Child poverty in the German social investment state

Abstract:
In the last years child poverty in Germany has become a political issue. However, child poverty rates are relatively high and even on the rise. Against this backdrop we will analyse the strategy of the federal government to fight child poverty in Germany. We will demonstrate that the federal government uses a ‘child-centred social investment strategy’ (cf. Esping-Andersen 2002) as a blueprint. By analysing measures and instruments of the German anti-poverty Strategy, we will make clear that this strategy is not completely put into effect. Whereas Esping-Andersen propagates a fine balance of social services and financial transfers, the German government underestimates the relevance of material redistribution and focuses predominantly on social services and education. This is not by chance but can be understood as a consequence of the conceptual limits of the social investment ideology. To guarantee generational justice and to make sure that children will receive a fair share of societal resources in a rich country we plea for a children’s rights-based approach to fight child poverty.

Key words: child poverty, social investment approach, children’s rights, policies concerning children and families

Zusammenfassung:

Schlagworte: Kinderarmut, Sozialinvestition, Kinderrechte, Kinder- und Familienpolitik
1. Introduction

Since the late 1980s the structure of poverty in Germany has changed significantly. Whereas in the past there was a high proportion of elder people living in poverty, since the early 1990s Germany has been faced with an increase in poverty among children and families. Since that time, children comprise the group at greatest risk of living in poverty. Consequently, we are witnessing an increase in political efforts to fight child poverty. Yet, a shift in the political strategy has taken place. In the past the German welfare state primarily focused on reducing the material deprivation of children and families by extending family-related social spending. Nowadays, under the rule of the concept of the ‘social investment state’, investing in human capital has become a key concept. Accordingly, investing in human capital is considered the best way of preparing for a future in a globalised world and knowledge-based economy. Lack of access to knowledge and fewer (or even the absence of) skills are the new social risks of the knowledge-based economy. Rather than being provided with direct security through mechanisms of redistribution, citizens are equipped through this process of investment to negotiate their own integration into the labour market. The new form of security provided by the social investment state is the capacity to face these risks in the market. The other central component of the social investment state is the participation of most citizens in the labour force, in order to secure social cohesion and economic competitiveness. Under the social investment principle the goal of social policy shifts from achieving social equality by redistribution of resources to achieving social inclusion by producing employability. The means to reach this goal are activation in the labour market and life-long learning. If it is to be the case that all public expenditures should have a pay-off, a return on investment, then this has definite consequences for the selection of target groups. This is in no small part due to the fact that the pay-off of public measures in some sectors is higher than in others. Here we can see the reason why children and families are so important in the process of restructuring modern welfare states. Children and women represent the maximum potential of productivity, and seem to make public intervention notably more productive and profitable.

The ‘turn to investment’ in German policies concerning children and families came into effect during the red-green coalition’s second term under Chancellor Gerhard Schröder. The Minister for Family Affairs, Renate Schmidt (SPD), developed a new concept labelled ‘sustainable family policy’. With the help of this concept the fertility rate should be increased, the reconciliation of family and work should be improved, the educational level of pupils in Germany should be raised and the poverty of children and families should be reduced. The concept of ‘sustainable family policy’ is considered an important contribution to economic growth and competitiveness of the German economy.

The German strategy to fight child poverty is part of this broader concept of ‘sustainable family policy’. This means that goals like material equality, social security, distributive justice and even children’s social rights are secondary to the economic calculations and the productive logic of investing in human capital. Hereby, it is the ‘child-centred social investment strategy’ (cf. Esping-Andersen 2002) which serves as a blue-print. In accordance with this concept money and culture are identified as the central causal mechanisms for the inheritance of life chances. To overcome the inheritance of life chances and to guarantee a maximum of investments in the next generation, Esping-Andersen argues
for a double strategy: On the one hand, he pleas for an inclusion of fathers and mothers into the labour market as well as an expansion of economic transfers for families to improve their material welfare. On the other hand, he propagates the expansion of high quality early childcare and education, especially for children under the age of three in order to improve the cultural capital – above all for children of deprived families.

In the following, we will explore the strategies, instruments and effects of policies intended to fight child poverty in Germany. The first step involves reconstructing the federal government’s concept of child poverty as well as the rationale behind the political strategy (section 2). Secondly, the measures and instruments implemented to fight child poverty and their effects will be analysed (section 3). Once these have been established, the limits of a social-investment strategy against child poverty will be discussed (section 4).

