

Social security under threat



Since public funds are tight, due not only to the country's sluggish economic performance but also to a drop in revenue following the introduction of tax reforms, the Federal Government seems determined to initiate a phase of more rapid cuts in welfare spending. Although economic and social insecurity that threatens livelihood will be the exception, a growing number of Germans will experience social exclusion and unpredictability in planning for the future.

Social Watch Germany¹

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Social security for the unemployed

Germany's public funds are tight as a result of its sluggish economic performance and a self-imposed drop in revenue following the introduction of tax reforms, which mainly ease the burden on individuals in medium and high income groups. Cuts are also being made in the *Länder*² and local authority budgets.

A particular cause for concern are the reforms to the labour market and wage replacement benefits. The changes agreed in December 2003 aim to reduce the unemployment benefit entitlement period and combine unemployment benefit and social assistance. In addition, jobless people will be obliged to accept any kind of work - even (part-time) jobs which are low-paid and therefore not liable for social insurance contributions.

The German Trade Union Confederation (DGB) sums up the situation thus: "The pressure on the unemployed and disadvantaged to accept any job is increasing." According to the DGB, unemployment benefit is falling anyway, so there is no need for any additional tightening of the legal criteria governing job acceptance. "This applies especially to jobs that do not offer social insurance protection." On the other hand, almost any kind of (pseudo-) self-employment is encouraged by the Government. As the trade unions have remarked: "Redistribution is continuing - from bottom to top."³

The *Diakonisches Werk*, the German Protestant Church's organisation for welfare and social work, also anticipates drastic cuts for the individuals affected. In its view, the new austerity trend marks a final shift away from the principle that pub-

licly funded social benefits should be sufficient to meet claimants' needs. The Presidents of Caritas Germany⁴ and the *Diakonisches Werk* conclude: "So far, all that is evident is a process of social exclusion. The cuts are directed primarily and to a substantial extent against the long-term unemployed without significantly affecting other population groups, yet they do not achieve any improvement in integration into the labour market. This course should not be pursued further under any circumstances."

The few positive social trends experienced in recent years are being reversed by the cuts. For example, experts are concerned that the number of homeless will start to rise again. Since 1995, the number of homeless has almost halved overall, as the Working Group on Assistance to the Homeless (*Bundesarbeitsgemeinschaft Wohnungslosenhilfe-BAGW*) reports on its web site.⁵ It is estimated that 400,000 people were homeless in Germany in 2002, with around 20,000 of them living permanently on the streets. If these people are deprived of essential social services in future, their human security will be directly threatened.

The anti-globalisation network Association for the Taxation of Financial Transactions for the Aid of Citizens (ATTAC) describes the effects of the tax and labour market reforms as catastrophic. The new rules "force jobless people into poverty and substantially expand the low-wage sector", resulting in "coercion to work" and "working poor". According to ATTAC, it is "still only the elderly, the poor, the sick and the jobless" who bear the financial brunt of the reforms. ATTAC says that because the Government continues to ignore the massive protests against the swingeing social cuts, resistance will continue to grow.

In a timely prediction at Christmas, the German Society for the Protection of Children revealed what the reforms mean in statistical terms. Currently, around one million children in Germany live in (relative) poverty. The Society fears that if unemployment benefit and social assistance are combined, this figure will rise to 1.4 million.⁶

The changing nature of pension provision

The annual adjustment of pensions in line with wage development, which also serves to offset inflation, will be reduced yet again through the introduction of a so-called "permanence factor". This factor will be used to adjust - in other words, reduce - pension levels for the growing number of pensioners expected in future. Overall, the *Diakonisches Werk* warns about the growing burdens on low-income pensioners.⁷ It fears that the level of poverty affecting the elderly - currently still below average - will increase over the medium term.

