



Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of the EU Member States' minimum income schemes

Country Fiche - Germany

February 2022



EUROPEAN COMMISSION

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Directorate-General for Employment, Social Affairs and Inclusion

March, 2022

EUR [number] EN

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Luxembourg: Publications Office of the European Union, **2022**

ISBN **ABC 12345678**

DOI **987654321**

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Table of Contents

Summary	1
1 Description of national schemes providing minimum income support	1
1.1 Eligibility.....	3
1.2 Coverage.....	4
1.3 Adequacy.....	6
1.4 Links with other benefits.....	7
2 Links with labour market activation	8
3 Links to social services and integrated provision of targeted social services	9
4 Governance mechanisms	10
5 Impact of minimum income schemes.....	12
6 Sources	14
7 Annexes	20

Summary

The minimum income (MI) system in Germany consists of two main schemes for those of working-age, each targeted at different population groups. Since its introduction on January, 1st 2005, the basic income support for job-seekers has been the central benefit scheme with the highest number of beneficiaries, while the subsistence benefit scheme has played only a marginal role. The schemes are based on the same basic concept: both are aimed at guaranteeing a subsistence level of income that enables recipients to participate in normal social life and, at the same time, are designed in principle to help beneficiaries to mobilise their self-help capacity and to overcome their need for support.

The two MI schemes are needs-based and means-tested. There is a broad consensus that simplification of the means test is needed in order to facilitate access to benefits.

The link between benefit receipt and the labour market is a central feature of basic income support for job-seekers, though there have been issues over the activation concept for many years and the way that it is applied is currently undergoing revision.

While subsistence benefit in the context of social assistance is the sole responsibility of the municipalities and provided by the local welfare offices, the federal and municipal governments share responsibility for basic income support for job-seekers. At the same time, there are two different institutional structures for the jobcentres responsible for the provision of benefits and services. They are either run as joint agencies of the local employment agencies and the municipalities, or run by the municipalities alone. At the same time, the internal organisational structures vary greatly between local jobcentres.

Despite positive labour market developments in Germany, the number of recipients of basic income support for jobseekers has not declined substantially over recent years. In addition, the scheme is limited in its impact on the risk of poverty as the cash benefits received are in most cases below the at-risk-of-poverty threshold. Moreover, recipients of benefits are typically dependent on assistance for long periods of time. In response to the COVID-19 crisis, eligibility criteria were temporarily relaxed to allow more people to receive support.

The following sections, first, outline the features of the MI support in place, secondly, describe the eligibility criteria and coverage and examine the adequacy of the financial support provided and the links with other benefits, thirdly, examine the extent of integration with labour market measures to help those supported into employment; fourthly, consider the access provided to social services for the people concerned; fifthly, summarise the governance mechanisms in place; and, sixthly, review the evidence on the extent to which the schemes reduce poverty and assist beneficiaries to find work.

Annex 2 outlines the underlying situation in terms of the relative number of people at risk of poverty or social exclusion and the changes that have occurred over recent years, as well as the characteristics of the people concerned – their gender, age, employment status, education level, country of birth and the structure of the households in which they live. As such, it provides the context in which MI support is operating and indicates the groups on which support needs to be targeted.

1 Description of national schemes providing minimum income support

The minimum income schemes in Germany form a complex categorically-based benefit system. Currently the German minimum income system (MIS) includes four categorical schemes:

Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of the EU Member States' minimum income schemes

- basic income support for job-seekers (*Grundsicherung für Arbeitsuchende*), under Social Code Book II;
- subsistence benefit outside of institutions (*Hilfe zum Lebensunterhalt außerhalb von Einrichtungen*), under Sections 27-40 of Social Code Book XII¹;
- basic income support in old age and in the event of reduced earning capacity (*Grundsicherung im Alter und bei Erwerbsminderung*), under Sections 41-46 of Social Code Book XII; and
- basic income support for asylum-seekers under the Asylum Seekers' Benefits Act (*Regelleistungen nach dem Asylbewerberleistungsgesetz*).