2. Child poverty from the perspective of the German federal government

For over a decade, fighting child poverty has been a central issue of the German federal government. The goal of fighting the poverty of children and families is explicitly mentioned in all three coalition agreements since the end of the Chancellor Kohl (1982-1998) era. The red-green government under Chancellor Gerhard Schröder propagated in its coalition agreement from 1998: “Fighting against poverty is a crucial issue of the political strategy of the new federal government – above all the poverty of children has to be reduced” (SPD/Bündnis 90/Die Grünen 1998: 30). Also the second red-green coalition emphasized: “We will make every effort to reduce family poverty” (SPD/Bündnis 90/Die Grünen 2002: 30). Similarly, the coalition of CDU/CSU and SPD poignantly declared in 2005: “We will reduce material child poverty” (CDU/CSU/SPD 2005: 118). The National Action Plan ‘For a child-oriented Germany 2005-2010’ (NAP) identifies the fight against child poverty and the provision of a decent standard of living for all children as one of six central political goals in the field of child and family policy (cf. BMFSFJ 2006a: 60).

2.1 Child poverty: major issue or marginal problem?

In contrast to these ambitious political goals, the federal government tends to downplay the dimension of child poverty in Germany by trivialising the problem. In particular, this can be observed in the Third National Poverty and Wealth Report published in 2008 by the Federal Ministry for Labour and Social Affairs (cf. BMAS 2008a). In order to describe the quantitative dimension of child poverty in Germany at least two different databases are available – the European Survey on Income and Living Conditions (EU-SILC) and the German Socio-Economic Panel (SOEP). According to the EU-SILC data (2005), in Germany only 12% of children under the age of 15 and 13% of the total population were living in poverty (60% threshold). However, the SOEP data for the same year states that 26% of children under the age of 15 and 18% of the total population lived in poverty. As we see, the SOEP data indicates a child poverty rate more than twice as high as the EU-SILC data suggests, and that child poverty is significantly higher than the poverty of the total population (cf. figure 1).
Although the deficits of the EU-SILC data base are explicitly discussed in the scientific background report to the Third National Poverty and Wealth Report, the federal government, nevertheless, highlights the EU-SILC data, whereas SOEP data only play a marginal role.

Given the widespread critique of the EU-SILC data, the federal government’s preference for these figures is hardly convincing, and has, as such, lead to heavy criticism of the government’s Third National Poverty and Wealth Report (cf. Hauser 2008a, b; DCV 2008a; DPWV 2008; VAMV 2008). Critics emphasize the following: EU-SILC is acquiring data via a questionnaire written only in German. This means that, e.g., poor migrant households are underrepresented in this data. Additionally, family households with young children are also underrepresented, whereas households of better educated and fully-employed persons are overrepresented. When comparing EU-SILC and SOEP data with the Microcensus, which, in turn, serves as official representative statistics of the German population, the SOEP data seem to draw a more realistic picture of the German population, and thus of child poverty in Germany (cf. DIW et al. 2007: VII-VIII; see also Hauser 2008a: 430, Hauser 2008b).

Relying on EU-SILC data, the federal government ranks Germany among the countries with the lowest child poverty rates compared to other European countries (cf. BMFSFJ 2008b: 32). Comparative analyses by both the OECD and UNICEF, however, come to a different conclusion. According to the OECD study Growing unequal, the Scandinavian states have the lowest child poverty rates among the 30 OECD countries (Denmark 3%, Finland 4%, Sweden 4%, Norway 5%). Turkey (25%), Poland (22%), Mexico (22%) and the USA (21%), on the other hand, are at the top of the list. Hence, Germany is quite far from the Scandinavian role models. The OECD study calculates a child poverty rate of 16% for children under the age of 18 – i.e. below the 50% threshold. This means that Germany ranks in the lower middle of the OECD countries and is very close to New Zealand (15%), Italy (16%), Ireland (16%), Portugal (17%) and Spain (17%) – countries that are not characterized by an extensive social security system, much
less by measures specifically aimed at children. It is not only the relatively high child poverty rate, but also the fact that children are affected by poverty more than other population groups that Germany shares with these countries (cf. OECD 2008: 154). Furthermore, a recent UNICEF study *An overview of child well-being in rich countries* (cf. UNICEF 2007) confirms Germany’s position in comparison to other OECD countries. Following a multidimensional approach (material well-being, health and safety, educational well-being, family and peer-relationships, behaviours and risks, subjective well-being) this study compares children’s well-being in 21 of the 30 OECD countries. According to UNICEF, Germany reaches a middle rank with regard to both the single dimension of material well-being (ranking 13th out of the 21 OECD countries included in this study) as well as in all six dimensions combined (ranking 11th) (cf. UNICEF 2007: 2, see also Bertram 2008).

