promote the sharing of family and work responsibilities among both partners. If both the mother and the father simultaneously work part-time for 25-30 hours per week for four consecutive months, they each receive four additional months of parental allowance plus. The new regulations are applicable to co-habiting parents and single parents. Parents can avail of the new service in the early family phase, choosing a set-up that is right for them, and thereby enter a situation in which family and work responsibilities are shared among both partners.

In addition, the new regulations surrounding parental leave are to give parents more flexibility in returning to work and in their plans to combine work and family commitments. Parental leave of up to 24 months which has not been taken can now be taken when the child is aged between two and seven. The approval of the employer is no longer required. In future, parental leave can also be split into three blocks (previously it was two). The third block can be denied by the employer for pressing business reasons if it is between the child's third and eighth birthday. In addition, the concept of "presumption of approval" has also been introduced: if the employer does not respond to an application for part-time work by a parent entitled to parental leave within a certain time, approval is deemed to be granted. The new rules for parental allowance plus, the partnership bonus and parental leave apply to parents whose children are born on or after 1 July 2015.

The ESF federal programme "Return to Work – Unlock Potential" (*Perspektive Wiedereinstieg - Potenziale erschließen*) started in July 2015. The aim of the programme is to help men and women who have taken a multi-year career break for family reasons return to work with good prospects. The programme builds on the experience of the last programming period. In particular, this includes individual support management for women and men in the "hidden reserve", targeted pitching to employers, and the involvement of partners or support through household-related services. The programme scope is extended with the "returning to work and care needs" (*Wiedereinstieg und Pflegebedarf*) and the "potential of women in mini-jobs" (*Potenziale von Frauen in Minijobs*) modules.

The "Return to Work" (*Perspektive Wiedereinstieg*) parent programme of action communicates the topics of the model programme to the public and is continued with its various modules,

such as the advisory portal ([www.perspektive-wiedereinstieg.de](http://www.perspektive-wiedereinstieg.de)), XING group ("Just one click to new prospects"), public relations work and the return-to-work calculator tool.

In the ESF federal programme "Work Strong – Mothers with a Migrant Background Get to Work" (*Stark im Beruf – Mütter mit Migrationshintergrund steigen ein*) (2015-2018), funding has been granted since mid-2015 to 88 projects that bring mothers from a migrant background into employment. With the binding collaboration of project providers with employment agencies/job centres and other local stakeholders, the projects provide individual coaching and mentoring to support employment orientation and introduce the target group to instruments of employment promotion, skills assessment and skills development so that they will ultimately enter the labour market. The Federal Employment Agency is an important cooperation partner ([www.starkimberuf.de](http://www.starkimberuf.de)).

In the Coalition Agreement and within the context of the Digital Agenda 2014-2017, the Federal Government has adopted measures to improve the framework for parents to reconcile work and family commitments and also support people to return to work and secure better conditions in old age. The Federal Government seeks in particular to ease the burden on families balancing career and child-rearing responsibilities, create more time for families and careers, and contribute to increasing labour market participation among women. Household-related services constitute one instrument for delivering on these goals. For this reason, the Federal Government is setting up an information portal for household-related services. By providing enhanced transparency and information, the portal aims to improve access to the legal household-related services market, promote professionalisation on the supply side by providing information on quality standards, and channel and increase demand on the whole.

### **Expansion and quality of child day care facilities**

Good child day care services that are in line with demand are a central contribution to promoting equal opportunities and educational equality for all children, and thereby also to preventing poverty. At the same time, they are a prerequisite for ensuring the equal participation of fathers and mothers in the labour market. With the introduction of a legal entitlement to early childhood education also for all one- and two-year olds from 1 August 2013 onwards, the Federal Government set a milestone for needs-oriented child day care. The major increase in the number of childcare places for children under three (U3) can be attributed, in particular, to the financial support of the Federation and the expansion efforts of the *Länder*. On 1 March 2015, 693,343 children under three were being cared for at publically funded child day care facilities or by childminders. To promote the expansion of child day care services for the under-threes, the Federal Government made a total of €5.4 billion available through to

2014 for investment and operating costs, with the result that it has been possible to create roughly 300,000 additional child care places for the under-threes since 2008. In this legislative term, the Federal Government will add €550 million to the special fund so that €1 billion will be available through this fund for the further expansion of child day care facilities. The legal basis was created with the entry into force of the "Act for Further Relief for *Länder* and Municipalities as of 2015 and for the Quantitative and Qualitative Expansion of Day Care for Children" (*Gesetz zur weiteren Entlastung von Ländern und Kommunen ab 2015 und zum quantitativen und qualitativen Ausbau der Kindertagesbetreuung*) on 1 January 2015. The *Länder* have been receiving €845 million annually on a permanent basis for operating costs since 2015. Further to this, the *Länder* and municipalities will receive additional support towards operating costs in the form of €100 million each year for 2017 and 2018.

