



MINIMUM SOCIAL SECURITY IN GERMANY

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The funding and long-term reliability of the social security systems are at the focus of the current reform debate in Germany. In this context, the statistics of transfer payments of the minimum social security systems provide information that is indispensable and relevant for decision-making not only to deciders in the political, administrative and business spheres but also to the scientific community, the media and the interested public.

What social benefits are part of minimum social security?

According to results of the statistics on long-term care, which are compiled every two years, a total of 2.13 million people in Germany required long-term care as defined by the Long-term Care Insurance Act in December 2005. Of these, 68% were women. The majority (82%) of them were 65 years old or older, while a third (33%) were aged 85 or over. The rate of people in need of care increases with age. While "only" every twentieth (5%) of those aged 70 to under 75 years needed care, 60% of all people aged 90 years or over required long-term care.

Transfer payments of the minimum social security systems are financial aids of the government granted – at least in addition to other income – to persons entitled to such aid and aimed at securing their basic livelihood. Since 2005, the following benefits have been included here:

- unemployment benefit II/ social allowance according to the second volume of the Social Code (Sozialgesetzbuch II (SGB II) on “basic security benefits for job-seekers”)
- basic security benefits in old age and in cases of reduced earning capacity according to the Sozialgesetzbuch XII (SGB XII) on “public assistance”
- continuous subsistence outside institutions according to the Sozialgesetzbuch XII (SGB XII) on “public assistance”
- standard benefits according to the Act on Benefits for Asylum-Seekers
- benefits of assistance for war victims according to the Federal War Victims’ Assistance Act

Minimum social security systems since 2005



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The Fourth Law for Modern Services in the Labour Market (“Hartz IV”), which entered into force on 1 January 2005, resulted in major legal changes for the transfer payments of minimum social security. In particular, since that time, former recipients of public assistance in the narrow sense who generally are capable of earning, and their family members, have been receiving unemployment benefit II and social allowance according to the Sozialgesetzbuch II (SGB II).

Every tenth person depending on minimum social security benefits

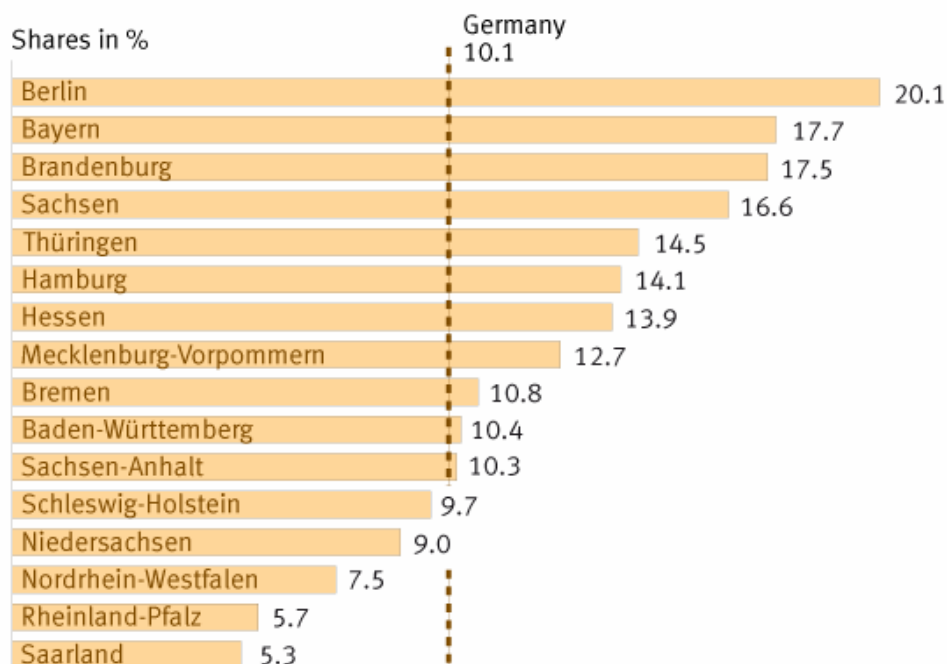
At the end of 2006, a total of 8.3 million people in Germany depended on government transfer payments to safeguard their basic livelihood. This means that every tenth person living in Germany made use of government financial aid to secure their livelihood, which was granted at least in addition to other income possibly received. In 2006, total expenditure to the amount of EUR 45.6 billion was incurred for such benefits, which corresponds to about EUR 552 per inhabitant.