### 2.2 Is gainful employment the best measure to fight child poverty?

As discussed above, the German federal government acts on the assumption that child poverty, seen from a quantitative perspective, is no major issue. Thus, fighting poverty is not a top priority in the concept of ‘sustainable family policy’. Nevertheless, the German government has launched measures and programs to reduce child poverty. Under the rule of the social investment principle they are not focused on economic transfers for children and families. Instead the new leitmotif is: “Gainfully employed parents are the best protection against child poverty” (BMFSFJ 2009). Taking into account the relatively low proportion of mothers in gainful employment, above all the German government has to increase the participation of mothers in the labour market (cf. Rürup/Gruescu 2003). On this point the federal government is completely in line with influential scientific experts like Esping-Andersen (cf. 2002) and international organisations like the OECD and the EU.

The belief that the gainful employment of both parents is the best measure for fighting child poverty derives from empirical evidence. Following empirical studies child poverty is low when both parents are gainfully employed (cf. BMFSFJ 2008a: 21). Although this is generally true, under specific conditions this strategy has its limitations – especially when it comes to lone parents. For example, even if one parent is fully employed, one of ten children lives in poverty (cf. Strengmann-Kuhn 2006: 448). This is due to recent trends in the German labour market. The proportion of the ‘working poor’ has nearly doubled in the period between 1998 and 2006. Recently, one third of all employees were considered to be ‘working poor’ (cf. DIW et al. 2007: VI). From this, the *National Action Plan* concludes: “Part-time employment or employment in the so-called low-wage sector is not enough to support a large family” (BMFSFJ 2006a: 61). However, recent efforts to increase the participation of fathers and mothers in the labour market failed to increase the working hours of mothers. Even though the employment of women showed a slight increase of 2.8% between 2001 and 2006, the number of working hours of women did not rise. Instead, the average working hours of all women (full- and part-time employment)

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1 The *working poor* are defined as employed persons with an income of less than two-thirds of the average gross income of all employees.
declined by more than 1 hour per week to 29.1 hours (cf. Kümmerling et al. 2008). This means that the contribution of gainfully employed mothers to the family income remains relatively low. The expansion of the so-called low-wage sector and negative incentives for married women by the joint tax assessment of married couples (Ehegattensplitting) are identified as major contributing factors. According to the regulations established in 1958, the income of both married partners is initially added together, and then halved to calculate the tax owed. This form of taxation results in a tax saving when compared to taxes assessed on an individual basis – the greater the difference between the incomes of the couple the more they profit. For this reason the joint tax assessment of married couples is identified by experts as producing negative incentives for the participation of married women in the labour market (cf. Dingeldey 2002; Bach et al. 2003).

To briefly sum it up: the expansion of the so-called low-wage sector, shrinking real wages and the joint taxation of married couples increasingly undermine the prerequisites of this employment strategy that, in turn, intends to serve as a buffer against child poverty.

2.3 Redistribution by the state

Although redistribution of material resources plays no significant role in the social investment approach, the German federal government is quite aware of the impact of economic transfers on children and families. For example, the impact of the universal child benefit on the material well-being of children of lone parents and children in large families is acknowledged. In large families the child benefit comprises 15%, in lone-parent households with one child 10% of the total income and in lone parent households with two children up to 21% (cf. BMFSFJ 2008a: 29-30, see also BMAS 2008a: 88). Child-related financial transfers are intended to compensate for the cost of raising children and the loss of one income associated with the birth of a child.

Based on similar findings, the German government infers that “the welfare state is effective” (BMAS 2008b) – as the Minister for Labour and Social Affairs, Olaf Scholz, stated in May of 2008. The Third National Poverty and Wealth Report declares: “Transfers like unemployment benefit II, child benefits, children’s allowance, housing benefits and parental leave benefits significantly reduce the income poverty of families. Public transfers, for example, reduce the poverty risk of children by nearly two-thirds from 34% to 12%” (BMAS 2008a: 87-88). The federal Ministry of Family Affairs propagates almost the same: “Compared to other nations Germany is relatively successful in reducing the risk of poverty by social transfers and financial provision for families” (BMFSFJ 2008a: 49). The Ministry assumes that the German welfare state has halved child poverty in Germany from 31% to 14%. This means that Germany ranks in the middle among the EU-15 (BMFSFJ 2008a: 26).

Whereas the Ministry of Labour and Social Affairs and the Ministry of Family Affairs – based upon EU-SILC-data – draw a very optimistic picture of the efficiency of the German welfare state, the OECD-study Growing unequal indicates a reduction rate of only circa 40%. It is noteworthy that the reduction rate by state redistribution in Germany is still quite far away from the leading Scandinavian countries – as, for example, Denmark with a reduction of circa 80%. Moreover, other countries utilizing state redistribution like the Czech Republic, France, UK, Belgium, Australia and New Zealand have higher re-
duction rates of child poverty. However, given the reduction rates for the working-age population and the retirement-age population, the German welfare state is principally able to reach a higher rate of redistribution. Whereas the welfare state reduces poverty among children by circa 40%, it is nearly 60% for the working-age population and more than 80% for the retirement-age population (cf. OECD 2008: 142).