Since November 2014, a Federal/*Länder* conference has been held annually at minister level to address the system of early childhood education and care overall. The process was initiated in a communiqué between the competent ministers of the Federal Government and the *Länder* about quality in child day care, which takes place with the participation of local authority central umbrella organisations. In 2015, the discussion agenda was broadened to include "integration and support of refugee children and their families". A first progress report will be presented at the end of 2016.

With the federal programme "Chatter Matters: Because Language is Your Key to the World" (*Sprach-Kitas: Weil Sprache der Schlüssel zur Welt ist*), speech and language development strategies are being sponsored in around 4,000 child day care facilities nationwide from 2016 onwards. The programme is geared towards child day care facilities with an above-average percentage of children in particular need of speech and language development and support, including many facilities already caring for children from refugee families.

The ChildcarePlus (*KitaPlus*) federal programme, which also commenced in 2016, is aimed at offering childcare facilities for children from families with non-standard schedules at times outside the usual opening times of child day care facilities and nursery schools. This programme will particularly benefit single parents, shift workers and groups of professions who work outside the normal opening hours of child care facilities.

Under the ESF federal programme "Opportunities for Parents II - Getting Families Involved in Education Early on" (*Elternchance II – Familien früh für Bildung gewinnen*), which started in

2015, educational staff and early-learning professionals who work, in particular, with disadvantaged families in family centres, parent and child centres, child day care facilities and other family education facilities can take part in a continuing professional development programme to become a parental mentor. Running through to 2020, the programme focuses on how professionals and parents can together offer the best support to the children throughout their education and development processes. "Opportunities for Parents II" builds on the experience of the "Opportunities for Parents Are Opportunities for Children" (*Elternchance ist Kinderchance*) federal programme (2011–2015) in which 6,000 professionals have already been trained up as parental mentors.

### **3.3 Homelessness, inclusive and affordable housing**

In 2015 and 2016, the Federal Government is supporting four pilot projects for children and young people living on the street with a total of €400,000 from the investment fund of the child and youth welfare plan. The objectives include gathering more knowledge about the target group and their support needs. The projects will be evaluated by the German Youth Institute (*Deutsches Jugendinstitut*).

With the 2016 housing benefit reform which entered into force on January 1, low-income households above the basic security level receive fast, effective and tailored relief for housing costs. The reform centres on adapting the housing benefit to the developments in rents and income since the last housing benefit reform of 2009. The increase also takes into consideration the increase in utility costs and therefore the increase in gross rents in total. Roughly 870,000 low-income households will benefit from the 2016 housing benefit reform, including approximately 320,000 households that are newly entitled or again entitled to housing benefit as a result of the reform. Of these, some 90,000 households have been reliant on benefits under Book II and/or Book XII of the Social Code up until now.

The Federal Government wishes to introduce effective relief on the housing markets with its Housing Construction Strategy. Current forecasts suggest that at least 350,000 new apartments will be needed each year in the coming years to be able to adequately house families, single parents, students and the growing numbers of refugees. Concrete measures for the creation of more affordable housing have been set down under the Alliance for Affordable Housing and Construction. The sale of sites at a reduced price, incentives for the construction of new apartments, a more simplified construction planning law and the promotion of low-cost, small, modular residential units (known as "vario-apartments") are some of the key

elements of a ten-point package of measures for affordable housing that is to be implemented in conjunction with the *Länder* and other alliance partners.

Overall, social urban development and the social dimension of inclusive, multi-generational housing is closely interlinked with digital participation and digitally supported residential environment design for all generations. The Federal Government intends to develop this further.

