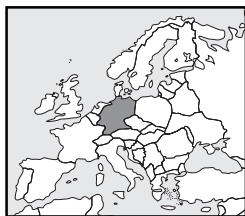


Antipoverty rhetoric: more *Programme* than *Action*

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Germany has taken some steps, mostly rhetorical, towards fulfilling its Social Summit commitments. Income disparity has widened slightly and access to social services remains uneven. Quality of life – although deficient for some groups – is still satisfactory compared with many other countries. The basic social infrastructure is accessible to most people. The German government has taken a first step towards the UN goal of halving worldwide poverty with the “Programme of Action 2015: Poverty Reduction – Global Responsibility”. This programme has not yet had a direct impact on the government’s policies.

Inequality and poverty: many promises, little real progress

In 2001, the German government presented several initiatives for reducing poverty and social exclusion in Germany and abroad: the *Report on Poverty and Wealth*, the *National Action Plan to Combat Poverty and Social Exclusion* and the *Action Plan 2015*. While the German people appreciate the government’s commitment to this issue, real progress in achieving a more inclusive society is not yet measurable.

The first official *Report on Poverty and Wealth* highlights the situation of the poor. The cooperation between politicians, bureaucrats, scientists and private citizens in producing this report has advanced the cause of poverty alleviation, and the Parliament (Bundestag) plans to publish a second report at the end of 2003. The main findings of the first report are:

- Income disparity has grown slightly in the last few years despite government initiatives to counteract this trend. The 90/10 ratio (the income of the richest 10% divided by the income of the poorest 10%) has worsened from 3.04 in 1988 to 3.26 in 1998 (new OECD scale). The gap between the rich and poor continues to widen.
- The widening income gap has resulted in an increase in relative poverty. According to the usual definition of relative income poverty (50% of net average income, adjusted to equivalence scale) 11% of German households were relatively poor in 1998 (new OECD scale). In Western Germany, relative income poverty has been steadily increasing. In Eastern Germany, which started from a more equal income distribution in 1990, relative poverty ratios are lower if calculated using income data for Eastern Germany alone, but they are 14.7% higher than in Western Germany if calculated using income data for the whole of Germany. The poor households primarily consist of families with children, including many single parent households.
- More than a million children now receive public benefits; they represent one-third of all recipients of social assistance, and this proportion has tripled between 1982 and 1998 in Western Germany. Hidden poverty is also a problem. Some estimate that the number of poor who do not claim

their benefits equals the number to whom benefits are paid (3.7% in the west and 2.7% in the east).

- The number of unemployed people remains at about four million. Most of the jobless lack skills; inadequate education is one of the major risks of poverty, especially for young people. About 1.5 million of the unemployed are “hard core”; many suffer from personal difficulties such as drug addiction, debt or family conflicts that require intervention. In addition, the *Report on Poverty and Wealth* reveals the existence of a low-income sector made up of the working poor.
- High unemployment tends to hit women rather than men, especially since the income tax system favours a one-earner model (“*Ehegattensplitting*”). There are discussions to reduce this effect, but no concrete plans.

These findings have not yet resulted in comprehensive government action. There has been discussion about extending financial support for children (“*Kindergrundsicherung*”). Forty-two per cent of one-parent families with two or more children live below the relative poverty line (1998, arithmetic mean, old OECD-scale, whole of Germany). A higher net income for all families was achieved by augmenting family benefits and tax reform based on fiscal recognition of a higher subsistence minimum.

Instead of planning for a stronger support of low-income households, public debate concentrates on the effects of a “poverty trap” and on people who receive social assistance but do not want to work. Furthermore, governmental and ministerial activities tend to contradict the promises to reduce poverty and social exclusion. For example, recent draft legislation would prolong the reduced level of social assistance spending (“*Deckelung*”). A major reform of social assistance is planned after the elections in the third quarter of 2002.

A considerable part of public expenditure is spent on social affairs. The draft national domestic budget for 2002 allocates EUR 92.2 billion (USD 80 billion) for labour and social affairs; this amount represents 37.2% of the national budget. The common currency treaty of the European Union forces member states to control expenses by limiting new indebtedness and overall national debts. This disciplinary measure touches all policy sectors, but the social sector is less affected because it is largely financed by worker and employer contributions specifically for this purpose. The social sector is under pressure, however, from the perception of a stronger economic competition among member states. The consequence is a general trend from direct to indirect taxes, which are paid to a disproportionately high degree by the low- and middle-

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income households. Furthermore, policy decisions have reduced the responsibilities of employers to finance social systems through pensions.