How the relatively low reduction rate of the German welfare system affects the child poverty rate is dramatically demonstrated by a direct comparison to Finland. Prior to the state redistribution, UNICEF calculated nearly the same child poverty rate for both Germany and Finland (Germany 18.2% and Finland 18.1%). Whereas the Finish welfare state has managed to reduce and sustain a child poverty rate of 2.8% by means of taxes and transfers, the German welfare state has only been able to reduce it to 10.2% (cf. UNICEF 2005: 21).

2.4 Expansion of early childhood education and care

In contrast to the marginal role of financial transfers for children and families, the expansion of non-family childcare, especially for children under the age of three, stands centre stage in the German strategy to fight child poverty. Early childhood care and education has a twofold meaning in this context. Firstly, by extending places in childcare facilities the reconciliation of family and work should be improved for mothers. Secondly, the aim is to invest in the human capital of children as early as possible. This is based on the assumption that investing in early childhood education has significant long-term human capital and economic returns. This is especially true for children of deprived families. High quality early childhood education is regarded as being able to compensate for deficits in cognitive stimulation in their families and in so doing improving their life chances and ability to overcome the reproduction of social inequality (cf. Esping-Andersen 2002, 2005; Carneiro/Heckman 2003; see also Olk 2007).

The relevance of investing in early childhood care and education is clear when looking at countries with low child poverty rates – all of which invest more in early childcare institutions than Germany. In fact, the 7th Family Report demonstrates a significant backlog in demand regarding expenditures for in-kind-transfers for children and families compared to Denmark, which is one of the most successful welfare states in fighting child poverty. Whereas Germany spends 0.8% of its GDP for such in-kind-transfers, in Denmark it is 2.3%. However, it must be stated that also with respect to cash transfers a backlog demand can be identified. A direct comparison shows that Denmark spends 1.5% of its GDP for monetary transfers for families and Germany only 1.1% (cf. BMFSFJ 2006b: 39).

3. Measures concerning child poverty

In the following section we discuss measures and programs that were implemented by the German government to fight child poverty. First, we will analyze social services for children and families, and then focus on financial transfers.
3.1 Early childhood education and care

As mentioned above, the German government is focusing its anti-poverty strategy on a quantitative expansion and qualitative improvement of the system of early childhood education and care. The first step in this direction is the legislation concerning the expansion of early childcare for children under the age of three (*Tagesbetreuungsbaugesetz*), which was launched in January of 2005. With the help of this law roughly 230,000 additional places for children under the age of three are to be created by 2010. In accordance with this law, the local authorities responsible for financing early childcare and education are requested to identify the need for childcare at the local level and to offer no fewer than the number of places for children of this age, whose parents are either both gainfully employed, are participating in vocational courses or participating in reintegration measures organised by the new social assistance system for long-term unemployed. To improve the quality of early childhood education the new law necessitates the implementation of an educational concept as well as the regular evaluation of childcare facilities. To implement this law 1.5 billion euros p.a. have been pledged till 2010 (cf. Meysen/Schindler 2004).

The coalition of CDU/CSU and SPD – which came into power in 2005 – followed the strategy of expanding places in early childhood care and education. The new legislation aimed at supporting children (*Kinderförderungsgesetz*), which came into effect in January 2009, will increase the provision rate for children under the age of three from the present 14% to 35% by 2013 – and thus will close in on the international standard. Thus, around 500,000 new places in crèches and with child minders need to be created. The federal government is contributing a share of 4 billion euros to the total costs of 12 billion euros. Moving beyond the former legislation the new legislation also addresses parents who are seeking a job. By 2013, the criteria for eligibility will be dropped in favour of a general right to a place in early childcare for every child between the age of one and three.