Minimum income benefits are the ultimate means of preventing people from falling into poverty. They supplement the primary safety net of the social insurance and income maintenance system and provide means-tested financial support for those whose needs are not covered sufficiently by other resources. They are intended to ensure a level of support which enables recipients to live 'in human dignity' (according to Social Code Book XII). At the same time, all schemes are designed in principle to help beneficiaries to mobilise their self-help capacities and to overcome their need for support. The basic income support for job-seekers, targeted at people who are in need and capable of working, is, in particular, aimed at helping them to (re)integrate into the labour market and find employment.

All the MI schemes are structured in the same way: there is an individual entitlement to social benefit for those in need and cannot meet their needs through their own effort or through social insurance benefits. At the same time, needs are assumed to be household-based, as applicants and family members living with them are considered to form a claimant's household, sharing resources and meeting their needs together. All of the MI benefits are not subject to taxation.

Basic income support for job-seekers under Social Code II is targeted at those of working-age (from 15 to statutory retirement age), who are capable of working, and their family members living in the same household. While those capable of working are entitled to 'unemployment benefit II' (*Arbeitslosengeld II*), family members not capable of working are entitled to the 'social benefit' (*Sozialgeld*).

Subsistence benefit under Social Code XII is aimed at people below the statutory retirement age who are temporarily unable to work and provide income support for themselves and their families. Basic income support in old age and in case of reduced earning capacity under Social Code XII is aimed at people in need above the standard retirement age² and at those below this age who are permanently incapable of working.

These benefits are complemented by income support under the Asylum Seekers' Benefits Act, which is aimed at those who are in the process of seeking asylum. The focus below is on first two schemes, which are of primary importance for people of working age and those living with them.

¹ Subsistence benefit is also paid to those in institutional accommodation. Besides the provision made available by the facility concerned, this primarily includes clothing and pocket money for personal use. For adults, this is 27% of the standard benefit for an adult (Section 27b of Social Code Book XII). Most beneficiaries of subsistence benefit in institutions also receive benefits from the "basic income support in old age and in the case of reduced earning capacity" scheme, which cover their living expenses. In addition, there is further assistance for people in special need as part of social assistance, usually in the form of services and benefits in kind.

² For those born before 1947, the standard retirement age was 65. For those born between 1947 and 1963, it is currently being raised in stages. For those born in 1964 or later, it is 67.

1.1 Eligibility

Both basic income support for jobseekers and subsistence benefits are needs-based and means-tested. They are paid only to those whose household income and assets are below the minimum subsistence level.

In principle, receipt of subsistence benefit under Social Code XII does not necessarily require a formal application, local social welfare offices acting on their own initiative when they become aware (e.g. through neighbours or social workers) of people in need. In practice, however, a written application is needed to check pre-requisites and for documentation purposes³. In the case of basic income support for job-seekers, claimants have formally to complete a detailed application form and to go through a verification process. In both cases, applicants are required to provide all information and documents requested and to actively participate in clarifying any issues or queries that may arise

The eligibility criteria for both benefits are defined by legislation (in Social Code XII for subsistence benefits, and in Social Code II for basic income support for job-seekers)⁴ in a similar way, except that for basic income support for jobseekers, there is an explicit reference to the labour market.

With a few exceptions, everyone who has their regular place of residence in the Federal Republic of Germany is entitled to basic income support for job-seekers. This includes those born abroad, apart from for asylum-seekers who have their own scheme. Those who have been resident in the country for less than three months and foreign citizens who are not employed, however, are not eligible⁵.

The income and assets of claimants are decisive in determining their need for assistance. The legal requirements for means-testing are similar for both schemes but differ in detail. For both, almost all sources of income, whether regular or irregular, are taken into account in determining benefit entitlement. Only a few sources are excluded: in particular, basic pensions under the Federal Pensions Act (*Bundesversorgungsgesetz*), pensions under the Federal Compensation Act (*Bundesentschädigungsgesetz*), compensation payments for non-material damage, and nursing allowances. Income is measured in net terms, i.e. after deducting taxes, social and pension contributions and work-related expenses.