As one of its target groups, the new Fund for European Aid to the Most Deprived (FEAD), which was rolled out in 2015, supports homeless persons and persons at risk of being homeless. Homeless persons and persons at risk of being homeless are particularly affected by the problem of no or insufficient access to the regular assistance system. Therefore the FEAD acts as a bridge between this demographic group and the existing range of support and counselling services in the regular assistance system.

### **3.4 Fighting discrimination**

Pursuant to Article 23 of the UN Convention on the Rights of Persons with Disabilities, the legal entitlement to advice on all questions surrounding pregnancy and family planning must also be specifically implemented for people with disabilities and impairments. To this end, since January 2013 the Federal Government has been supporting a three-year pilot project at the *donum vitae* federal association entitled "I also want to marry! – Implementing tailored advisory services for general pregnancy and pregnancy in conflict situations for individuals with an intellectual disability". The project aims to incorporate the concept of inclusion into the work of the association at the central federal level by professionalising advice in the context of the Act on Pregnancies in Conflict Situations (*Schwangerschaftskonfliktgesetz*) and sex education for people with learning difficulties, and making this information and advice available in an accessible format. Based upon this, a nationwide network of tailored services is to be created in conjunction with partnerships with a wide range of institutions serving people with disabilities. Under this project, accessible, easy-to-understand educational materials have been created; accompanying public relations work and online advice for people with learning difficulties are planned. The project is overseen by an advisory board and the measure appraised to guarantee the quality and the long-term nature of the project. The "Inclusive Future" (*Zukunft inklusive*) conference on inclusive advisory services will be held in early 2016 where the results of the "I also want to marry" project will be presented and appraised.

## 4. Recent reforms to achieve appropriate and sustainable pensions

### Raising the retirement age and current reform measures

German law-makers have long resolved to raise the statutory age of retirement gradually to 67. For those born in 1950, the statutory retirement age was 65 and 4 months. Over the course of the coming years it will be raised by one month per birth year up to the age of 66, and then (for those born in 1959 and after) by two months per birth year up to the age of 67 (those born in 1964 and after). Corresponding increases will be implemented for other age limits.

### Pension adjustment

Pensions under the statutory pension insurance system rose by 2.10% and 2.50% in the old and new *Länder* respectively with effect from 1 July 2015. The 2015 pension adjustment was based on a wage development of 2.08% in the old *Länder* and 2.50% in the new *Länder*, which is relevant for pension adjustment. With 0.01 percentage points, the sustainability factor had the effect of slightly increasing pension adjustments. This reflects both the very positive economic development, particularly the increase in employment last year, and the fact that the number of retiring cohorts is currently still limited for demographic reasons. The factor of old-age provision payments did not affect pension adjustment this year because, at 18.9%, the contribution rate under the general statutory pension insurance system in 2014 did not change compared to 2013 and the Riester reform scale (*Riester-Treppe*) (change in expenditure for supported private old-age provision) was applied for the last time in 2013.

The result was a current pension value on 1 July 2015 of €29.21 in the old *Länder* and a current pension value of €27.05 in the new *Länder*.

### Occupational pension schemes

With the Act to Transpose the EU Mobility Directive (*Gesetz zur Umsetzung der EU-Mobilitäts-Richtlinie*), the European Directive 2014/50/EU of 16 April 2014 on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights is transposed into German law. The Directive seeks to reduce obstacles to worker mobility which may be created by certain rules concerning occupational pension schemes. The future mobility of workers will be particularly improved by lowering from five to three years the vesting period as of which the vested pension rights are no longer forfeited if the employee changes employer and by lowering the vesting age from 25 to 21. The new regulations will apply from 1 January 2018 and will help ensure that mobile workers will have fewer gaps in their occupational pension portfolio in the future.

## 5. Recent reforms in the health care system

While the number of births in Germany has increased slightly, it is still less than the number of deaths. At the same time, life expectancy continues to rise. Therefore the implications of demographic change present a major challenge for health policy in the field of health care and long-term care. Priority must be placed on coordinating and interlinking the various services and securing collaboration between the service providers. Within this context, a particular focus must be on rural areas as population development statistics suggest continued growth in cities and conurbations, but a decline in the population of structurally weak, mostly rural areas.

People can rely on high-quality medical services all across Germany. Various reforms in the health care system ensure that high-quality, easy-to-access medical care will continue to be guaranteed nationwide in the future.