As in all other OECD countries, in Germany parents are considered the best caregivers for their children during the first year of life. Economic transfers enable one of the parents to take over this responsibility. The former child-raising allowance introduced by the conservative government in the early 1980s utilized a flatrate (450€ for 12 months or 300€ for 24 months). This meant that the opportunity costs, especially for middle- and high-income families, were relatively high. In 2007, this regulation was replaced with the new parental leave benefit. The central aim of the parental leave benefit is to reduce the opportunity costs associated with raising a child – especially for highly educated women. As such, mothers or fathers who interrupt their employment to care for their child should receive 67% of their average net income from the prior year – with a maximum of 1,800 € per month – for up to 12 months. To motivate fathers to take more responsibility in caring for their child(ren) two months of paid parental leave were reserved for them. Parents who did not work in the months prior to giving birth are eligible to receive a monthly payment of 300 €. The parental leave can even be divided between the two parents. However, two months are reserved for the parent who continued working, which is usually the father (the so-called *daddy quota*). Lone parents are eligible for a parental leave of up to 14 months. The new parental leave scheme pursues several different aims. The primary
aim is to reduce opportunity costs for the caring parent. Second, by reducing the duration of the new parental leave to a maximum of 12 months per person mothers can be better (re-)integrated into the labour market. Third, incentives for giving birth to more children should be induced. By this, it was accepted that primarily families with higher incomes profit more from this law than poor people who have even fewer benefits than under the previous system (they receive 300 € per month, but only for 14 months instead of 24 months) (cf. Blome et al. 2008: 348; Felix 2008). Even though low-income families are confronted with a reduction of social benefits by this parental leave scheme, the federal government declared this law to be a milestone in the fight against child poverty (cf. BMFSFJ 2008b: 39-40).

3.2 Financial transfers

Traditionally, German family policy was dominated by the principle of the ‘dual system’ of financial support for families, which is based on a combination of tax-free allowances and child benefit payments (cf. Münch 1990: 72ff.). The ‘dual system’ was abolished in 1996 to the extent that potential claimants now have to decide between the two options, depending on which is more beneficial to them. At the same time, the amount of the child benefit was linked to the subsistence minimum level for children, which means that the child benefit has to be raised parallel to the increase of the subsistence minimum costs for a child. Child benefits are intended to compensate parents for expenditures on children, and thus to assure a redistribution between households with and without children (horizontal distribution). This means, however, that this measure is not conceptualized to fight child poverty.

Since the end of the Kohl era in 1998, the child benefit has been raised several times – the sum total of which was 50% (1998: 110 €, 2009: 164 € for the first child). However, child poverty is still on the rise. This situation emphasizes that child poverty can not be reduced by only increasing this universal benefit. Against this backdrop, the value of financial transfers as a means of fighting child poverty has generally met with scepticism within the public debate. In contrast, it can be argued that – as mentioned in section 2 – universal transfers can definitely contribute to prevent child poverty, but only to a certain extent. For example, based on micro simulations of the impacts of different child benefit packages in the EU-15, Matsaganis and his colleagues demonstrated that universal child benefit could have a considerable redistributive impact if pitched at a high enough level. While the potential of universal child benefits is very real, alone they are not capable of eliminating child poverty in all of the countries investigated. A key finding of this study is, that combining a universal benefit with targeted policies could be the most effective (and most cost-efficient) way of reducing child poverty in the countries studied (cf. Matsaganis et al 2004, see for similar finding Levy et al. 2007).

A small, but insufficient step in this direction is the ‘supplementary benefit for children’ (Kinderzuschlag) proposed in 2005. The ‘supplementary benefit for children’ was launched by the federal government as a means-tested instrument to help fight child poverty. The ‘supplementary benefit for children’ would provide up to 140 € per child per month, and can be claimed by parents of unmarried children under the age of 25. The eli-
gibility criterion is that the parents have an income that is sufficient to cover their own needs, but who, due to the additional needs of their child(ren), would be eligible for the ‘unemployment benefit II’ (based on the Social Security Law II).

From the very beginning, the effectiveness and range of the ‘supplementary benefit for children’ was criticised. Complex and restrictive bureaucratic procedures resulted in a high rejection rate (cf. Becker/Hauser 2008). Hence, already in 2005 the coalition of CDU/CSU and SPD announced in their coalition agreement to reform the ‘supplementary benefit for children’ (cf. CDU/CSU/SPD 2005: 118). However, the reform was implemented no earlier than October of 2008, at which time the application procedure was simplified: The income that parents have to reach to be eligible for this benefit is no longer calculated individually but as the general sum (900 € for couples and 600 € for lone parents). Additionally, the former limit of a 36 months maximum participation was dropped and regulations for additional earnings became more generous. This reform was the response to the fact that the main goals of the ‘supplementary benefit for children’ could not be realized. Neither the initially intended number of children and families who should profit from the benefit, nor the intention to support “gainful employment instead of unemployment” and to “make work pay” for unemployed parents were attainable (cf. CDU/CSU/SPD 2005: 118). At the moment, the approval rate for the supplementary benefit is 18%. This means that only 100,000 instead of the initially planned 150,000 children profit from the benefit (cf. BMFSFJ 2008c: 10). Furthermore, an evaluation makes clear that the ‘supplementary benefit for children’ did not significantly increase the employment rate among parents who receive this benefit (cf. BMFSFJ 2008c: 10).