Receipt rates highest in Berlin and lowest in Bayern

A regional comparison shows that, in 2006, especially people in the city states and in the new Länder depended more heavily on minimum social security benefits. With the highest receipt rate of 20.1% in a cross-Land comparison, every fifth Berlin inhabitant received benefits to secure basic livelihood. The lowest receipt rates were recorded for the southern Länder. In Baden-Württemberg, 5.7% of the population made use of financial benefits to safeguard their livelihood and in Bayern the rate was 5.3%.

Recipients of minimum social security, 2006

Persons receiving benefits in total population



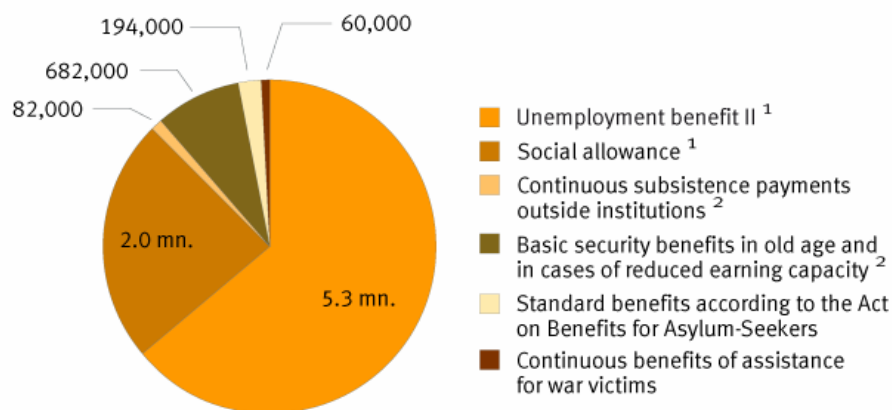
Sources: Federal Employment Agency, statistical offices of the Federation and the Länder.

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“Hartz IV” is paid most often

The “basic security benefits for job-seekers” according to the Sozialgesetzbuch (SGB II) – colloquially also referred to as “Hartz IV” – is the minimum social security benefit used most often in Germany (7.3 million recipients). It was created by combining unemployment relief and public assistance (for persons capable of earning). Of the total expenditure of EUR 45.6 billion spent on minimum social security in 2006, EUR 40.5 billion was spent on “basic security benefits for job-seekers” alone. Within that basic security, a distinction is made between unemployment benefit II and social allowance. Unemployment benefit II is received by persons capable of earning and aged between 15 and under 65 years who are not able to meet their livelihood from their own resources. Family members not capable of earning and living in the same household (especially children) receive social allowance. Of the total of 7.3 million recipients of basic security benefits, 5.3 million people received unemployment benefit II and two million received social allowance.

Recipients of benefits of minimum social security, 2006



¹ Benefits according to the SGB II “basic security benefits for job-seekers”.

² Benefits according to the SGB XII “Public assistance”.

Sources: Federal Employment Agency, statistical offices of the Federation and the Länder.