### **Future-proofing the healthcare system**

The Act to Strengthen Care Provision in the Statutory Health Insurance System (*Gesetz zur Stärkung der Versorgung in der gesetzlichen Krankenversicherung*), the central parts of which entered into force on 23 July 2015, strengthens medical care in rural areas, in particular, by providing targeted incentives for the licensing and establishment of doctors in underserved or structurally weak areas, for instance. The existing regulation surrounding the creation of a structural fund by the regional associations of SHI-accredited physicians (SHI = statutory health insurance) will be expanded and possibilities for setting up medical care centres will be developed further. To shorten waiting times, the associations of SHI-accredited physicians are obliged to set up central appointment service centres which give insured patients being referred to a specialist an appointment with the specialist within four weeks. Further to this, hospital discharge management will be improved and structured treatment programmes developed further. Insured patients receive the right to an independent second medical opinion before certain schedulable operations. To promote innovative, cross-sector care models and care research, an innovation fund with an annual financial volume of €300 million will be established in the 2016-2019 period.

Further to this, the Act to Strengthen Care Provision in the Statutory Health Insurance System also makes provisions for a range of other measures, including the authorisation of medical treatment centres to provide out-patient treatment of adults with an intellectual disability or severe multiple disabilities, and the improvement of preventive dental care for people in need of care, persons with disabilities and persons with a permanently limited ability to cope in everyday life.

Overall, the measures introduced through the Act to Strengthen Care Provision in the Statutory Health Insurance System will improve medical care for patients throughout Germany and help ensure fast, uninterrupted treatment.

### **Providing quality care and assistance to the seriously ill**

The Act to Improve Hospice Care and Palliative Care in Germany (*Gesetz zur Verbesserung der Hospiz- und Palliativversorgung in Deutschland*), the central elements of which entered into force on 8 December 2015, ensures that seriously ill and dying patients receive good medical assistance and care and are treated with dignity wherever they spend the last stage of their lives, be that in the home environment, in nursing homes, hospitals or hospices. Provisions are made for specific improvements in statutory health insurance (SHI), in social long-term care insurance and in the hospital system to this end. The measures range from improvements in out-patient and specialised out-patient palliative care, greater financial support of out-patient and in-patient hospice work by the SHI, the targeted promotion of collaboration and interlinkages between the range of the hospice care and palliative care services to improvements in hospice care and palliative care in in-patient nursing homes and hospitals. Individual counselling and support services are set up to ensure that everyone receives the help and support they want and need in the last stage of their lives. The aim is to offer a comprehensive range of hospice and palliative care services throughout Germany, particularly also in structurally weak and rural regions.

### **Future-proofing hospital care**

The primary elements of the Hospital Structure Act (*Krankenhausstrukturgesetz*) entered into force on 1 January 2016. The Act aims to secure high-quality, patient-oriented medical care which meets demand by strengthening the quality of in-patient hospital care and nursing care, further developing the financial basis and promoting target-oriented restructuring measures. As a new service under the SHI system patients are entitled, for example, to short-term care in a suitable facility if they are very ill or if they temporarily require continued care due to the acute aggravation of an illness, particularly following a stint in hospital, out-patient surgery or out-patient hospital treatment. Complementing this, patient entitlements to at-home nursing and domestic help have also been expanded for these care situations. These measures close existing gaps in the care system if patients are not in need of care as defined by social long-term care insurance and are therefore not entitled to care services.

In the hospital planning of the *Länder*, the quality of hospital services is introduced as another target criterion and must be taken into consideration for any planning decisions. Targeted

regulations on hospital financing allow hospitals to provide demand-driven, quality-oriented services on a solid financial basis. The quality of hospital services will affect the level of remuneration received, with deductions envisaged for unsatisfactory quality and premiums for exceptionally good quality. The fee-per-case system will be developed further, the framework for agreements on premiums will be expanded and existing premium conditions will be clarified. To increase the headcount in the field of nursing care, there are plans to introduce a new nursing staff promotion programme under which a total of up to €660 million will be made available for hospitals for the three-year period spanning 2016 to 2018. After the end of the programme, annual funding of up to €330 million will continue to be provided for nursing at hospitals. A nursing surcharge worth €500 million annually will be introduced to improve the funding of existing nursing jobs. In order to improve the care structures, one-time funding totalling €500 million will be made available in a structural fund. Adding in the contribution from the *Länder*, a total of up to €1 billion will be provided to support targeted restructuring measures. In particular, the concentration of care services and the reduction of hospital capacities that are not required will be promoted.