Despite the reform in 2008, experts continue to demand further improvements to the benefit. For making sure that more children from low-income families profit from this ‘supplementary benefit for children’, most of these recommendations plea for an expansion of its range. The Catholic charity organisation Deutscher Caritasverband (DCV), for example, demands that parents should have the right to choose between the ‘supplementary benefit for children’ and the ‘unemployment benefit II’ in order to reduce the ‘hidden poverty’. The DCV also criticises that additional income of the parents still reduces the amount of the ‘supplementary benefit for children’ by too great an amount. This effect is so influential because the income of the parents is also taken into account with respect to other financial transfers like the housing benefit. This cumulative effect may cause a reduction of the ‘supplementary benefit for children’ by as much as 80%, which effectively means that work does not pay. In particular, the income threshold was criticised because parents who cross this threshold lose their eligibility abruptly. In certain circumstances this means that an increase in the parental net income by 60 € can result in a loss of 115 € in household income. Thus, the DCV proposes a decrease in the income threshold, i.e. to take less of the additional income of parents into account and to increase the amount of the benefit in order to meet the children’s needs more adequately (cf. DCV 2008b).

Under the label ‘supplementary payment for children’ (Kindergeldzuschlag), Irene Becker and Richard Hauser make a similar plea for a reform of the ‘supplementary benefit for children’ (cf. Becker/Hauser 2008). As an autonomous transfer, the ‘supplementary payment for children’ shall guarantee a means-tested basic income for all children in low-income families regardless of parents’ employment status. As a result the ‘supplementary
payment for children’ would be separated from the demands and burdens of the activating employment policy (‘no rights without responsibilities’).

Both reform options are based on the principle of an autonomous basic income for children separate from the occupational status of the parents. However, both reform options focus on reforming individual measures instead of reforming the whole system. A radical concept was propagated by an alliance including charity organisations, children’s rights organisations as well as influential child and poverty researchers, etc. With the help of this concept the wide variety of fragmented transfers like child benefits, the ‘supplementary benefit for children’, social assistance for children, joint tax assessment of married couples (Ehegattensplitting), etc. shall be combined into one unified basic income for children (cf. Bündnis Kindergrundsicherung 2009). The alliance argues that all children should have the same rights regardless of their parents’ occupational status, and proposes a basic income of about 500 € per month until the age of 27. In addition to meeting children’s basic needs this would also provide them with the opportunity to participate in higher education. This measure shall be means-tested, and thus the amount of the benefit will decrease as the income of the family household rises by means of taxation. Although a basic income of this kind would come close to meeting the standards stated in the Declaration of the Rights of the Child of the United Nations Convention on the Rights of the Child (UNCRC), the federal government has thus far not been very supportive of this kind of measure.

3.3 Children in the social assistance system

At the present time, around two million children live in families receiving benefits based on the Social Security Law II (Sozialgesetzbuch II). This measure is supposed to defray the basic needs of its recipients. However, the amount of this benefit for children continues to be criticised because it does not cover their primary needs. This inadequacy is due to the procedure by which the standard rate for this benefit is calculated. From a child-related perspective it can be criticised that children only receive a reduced share of the benefit of an adult. Children under the age of 15 receive monthly 60% (211 €) and children above this age 80% (281 €) of the standard rate for an adult (351 €). Lone parents receive an additional amount and there is even extra money if a child is born, for longer school trips, etc. The major issues are (1) that the benefit for children is not calculated on the basis of their needs but derived as a percentage share from the standard rate for an adult and (2) that two age groups are insufficient to cover the needs of this population group (cf. Spellbrink 2008: 16).

For example, the benefit for a child’s daily nutrition is only 2.54 € for children under 15 years of age and 3.42 € for children over this age. However, the average cost of healthy and balanced meals for a child is 4.68 € per day. Following these calculations the rate of 2.54 € is only enough for children ages 4 to 6 – and only if the parents restrict themselves to special offers (cf. Spellbrink 2008: 7). Furthermore, the costs associated with education are completely excluded from the calculation of the standard rate for children. This is in sharp contrast to the social investment ideology and is not in line with the political goal of overcoming the social inheritance of children of deprived families by means of the educational system.

With the help of new regulation for families (Familienleistungsgesetz) introduced in January of 2009 and as part of a broader economic stimulus package (Konjunkturpaket II)
adopted in February of 2009, some improvements were implemented. With the former came a slight increase\(^2\) in the child benefit as well as a tax exemption for dependent children and an expansion of household-related services. Low-income households, however, are excluded from the improvements of this regulation. Due to the fact that the child benefit is reducing the amount of the ‘unemployment benefit II’ which the parent(s) receive(s), in the end the increase in the child benefit does not raise the household income. Furthermore, low-income families are unable to profit from tax exemptions because their income falls below the threshold of taxation, i.e. is too low to be taxed. Due to the new regulation for families, school children in households receiving ‘unemployment benefit II’ are eligible for 100 € p.a. for school material. Even here it remains debatable whether or not this amount is sufficient. One leading child rights organisation arrived at an amount much higher – at least 300 € p.a. (cf. DKS 2008).