An earnings disregard is applied to income from employment. For beneficiaries of basic income support for job-seekers who are working, €100 of their monthly earned income is left out of account when assessing their entitlement to benefit; for earned income between €101 and €1,000, 20% is left out of account and for earned income between €1,001 and €1,200 (or €1,500 for wage-earners with children), 10%. The maximum amount of earnings which is not taken into account is therefore €300 for wage-earners without children and €330 for those with children. In the case of subsistence benefit, an amount equal to 30% of earnings from employment, or self-employment, is not considered when assessing entitlement, up to a maximum of 50% of the standard benefit payable to a single adult.

³ Subsistence benefit according to the third chapter of Social Code XII is to be provided to people who cannot, or cannot sufficiently, cover their necessary subsistence from their own efforts and means. The social assistance starts as soon as the social welfare office becomes aware that the requirements for the benefit are met.

⁴ For eligibility criteria in Social Code II and XII see in more detail (for example): Berlitz, Conradis and Pattar, 2019; Bieritz-Harder, Conradis and Thie, 2020; and Munder and Geiger, 2020.

⁵ More specifically, those not eligible consist of who: (1) are not employees or self-employed people in Germany; (2) are entitled to freedom of movement on the basis of Section 2 (3) of the Freedom of Movement Act/EU, but who have not yet resided in Germany for three months; (3) do not have a right of residence, or have a right of residence based solely on the purpose of seeking employment, or entered Germany in order to obtain basic income support for job-seekers.

There are also a few asset disregards in the case of basic income support for jobseekers: a basic amount of at least €3,100 for each adult and each child under 18; an additional €750 per person for essential purchases; an owner-occupied house/flat (up to a certain value), private entitlements to old-age pension, other assets intended to provide for old age up to €750 per year of the life of those claiming benefit who are capable of working and their partners, a car up to the value of €7,500, appropriate furnishings; and items essential for starting or continuing vocational training or gainful employment. Further assets may also be disregarded if it is obviously uneconomic to liquidate them, as well as in cases of hardship.

For subsistence benefit under Social Code XII, the assets disregarded include any provided by public funds to build up or secure a livelihood or to establish a household;; any derived from publicly funded old-age provision;; an appropriately-sized owner-occupied house or other property intended for residential purposes (for a family of four, a house or apartment of up to 120 square metres is disregarded), reasonable furnishings, objects essential for beginning or continuing vocational training or gainful employment, objects that serve to satisfy cultural needs and which are not a luxury and a small amount of cash (€5,000 per person under 18, and €500 per child). Any special hardship which might be suffered by applicants is also taken into account.

As a result of the pandemic, amendments were made in March 2020 for a limited period – currently up to end-December 2022, to make it easier to have access to both types of MI benefit. These include a temporary suspension of consideration of assets (i.e. there is no check of assets during this period), though this does not apply if claimants have substantial assets, which, as a rule, means if the sum of immediately realisable assets of the first household member exceeds EUR 60,000 and EUR 30,000 for each additional one (Hanesch, Gerlinger 2021).

A feature of basic income support for job-seekers is an obligation to actively participate in the procedures prescribed, which is enforced by a set of sanctions, though after a decision of the Federal Constitutional Court in November 2019, these are limited to 30% of the standard rate of benefit applying at the time. A reduction, however, may not take place if this leads to exceptional hardship (though as of March 2022, this was yet to be enshrined in a statutory regulation).

The regulations for determining needs and the means-testing procedures for both MI benefits are not easy to understand for non-experts. According to a study by the Institute for Employment Research (Moczall *et al.*, 2017), low-skilled workers are sanctioned more often than higher-skilled workers – regardless of their willingness to work. One reason appears to be insufficient understanding of the rules and requirements. In addition, there is the risk that the application of sanctions– especially young people under age 25 – can have counterproductive effects in the sense of deterring claims (Van den Berg, Uhlendorf and Wolff, 2017). An important role in helping claimants with their applications is therefore played by independent counselling centres run by charitable organisations.