### **Digital networking benefits patients**

The Federal Government places a particular emphasis on capitalising on the opportunities presented by digitisation for the healthcare sector. The Act on Secure Digital Communication and Applications in the Healthcare System and to Amend other Acts (*Gesetz für sichere digitale Kommunikation und Anwendungen im Gesundheitswesen*) entered into force with its main provisions on 29 December 2015. The aim of the Act is to better leverage the possibilities afforded by the use of modern information and communication technologies for better medical care and quickly create the conditions for digital applications that benefit insured persons, the health insurance funds and service providers. This requires the development of an IT infrastructure that interlinks doctors' surgeries and hospitals in such a secure and reliable manner that they can communicate better and more quickly, and can access important health data about their patients, such as information on pre-existing conditions.

The specific goals of the Act on Secure Digital Communication and Applications in the Healthcare System and to Amend other Acts include the following:

- to support the swift introduction of beneficial applications (e.g. emergency data, medication plans, electronic doctors' reports and electronic patient files)
- to establish the telematics infrastructure and its security features as the central infrastructure for secure communication in the health sector and to open it up to other applications in the health system and other service providers, such as care providers
- to improve the interoperability of IT systems in the health sector

- to promote telemedicine applications
- to improve the structures of Gesellschaft für Telematik (the company responsible for the telematics applications of the healthcare card)
- to strengthen patient autonomy, e.g. with simplified access to the patient folder (*Patientenfach*).

The regulations of the Act safeguard the nationwide provision of health care and improve the quality and efficiency of medical care. Furthermore, they create the framework for cross-sector care.

### **Strengthening health promotion and prevention**

The core idea of prevention is to prevent illnesses occurring and ensure the patient stays healthy. On 25 July 2015, the central elements of the Act to Strengthen Health Promotion and Prevention (*Gesetz zur Stärkung der Gesundheitsförderung und der Prävention*) entered into force. A particular aim of the Act is to strengthen prevention and health promotion in all domains of life, particularly in childcare facilities, schools, businesses and in-patient nursing homes, and to reduce unequal health opportunities in so doing. This requires the co-operation of all the social security institutions both among themselves and with other centres of responsibility, and with the Federation, the *Länder* and the municipalities. To this end, a national prevention strategy will be rolled out nationwide for the first time ever which will strengthen this targeted co-operation at the federal and *Land* level through national recommendations and state-wide agreements on prevention and health promotion. Further to this, other legal provisions have also been introduced to strengthen health promotion and prevention. For example, the Act to Strengthen Health Promotion and Prevention promotes a programme of prevention through vaccination through a series of measures. Medical examinations and screening tests for children, young people and adults which, at present, are primarily aimed at the early diagnosis of clearly identifiable diseases will be developed further to include primary prevention elements to be able to focus more on identifying negative health effects and risk factors. Where necessary, physicians are to advise the insured parties and recommend them specific prevention measures. Expenditure on prevention services will also be increased through the Act to Strengthen Health Promotion and Prevention: starting in 2016, the health insurance funds and long-term care insurance funds will invest more than half a billion euros each year in prevention and health promotion services. Furthermore, financial support for health-related self-help will be increased by approximately €30 million per year.

Within the context of the assessment to determine need for long-term care, the entry into force of the Act to Strengthen Health Promotion and Prevention means that the Health Insurance

Medical Services must now always determine whether there is a need for advice with regard to disease prevention services. The individual prevention recommendations are communicated with the individual rehabilitation recommendations by the competent long-term care insurance fund to the applicant.

### **Development of healthcare expenditure**

The sustainable financing of the healthcare system is of central importance. The statutory health insurance system (SHI) started 2015 with a new, sustainable financial structure with income-based supplementary premiums specific to each statutory health fund. Many health insurance funds used the opportunity to levy a supplementary premium rate below the special contribution of 0.9%, thereby allowing their insured parties to share in their sometimes substantial financial reserves.