Parliament has added a means-tested old age benefit to the existing public pension insurance. Some measures have been taken to increase women's pensions (eg, claims resulting from part-time work while bringing up children are augmented), but the overall effect is reduced because of an advancement of private pensions, which are less used by females, at the expense of public pensions.

In the health sector, basic and supplementary services are satisfactory, but restrictions have led to rationing in some areas. Lower income groups suffer more than others because they cannot easily replace lost services with private spending. Insurance costs are rising mainly because of increasing spending on pharmaceutical products by the compulsory health insurance agencies. The public health insurance system is under financial pressure; reform options are being discussed but no decisions have yet been made. Higher income earners are allowed to opt out and join private insurance programmes.

A shortage of teachers is causing teachers to move from the public to the (better paid) private sector though most pupils are still educated in the public schools. A second factor that promotes inequality is the distribution of hours allocated to various subjects. The more advanced and specialised a class is, the more hours of instruction it gets. Fewer hours in schools are allocated to lower grades and to pupils with learning difficulties.

Programme of Action to halve worldwide poverty: more programme than action

In April 2001 the German government adopted the *Programme of Action 2015: Poverty Reduction – Global Responsibility*. German NGOs were invited to contribute their experiences and proposals to the *Programme*. In the document the government singles out the contributions of the Working Group on Poverty Reduction, consisting of representatives from non-governmental and governmental relief agencies, and the German NGO Forum World Social Summit.

The *Programme of Action* recognises worldwide poverty reduction as an “overarching task”, but fails to offer concrete strategies for reducing poverty. NGOs in Germany want a plan that defines the responsibilities of groups such as the ministries of finance, economy, agriculture or the foreign office. The areas listed for action are so general (and so clearly a description of the present work of the Ministry for Economic Cooperation and Development) that the *Programme of Action* itself had to announce an implementation plan, which German NGOs are eagerly awaiting.

The same is true for the proposed “*Dialogue Forum 2015*”, which is to include members from all sectors of society. Nearly one year after the publication of the *Programme of Action*, the *Dialogue Forum* has not yet been established. German NGOs are seeking ways to help prepare the agenda of the

Forum and define Germany's priorities in the struggle to alleviate worldwide poverty. It is hoped that the *Programme of Action 2015* will examine all new German laws in terms of their impact on development policy, including their relevance for poverty reduction. The implementation of such a mechanism could lay the basis for a more coherent policy.

German NGOs were pleased by the establishment of a new office for the implementation of the *Programme of Action* and improvement of communication among different ministries. On the other hand, the *Programme* was launched in such a restricted way that only a few development activists took notice. The Chancellor has had little to say about the plan, even though there was an intense public discussion in Germany about possible links between poverty and fundamentalism after the terror attacks on the World Trade Center and the Pentagon.

Official Development Assistance: a deepening gap between claims and reality

The gap between government claims and reality is obvious. Since 1990, when 0.42% of the GNP was allocated to Official Development Assistance (ODA), there has been a constant decline to between 0.26% and 0.27%. The share of the Ministry for Economic Cooperation and Development (BMZ) within the national budget is constantly being marginalised: from 2.1% in 1990 to 1.7% in 1998 and 1.5% in 2000. Only the harsh reaction of Minister Heidemarie Wieczorek-Zeul in the second quarter of 2001 and the engagement of Germany in the Afghanistan war have led to an increase towards 1.6%. The Ministry for Finance foresees the further dismantling of the development budget to a meagre 1.41% in 2005.

The quality of assistance can also be questioned. Basic social services (basic education, basic health services, reproductive health and water programmes for the poor) have been recognised since the Copenhagen Summit, now even by the World Bank, as the core of poverty alleviation. Germany officially pursues the 20/20 Initiative.² Yet spending for basic services continues to decline as a percentage of the total budget: 18.9% (1998), 17.3% (1999), 16.5% (2000) and 13.5% (2001). Whereas the official policy of the ministry proclaims that AIDS-prevention and access to water for all are central tasks for international cooperation, programmes do not reflect the public discourse. Support for basic health has fallen from 5.9% of the BMZ budget in 1998 (about USD 80 million) to a shameful 2.1% (USD 24 million) in the year 2001. Support for other social programmes, such as clean water and sanitation, has likewise declined. ■

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2 The 20/20 Initiative is an agreement between developing and industrialised countries that calls for the allocation of, on average, 20% of the budget in developing countries and 20% of Official Development Assistance (ODA) to basic social services.