The ‘economic stimulus package II’ grants all recipients of child benefit a lump sum of 100 € per child, whereby this benefit does not reduce other social benefits like the ‘unemployment benefit II’. Additionally, the standard rate for children will be differentiated in three instead of the existing two age groups: As of July 2009, children up to 6 years of age will receive 60% of the standard rate for an adult, children between 7 and 14 years of age will receive 70% and children above 14 will receive 80%. While this represents an improvement of the overall benefit, the problem remains that the benefit is not derived from the children’s needs, but rather calculated as a percentage reduction of the standard rate for an adult.

This critique was also formulated by a decision of the Federal Social Court (Bundessozialgericht) in January of 2009. The main thrust of the court’s decision was a strong suspicion that the standard rate for children under 15 years of age is unconstitutional (cf. Bundessozialgericht 2009). Criticised was not the amount of the benefit, but the missing rationale. With regard to an issue as important as the minimum living standard, the needs of children must be a stand-alone calculation and not simply be deduced from the standard rate for an adult. Among other things, this situation violates the dignity of man and goes against the ‘welfare state imperative’ (Sozialstaatsgebot) as stipulated in the German Basic Law. The Federal Social Court has passed its decision on to the Federal Constitutional Court (Bundesverfassungsgericht), so that the issue can finally be clarified. At the moment, it is still open how the Federal Constitutional Court will decide.

4. Why does the German strategy against child poverty fail?

Since the late 1990s the fight against child poverty has been propagated as an important political goal by all of the federal governments that came into power during this period. Nevertheless, it must be stated that there has been no breakthrough concerning the achievement of this goal. According to UNICEF (cf. 2005), since the beginning of the 21st century Germany is one of the few nations where child poverty has been on the rise. Irrespective of the calculating procedure, the child poverty rate in Germany is at best in the

\(^2\) The child benefit was increased for the first and the second child by 10 € and by 16 € for the third and all further child(ren).
middle field of the OECD countries. Thus, Germany is still quite far away from its own self-proclaimed aim of substantially reducing child poverty.

However, this situation has not come about due to heavy cuts in the field of benefits for children and families. Quite the contrary is true: Whereas since the 1990s social benefits in other fields such as labour market and employment policies have been reduced, social transfers for children and families have continuously been expanded (cf. e.g. Seelaib-Kaiser 2002). Due to the new parental leave scheme, for instance, expenditures for children and families were increased from 2.85 billion euros to circa 4 billion euros p.a. (cf. Müller-Heine 2006: 62). Furthermore, the federal state has earmarked 4 billion euros to help finance the massive expansion of places in crèches and with childminders – approximately one-third of the total costs (cf. BMFSFJ 2008a: 45).

Hence, the unsatisfying effects of the anti-poverty strategy can not be entirely accounted for by the amount of money spent, but rather on what it is spent. As already discussed, the measures are focused on the social investment principle. This means that all measures and programs have to demonstrate or prove their contribution to economic growth and the building of human capital. In contrast, criteria like equality, security and well-being play a minor role. In its anti-child-poverty strategy the German government uses the ‘child-centred social investment strategy’ formulated by Esping-Andersen (cf. Esping-Andersen 2002, see also Esping-Andersen 2005) as a blueprint. However, whereas Esping-Andersen developed a coherent political strategy, the initiatives and programs of the German government so far remain piecemeal and fragmented.

4.1 Financial transfers

At first glance, the political strategy against poverty in Germany fits with the principles of the social investment paradigm. This is due to the fact that the plan to reduce child poverty utilizes a policy mix concerning in-cash and in-kind-transfers (cf. BMFSFJ 2008a: 49). However, the improvement of incomes for families with children focuses on the reconciliation of work and family – especially for mothers. In contrast to this, the expansion of financial transfers concerning children and families plays only a marginal role. Accordingly, the child benefit – understood as a universal benefit – predominates, whereas means-tested benefits for children in low-income families remain underdeveloped. For example, as mentioned in paragraph 3.2, the ‘supplementary benefit for children’ is not able to prevent a significant number of children and families from falling into poverty. Furthermore, the new parental leave benefit is not able to improve the material situation of low-income families because it privileges middle- and high-income families. In order to effectively fight child poverty, a transformation of the system of the fragmented financial benefits into a basic income for children that comprises universal as well as means-tested transfers would be required.