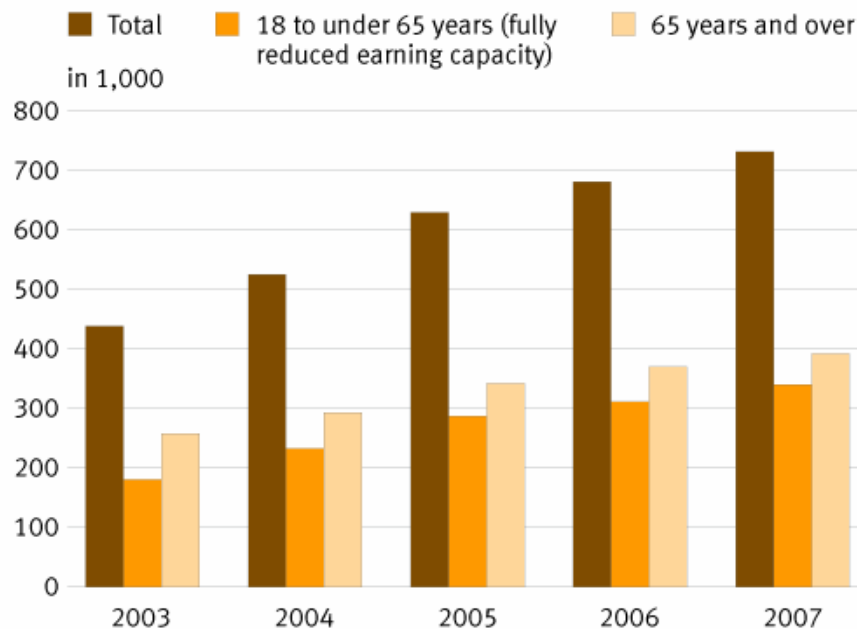
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More recipients of basic security benefits in old age and in cases of reduced earning capacity

What is relevant among the minimum social security benefits – in addition to benefits of “basic security for job-seekers” – is especially public assistance (according to the Sozialgesetzbuch XII). It is the safety net for elderly people in need and for persons temporarily or permanently not available for the labour market due to sickness or reduced earning capacity. At the end of 2006, some 764,000 persons received public assistance as a minimum social security benefit. Gross expenditure on those benefits amounted to EUR 3.6 billion.

Within public assistance benefits, a distinction is made between “basic security benefits in old age and in cases of reduced earning capacity” and “subsistence payments”. Since the beginning of 2003, “basic security benefits in old age and in cases of reduced earning capacity” have been received by persons with permanently and fully reduced earning capacity aged between 18 and 64 years as well as older people from 65 years if they are not able to meet their livelihood from their own resources. At the end of 2006, some 682,000 persons received such benefits, which was 1.0% of the population aged 18 or over. Since the introduction of those benefits, the number of recipients have markedly increased: On the first reference day at the end of 2003, some 439,000 recipients of basic security benefits were recorded, by the end of 2006 the number rose by 55% and, according to most recent results, it increased by even 67% to a total of 733,000 persons in 2007.

Recipients of basic security benefits in old age and in cases of reduced earning capacity



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“Subsistence payments” (outside institutions) has substantially been modified by the “Hartz IV law”. That aid is now paid primarily to persons temporarily unable to work, persons with long-term illness or early retired persons with low pensions. At the end of 2006, some 82,000 persons received that benefit, which was 0.1% of the population. At the end of 2004, that is directly before “Hartz IV” entered into force, about 2.9 million people or 3.5% of the population had received “subsistence payments”. The majority of those recipients, that is all persons generally capable of earning, were transferred to the “basic security benefits for job-seekers” (unemployment benefit II or social allowance) at the beginning of 2005, so that the total number of public assistance recipients has decreased considerably.

Benefits for asylum-seekers and assistance for war victims decreasing

Benefits for asylum-seekers and assistance for war victims, too, are part of the minimum social security benefits. Both the number of recipients and the expenditure have fallen sharply for both types of benefit.

Since November 1993, asylum-seekers living in Germany have been receiving “benefits for asylum-seekers”, instead of public assistance, to secure their livelihood. At the end of 2006, some 194,000 persons received continuous benefits for asylum-seekers (standard benefits); ten years earlier, the figure was more than twice as high (490,000 persons). Gross expenditure made on that item in the course of 2006 was about EUR 0.9 billion. The most recent figures for 2007, too, document the decreasing trend: The number of standard benefit recipients was down to 153,000 persons and expenditure amounted to EUR 0.8 billion in 2007.

Assistance for war victims is a minimum social security benefit granted not only to war victims and their survivors but also, for example, to soldiers, persons doing compulsory community service, crime victims, and immunisation victims if they are in need. The number of recipients and expenditure have fallen sharply since the mid 1990s. At the end of 2006, some 60,000 persons received assistance for war victims. Expenditure made in the course of 2006 amounted to EUR 0.5 billion.