According to preliminary financial results, the SHI had financial reserves of roughly €24.5 billion at the end of 2015, with the liquidity reserve of the Health Fund claiming roughly €10 billion and the statutory health insurance funds roughly €14.5 billion. SHI expenditure amounted to some €213.6 billion in 2015. Expenditure on benefits rose by 3.8% per insured party compared to the previous year, while net administration costs increased by 3.2% per insured party. Overall, this is equivalent to an increase of 3.7% per insured party. With revenues of roughly €212.4 billion, the statutory health insurance funds reported an overall deficit of around €1.1 billion. This is largely attributable to the fact that several health insurance funds gave their insured a share in their substantial reserves by levying an average supplementary contribution of 0.83%, which is lower than the previous special contribution of 0.9%.

## 6. Recent reforms in long-term care

### **More help for individuals in need of care and their families**

The comprehensive strengthening and support of long-term care is a key policy objective of the Federal Government. Progress was already made towards this goal with the enactment of the First Act to Strengthen Long-Term Care (*Erstes Pflegestärkungsgesetz*) and continued with the Second Act to Strengthen Long-Term Care (*Zweites Pflegestärkungsgesetz*). At the centre of this long-term care reform is the new definition of "need for long-term care", which guarantees dignified care for people with physical, cognitive and mental impairments. The new definition of need for long-term care is established with the introduction of a new assessment instrument and a comprehensive understanding of need for long-term care, with greater recognition given to the care and support needs of people with geriatric psychiatric disorders (e.g. people with dementia) than before. The three categories of care are replaced by five levels of care. The Second Act to Strengthen Long-Term Care partially entered into force on 1 January 2016. The new assessment instrument and the change in the structure of benefit amounts under long-term care insurance will take effect on 1 January 2017.

The reform seeks to benefit and strengthen individuals in need of care, their families and nursing staff. Care is centred on the individual's abilities and faculties. In future, the benefit amount will be determined by what the individual can still do on his/her own and where he/she requires support and assistance, regardless of whether someone is suffering from dementia or a physical condition. All those in need of care therefore receive equal access to benefits under long-term care insurance. Over the medium term, the reform could allow up to 500,000 more people to receive support, and relieve the burden on care-giving relatives.

For individuals in fully residential care facilities, the amount they are required to pay towards the care provided - rather than the benefit amounts - is what is important. Previously this personal contribution increased when an individual was placed in a higher care category. In future the care-related personal contribution will not increase with an individual's increasing need for care, thereby removing the burden on many individuals requiring care. All individuals in need of care in care categories II-V will pay the same personal contribution to care in a nursing home. This contribution varies from nursing home to nursing home. On the national average, the standardised care-related personal contribution in a nursing home is likely to be in the region of €580 in 2017. Added to this, those in need of care must bear the costs of food, board and investment which also vary across nursing homes.

Care staffing structures that are strong both in terms of quality and quantity are central to delivering quality care. For this reason, the Second Act to Strengthen Long-Term Care obliges the self-governance system of the long-term care sector to develop a new staff allocation method, and trial it in practice, by 2020 at the latest.

The rules surrounding quality assurance, quality control and quality presentation are being fully revised and the self-governance decision structures streamlined in this area. To finance the introduction of the new definition of need for long-term care and the associated improvements in benefits, the contribution rate for long-term care insurance will increase by 0.2 percentage points to 2.55%, or 2.8% for childless insured persons, with effect from 1 January 2017. From 2017 onwards, an additional €5 billion in total will be available annually for long-term nursing care. New benefit amounts have been established with the introduction of the new definition of need for care and the index-linking of benefits, stipulated by law for 2018, has been incorporated into the reform. As a result, additional funds of roughly €1.2 billion are already available in 2017 for benefits under long-term care insurance. The financial situation of long-term care insurance will make it possible to keep contribution rates stable through to 2022.

### **Medical care for people suffering from dementia**

As a result of demographic change, our society will have increasing numbers of people suffering from dementia. The job of the Alliance for People with Dementia is to present prospects to those suffering from dementia and their families, giving them a better quality of life despite the severe impact of the illness. By signing the "United for People with Dementia" agenda on 15 September 2014, the partners have expressed their commitment to implementing specific measures in four action areas and have already received feedback on 133 of the 155 agreed measures. The Federal Government has set up a monitoring procedure to oversee this process. A progress report will be published in autumn 2016 and implementation is set to be completed in 2018. Complementing this, up to 500 local support networks will be created at the municipal level by 2016 for families living with dementia with a funding programme of the Federal Government. Currently 372 such support networks are in place.