The expansion of financial transfers would not supplant the current political efforts to increase the number of gainfully employed mothers. The introduction of the new parental leave scheme as well as the massive expansion of places in childcare facilities are proof that substantial steps in this direction have been taken. However, as demonstrated in paragraph 2.2, the results of these efforts are still disappointing. In the first instance, this is due to the contradictory incentives that measures from different policy fields concerning
female labour-market participation have established. Whereas policies concerning children and families increasingly aim at the reconciliation of family and work, the political promotion of the low-wage sector and, above all, the tax law (joint tax assessment of married couples) produces contradictory efforts. From this follows that a substantial increase in the labour-market participation of mothers requires joint action of different policymaking sectors. While the Scandinavian countries rely on a strategy of ‘de-familisation’ of women by means of an individualized tax system, the German tax system supports the male-breadwinner family model, and thus, the familisation of women. And it is here that the German tax system undermines an important part of the German anti-child-poverty strategy.

4.2 Early childhood education and care

As mentioned earlier, the material situation of low-income families has not been improved by the new parental leave benefit. This situation did not develop by accident, but follows a political agenda. The goal is to produce additional incentives for recipients of ‘unemployment benefit II’ to return to the labour market as soon as possible. Following this argument, the intention is to (re)integrate the unemployed into the labour market by cutting back on financial transfers. This is problematic for at least two reasons: First, the reason that most unemployed parents are unemployed has more to do with a lack of available jobs than with a lack of motivation. Second, affordable day-care for children – especially for those under the age of three – is still not available in many regions. Hence, once the child reaches one year of age and the new parental leave benefit runs out, the challenge of reconciling family and work returns.

Although, as mentioned in paragraph 3.1, there is the ambitious political goal to expand the number of places in childcare facilities during the next years, it remains questionable whether this goal can be reached within a relatively short period of time. This is especially true against the backdrop of the current financial crisis and the chronic federal, regional and local deficits. Additionally, the risk of a conflict between quantity and quality needs to be considered. In particular the relatively low level of qualification of childcare workers, the inappropriate child-staff ratios and the urgent need for further educational training demonstrate that substantial qualitative improvements are needed in order to reach the goal of overcoming the social inheritance of social inequality.

4.3 Investing in children vs. children’s rights

To sum up: the strategy to fight child poverty in Germany – as we have shown – has at least two deficits. First, the importance of improving the material living conditions of children by means of financial transfers continues to be underestimated. Instead, the expansion of social services – especially in the field of early childhood care and education – takes centre stage. This is due to the social investment approach which emphasizes the investment in human capital as the key concept in the federal government’s attempts to overcome child poverty. However, it remains debatable whether it is possible to develop human capital under the harsh conditions of poverty and exclusion. Studies demonstrate
that children who are living in impoverished conditions are not able to profit from the high-quality educational facilities in the same way as children from more affluent families (cf. Becker/Nietfeld 1999, Heintze 2004). Second, the political strategy to fight child poverty in Germany remains fragmented and incoherent. Whereas the Scandinavian countries have been relatively successful in combining generous material transfers for children and families, incentives to encourage the employment of mothers as well as affordable high-quality childcare, policies concerning children and families in Germany tend to prioritise some singled-out goals against other goals, underestimate the relevance of means-tested financial transfers and ignore the negative incentives of contradictory political measures.

Apart from the inherent shortcomings of the German strategy to fight child poverty we have also identified structural deficits of a social investment approach for children and families. The neglect of the material well-being of children and families in the here and now within German policy concerning children and families is not accidental. As we have shown measures and programs within social investment have to prove their contribution to economic growth and productivity. Therefore, social investment policies focus on activating the economic potential of mothers as well as the investment in the human capital of children. Criteria like generational equality, social security, and a decent standard of living for children only play a marginal role. It is clear that no substantial improvement in the material living conditions of children can be realized if it was solely based upon a future-oriented approach relying on social investments. This does not mean, however, that the social investment strategy is without merit. At the very least, it has drawn political attention to children as a social category – even though this takes place in an instrumental and future-oriented manner. This is the reason why the social investment approach has to be complemented by a child-oriented approach, which focuses on the rights and needs of children (cf. Olk/Wintersberger 2007). The conceptual weakness of the social investment approach is that the redistribution of resources – e.g. from adults to children – is legitimated exclusively by its effects on productivity. Investment contributes to the improvement of the future human capital, economic growth and the wealth of the nation. At the same time, this overlooks or leaves unacknowledged the fact that children as children are full-fledged members of society. This means that they have “the right to share to the full in the social heritage and to live the civilized life according to the standards prevailing in society” (Marshall 1964: 82). Only if children are not understood exclusively as ‘citizen workers of the future’, but instead acknowledged as full citizens in the here and now, can a political strategy be developed which focuses on a fair share of societal resources for children as children.

References


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