In view of the de facto cuts in pension provision - among other things, pensioners will have to manage without any increase in their pensions in 2003-2004 - the DGB highlights the lack of dependability in the system. In order to guarantee the necessary dependability now and in future, the aim must be to establish a "binding pension level which cannot be undercut. Yet the Federal Government is proposing to abolish the benefits target (currently 67% of income) entirely." As a result, the DGB argues, "the permanence factor" and taxation of pensions "will jeopardise the function of pensions insurance in the long term".⁸

Health care: an excessive burden for the poor and disabled

The *Diakonisches Werk* anticipates major additional burdens for all persons insured under the statutory health insurance scheme - including social assistance claimants - following the introduction of new health reforms. They include higher co-payments towards the cost of drugs and for hospitalisation and spa treatment as well as contributions towards the costs of visits to the doctor; in addition, dentures will now have to be paid for entirely by the patient.

In a provisional statement on the draft law to modernise the health system, the *Diakonisches Werk* points out, among other things, that increased co-payments will in some cases "impose an excessive burden on poor, chronically sick and disabled people".

1 Social Watch Germany: Bread for the World e.V.; DGB-Bildungswerk e.V.; Diakonisches Werk of the Protestant Church in Germany; Church Development Service - An Association of the Protestant Churches in Germany; Friedrich-Ebert-Stiftung; Terre des Hommes Germany; Werkstatt Ökonomie; Vereinte Dienstleistungsgewerkschaft; World Economy, Ecology and Development.

2 Editor's note: Germany is a federation of 16 *Länder* or states (singular *Land*).

3 www.dgb.de/themen/hartz/fazit_hartz.htm

4 Caritas is a charity of the Catholic Church.

5 www.bagw.de/fakten/1.phtml

6 www.kinderschutzbund.de/cgi-bin/presse_detail.pl?id=37

7 EPD Sozial, 5 December 2003.

8 DGB. *Menschen brauchen Klarheit über Rentenhöhe*. Press release No. 324, 12 December 2003.

And the 2003 Annual Report of the *Diakonisches Werk* notes: "With all its different rules on co-payments and its financial impacts, the draft law further undermines solidarity in healthcare. Some individuals who are particularly affected by poor health are being systematically excluded."⁹

There are alternatives to the current misery in the health system. One idea, which is not new, is the concept of "citizens' health insurance", which has now re-emerged as a topical issue in the debate. Here, the aim is to oblige all citizens, as far as possible, to pay into the statutory health insurance scheme (GKV). This primarily targets civil servants, who do not contribute to the statutory health insurance scheme, and the self-employed and persons with a higher income who have private health insurance.

Social infrastructure: savings across the board

With its package of measures entitled "A Secure Future", the Christian Democratic Union (CDU) Government of Hesse¹⁰ has announced an austerity package which aims to save more than EUR 1 billion (USD 1.22 billion) in 2004.

The "Keep Hesse Social!" appeal - drafted by academics and social work practitioners in protest at the "swingeing cuts in the social budget" - identifies the social services which will fall victim to the cuts because Hesse has no legal obligation to deliver them. It claims that the threatened under-provision will affect the traditional marginal groups in society first of all: "For example, homeless people will have no professional support in future. But the cuts will also affect services for citizens who are experiencing short-term financial problems (such as debt) or who have psychosocial needs (e.g. families facing difficulties bringing up their children)."

No basic rights for migrants

The majority of migrants living in Germany - despite many years of residence - do not enjoy permanent residence status. Furthermore, more than 260,000 are reliant on a status known as "temporary suspension of deportation", which means that they can be deported at any time. The latter group's deprivation of rights effectively precludes any human security.

The trade unions want immigrants who have lived in Germany for more than five years to be granted "a settlement permit" irrespective of their legal status. Furthermore, "the settlement or resi-

dence permit must include equal access to the labour market."