### **Reconciling care and work commitments**

The 21-member independent advisory board for the reconciliation of care and work commitments commenced work with its inaugural meeting on 25 September 2015. The board deals with the issue of combining work and care for a family member. It oversees the implementation of relevant statutory regulations concerning career breaks, particularly the

new flexibility afforded by the Act on Long-Term Care Leave (*Pflegezeitgesetz*) and the Family Caregiver Leave Act (*Familienpflegezeitgesetz*), and advises on their impact. The advisory board is supported by an office affiliated to the Federal Office for Family-Related and Civic Duties. The advisory board will submit a report to the Federal Government every four years in which it can issue recommendations for action. The first report is due on 1 June 2019.

### **Securing the supply of skilled labour in the care sector**

Demographic change and the social developments this entails change the requirements placed on nursing professionals and care structures. The Federal Government is committed to establishing nursing training that is geared to the future and to securing a skilled labour base in all care sectors to guarantee care standards and meet the need for good-quality nursing care in all age groups and across all care structures also in the future. Preparation of the fundamental reform of nursing training is currently underway to this end. The vocational training programmes for elder care, nursing and health care, and nursing and paediatric care, which have been separately regulated by age groups up to now, will be merged under a Caring Professions Act (*Pflegeberufsgesetz*) into a new, standardized general nursing training programme with a professional qualification, and individual specialisation specified on the qualification certificate. The new training programme prepares candidates to work in all areas of care, makes it easier to switch between the individual care sectors and creates additional employment and promotion opportunities. Complementing the vocational training, there are also plans to introduce a nursing training programme at third level which will help secure and develop the quality of nursing and attract other new target groups to the caring professions. The legislative procedures commenced in 2015 and should be completed in 2016.

Further to this, the agreements reached to strengthen initial, further and continuing training in elder care and to make jobs and employment in this sector more appealing as set down in the "Training and Skills Development Programme for Elder Care", which was started in December 2012 as a joint initiative of the Federation, the *Länder* and associations, were implemented by the end of 2015. The final results of the Training and Skills Development Programme for Elder Care will be presented at a joint closing event in 2016. The key elements of the programme were the reintroduction of the three-year retraining grant provided by the Federal Employment Agency for the three-year duration of the Training and Skills Development Programme, while also improving the framework for shortening the training course if the candidates already have knowledge and skills in the field. This full three-year funding of courses to retrain in elder care, which commenced in the period from 1 April 2013 to 31 March 2016, are to be continued through to 31 December 2017 in view of the new nursing training, which is expected to commence on 1 January 2018.

### **Development of the financial situation in social long-term care insurance**

Social long-term care insurance remained on a sound financial footing in 2015. The fund volume of social/statutory long-term care insurance stood at €6.6 billion at the end of 2014 and a surplus of roughly €0.8 billion was recorded in the first half of 2015.

To fund the first Act to Strengthen Long-Term Care, the contribution rate to social long-term care insurance was increased by 0.3 percentage points as of 1 January 2015. Of this, 0.1 contribution rate points will go towards building up reserves in a long-term care provident fund to cushion future contribution rate increases in light of demographic challenges. This is equivalent to revenues of roughly €1.2 billion per year. 0.2 contribution rate points will go towards financing the improvements in services. This equates to additional revenues of around €2.4 billion.

To finance the second phase of the care reform in connection with the new definition of "need for long-term care", there are plans to increase the contribution rate to statutory long-term care insurance by a further 0.2 percentage points from 1 January 2017.

## Annex

### Overview of indicators

Year	2008	2009	2010	2011	2012	2013	2014
<b>Employment rate of population (aged 20-64), expressed as a percentage</b>							
EU28	70.3	69.0	68.6	68.6	68.4	68.4	69.2
Men	77.8	75.7	75.1	75.0	74.6	74.3	75.0
Women	62.8	62.3	62.1	62.2	62.4	62.6	63.4
Germany	74.0	74.2	74.9	76.5	76.9	77.3	77.7
Men	80.1	79.6	80.1	81.7	82.1	82.1	82.2
Women	67.8	68.7	69.6	71.3	71.6	72.5	73.1
<b>Employment rate among persons with a low level of education (aged 20-64), expressed as a percentage</b>							
EU28	56.4	54.3	53.4	52.9	52.1	51.4	51.8
Germany	55.9	55.7	56.0	57.4	57.8	58.3	58.0
Note: A low level of education is defined as no higher than lower secondary school (without a vocational training certificate).							
<b>Employment rate among older persons (aged 55-64), expressed as a percentage</b>							
EU28	45.5	45.9	46.2	47.2	48.7	50.1	51.8
Germany	53.7	56.1	57.7	60.0	61.6	63.6	65.6
<b>Unemployment rate of under-25s, expressed as a percentage</b>							
EU28	15.6	19.9	21.0	21.7	23.2	23.6	22.2
Germany	10.6	11.2	9.9	8.5	8.0	7.8	7.7
<b>Absolute long-term unemployed in thousands and ratio to all unemployed, expressed as a percentage</b>							
Germany	1,623	1,447	1,380	1,189	1,043	968	919
Men	883	803	806	687	603	555	554
Women	740	644	574	501	440	414	375
Germany	52.5%	45.5%	47.3%	47.9%	45.4%	44.7%	44.3%
Men	53.2%	44.4%	48.1%	49.3%	46.8%	45.4%	46.2%
Women	51.7%	46.9%	46.3%	46.1%	43.6%	43.8%	41.9%

Source: EUROSTAT; basis of data: labour force survey

## Overview of indicators

Year	2008	2009	2010	2011	2012	2013	2014
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### At-risk-of-poverty threshold for singles (60% of the median annual income)

Germany	10,986	11,151	11,278	11,426	11,757	11,749	11,840
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### At-risk-of-poverty rate (percentage of persons with less than 60% median income)

EU28	16.5*	16.4*	16.5	17.0	16.9	16.7	17.2
Men	15.6*	15.5*	15.8	16.2	16.3	16.1	16.7
Women	17.5*	17.2*	17.2	17.7	17.5	17.2	17.7
Under 18	20.4*	20.1*	20.8	20.8	20.7	20.3	21.1
65 and older	18.9*	17.8*	15.9	15.9	14.6	13.8	13.8
Germany	15.2	15.5	15.6	15.8	16.1	16.1	16.7
Men	14.2	14.7	14.9	14.9	14.9	15.0	15.9
Women	16.2	16.3	16.4	16.8	17.2	17.2	17.4
Under 18	15.2	15.0	17.5	15.6	15.2	14.7	15.1
65 and older	14.9	15.0	14.1	14.2	15.0	14.9	16.3

### Average median income in EUR/year and relative median ratio of income in old age (65 and older)

EU28	12.877*	13.396*	13.705	13.928	14.536	14.719	15.240
Total	0.85*	0.86*	0.88	0.89	0.91	0.93	0.94
Men	0.88*	0.90*	0.92	0.93	0.95	0.96	0.98
Women	0.83*	0.84*	0.86	0.87	0.89	0.91	0.91
Germany	16.498	16.804	17.167	17.611	17.729	17.904	18.181
Total	0.87	0.88	0.89	0.90	0.88	0.89	0.90
Men	0.89	0.90	0.90	0.91	0.88	0.90	0.91
Women	0.87	0.86	0.88	0.89	0.87	0.88	0.87

Note: Median net equivalent income of people aged 65 and older in comparison with persons under 65.

\*Values for EU27

Source: EUROSTAT; basis of data: EU-SILC

### Absolute dependents on minimum security in thousands and percentage of population

Germany	7.646	7.761	7.537	7.258	7.249	7.384	7.553
Germany	9.3%	9.5%	9.2%	8.9%	9.0%	9.1%	9.3%

Note: Transfer payments of minimum security systems denote financial assistance from the government that is paid out to entitled persons to secure a decent subsistence minimum. The legal bases are Books II and XII of the Social Code, the Asylum Seekers Benefits Act and the Federal War Victims Compensation Act.

### Absolute recipients of basic income support in old age in thousands and percentage of population aged 65 or above

Germany	410	400	412	436	465	499	515
Germany	2.5%	2.4%	2.4%	2.6%	2.8%	3.0%	3.1%

Source: Federal Statistical Office