The DGB takes the view that Germany has a responsibility to grant protection to people fleeing from wars and civil wars or political persecution. In its opinion, the current rules and legal status of refugees often lead to treatment which is incompatible with human dignity. The DGB is therefore calling for "the adoption, without restriction, of the provisions of the Geneva Convention Relating to the Status of Refugees, including the recognition of persons subject to non-governmental or gender-specific persecution as entitled to protection." The blanket ban on work should be abolished. Germany must also withdraw its reservations about the application of the UN Convention on the Rights of the Child.¹¹

No breakthrough in development policy

With regard to development policy, there is currently no apparent change in direction that would hint at a fundamental reappraisal of this policy area. There is considerable doubt whether the Federal Government can still achieve its self-proclaimed target of boosting the development aid budget to 0.33% of GNP by 2006. The development agencies Terre des Hommes and German Agro Action assess the situation in their report, entitled "The Reality of Development Aid: Eleventh Report 2002/2003"¹², as follows: "If the quota of 0.33% became reality in 2006, Germany would thus return to the level already achieved in 1977 and 1994. If the increase continued at the same rate, by 2020 we would have made good the decrease which has occurred since 1983. A "real" increase could only be achieved after that, and if the trend continued, the international target of 0.7% would not be reached until 2043."

The Church Development Service (EED) - an association of Protestant Churches in Germany - and Misereor - an organisation of the Catholic Church - voiced their criticism of the 2004 budget in a joint press release: "The Federal Ministry for Economic Cooperation and Development (BMZ) has been allocated a total of EUR 3.78 billion (USD 4.6 billion) for 2004." However, out of this amount, funds have to be paid over to other ministries. "Furthermore, savings equating to a global spending cut of EUR 39 million (USD 47.48 million) have been imposed on the BMZ. This

means that in effect, the BMZ has just EUR 3.66 billion (USD 4.46 billion) left - EUR 9 million (USD 10.96 million) less than in 2000, when development spending fell to an all-time low."¹³

Following the recent decision to mobilise funds from the European Development Fund (EDF) for a Peace Facility (PF) in Africa, even the Minister for Development Cooperation, Heidemarie Wiecek-Zeul, warns that: "...resources allocated to combating poverty must not be used for other purposes. Additional funds must be made available for new tasks."

In the shadow of military intervention

In their position paper entitled "Development policy: In the Shadow of Military Intervention?" published in July 2003, the Churches' relief agencies expressed their concern that the lines between development co-operation, humanitarian aid and military spending are becoming increasingly blurred and that the resources for human security in developing countries could steadily diminish. In particular, they voiced the following concerns:

- Development policy is being "planned strategically from the outset as a means of dealing with the consequences of intervention and indirectly funding the costs of war, and is supposed to rebuild infrastructure destroyed by war (e.g. in Afghanistan and Iraq). In some cases, development assistance and humanitarian aid are also subject to direct attempts to impose conditionality and control.
- At the same time, this may result in changes to long-term (e.g. regional) priorities and commitments in development policy in favour of high-profile 'reconstruction' or even putative crisis prevention in potential regions of tension (e.g. Iran).
- Finally (...) more and more resources and public attention are being diverted away from long-term development processes towards humanitarian relief." ■

9 *Rechenschaftsbericht 2003* of the Diakonisches Werk of EKD, p. 74.

10 Editor's note: Hesse is one of the Länder (states) of the Federation.

11 *Kernforderungen des Deutschen Gewerkschaftsbundes für einen Perspektivwechsel in der Einwanderungs- und Integrationspolitik*, Berlin, 19 March 2003.

12 Terre des Hommes Deutschland e.V.; Deutsche Welthungerhilfe e.V. (Ed.). *Die Wirklichkeit der Entwicklungshilfe. Elfter Bericht 2002/2003. Eine kritische Bestandsaufnahme der deutschen Entwicklungspolitik*. November 2003.

13 *Neuer Bundeshaushalt: Schlechte Zahlen für die Armutsbekämpfung*. Joint press release EED and Misereor, 28 November 2003.