1.2 Coverage

Coverage of population groups

The system of minimum income schemes described above covers all, or nearly all legally resident population groups at risk in Germany. Only apprentices and student are formally excluded, but these are entitled to benefits under the Employment Promotion Act or the Federal Training Assistance Act. In practice, however, there are certain groups that have a higher risk of failing to gain access to adequate support than others. This is especially true of groups in extreme poverty who are affected by multiple forms of deprivation, such as the homeless or those with addiction problems. Although these groups might have formal access to minimum income support, the specific nature of their needs and situation may mean that they are, in

many cases, not covered in practice (Mingot and Neumann, 2003; Sthamer, Brülle and Opitz, 2013).

Non-take-up of minimum income benefits

Microsimulation studies have indicated significant non-take-up of MI benefits in Germany⁶. A recent study by Bruckmeier, Riphon and Wiemers (2019) estimated that the non-take-up rate of basic income support for job-seekers was 35% and higher for some groups, such as people living alone without children (59%), and young people aged 15-24 (45%), though it was lower for single parents (30%). These results are in line with a number of previous and later studies (see e.g. Beste and Trappmann, 2021; Koch, 2021).

Empirical research suggests that applicants with income just below the minimum income threshold may fail to claim small amounts of benefit. If the expected duration of benefit receipt is short, this also seems to increase the probability of non-take-up. The same applies if claimants are employed or if they are home-owners (e.g. Bruckmeier *et al.*, 2013; Harnisch, 2019). There are many possible reasons for people failing to claim MI benefits – a lack of knowledge of their entitlement, a calculation that in the case of them being entitled to only a small amount of benefit, making a claim may not be worthwhile, and being deterred by administrative procedures, as well as a fear of being stigmatised or looked down upon socially. A recent experiment shows that fear of stigmatisation still prevents many people from claiming the benefits to which they are entitled (Friedrichsen and Schmacker, 2019).

Number and structure of beneficiaries

Some information on recipients of subsistence benefits is available in the Federal Statistical Office database in 2018, the number in receipt was 121,511. In 2019, it fell to 113,314, and in 2020, it increased again to 119,860. In the latter two years, just under 80% of recipients were of working age (i.e. 18-64), the vast majority of them are people living alone (see Table 1 in Annex 1).

According to the database of the Federal Employment Agency, the number of beneficiaries of basic income support for job-seekers fell from 5,795,000 in 2018 to 5,476,000 in 2019 and to 5,428,000 in 2020. These lived in 3,093,000 households in 2018, 2,906,000 in 2019, and 2,903,000 in 2020 (implying there was an average of just under two beneficiaries per household). In 2020, 56% were single-person households, 18% single-parent ones, 16% couples with children, and 9% couples without children. Some 3,889,000 beneficiaries were able to work and 1,539,000 not able to (of whom 1,488,000 were under 15). Men and women made up similar numbers of those capable of working. Foreign national accounted for 32% of beneficiaries, 18% of beneficiaries were 25, 64% 25-54, and 32% 55 or over.

Among benefit recipients capable of working, 1,587,000 (or 41%) were registered as unemployed, 933,000 (23%) were employed, and another 1,369,000 (36%) were inactive – i.e. were neither working nor registered as unemployed (*Bundesagentur für Arbeit*, 2021a; see Table 2 in the annex 1). Those registered as unemployed, the main target group for activation measures, were – and are – in the minority. Employed and other recipients of benefits who are capable of working are also regularly reviewed and have an opportunity of participating in integration measures (see Table 2 in Annex 1).

Duration of benefit receipt

People receiving income support for job seekers, who were long-term recipients of benefit, as defined in Social Code II – i.e. those receiving benefit for at least 21 months in the previous 24 – numbered 2,675,000 in the period September 2019 to August 2020 (69% of the total of 3,868,000). The proportion concerned, though

⁶ Unfortunately, no studies or findings are available on subsistence benefit.

fluctuating a little) has remained at around this level over the past decade (Bundesagentur für Arbeit, 2021a).

1.3 Adequacy

Income support elements

Basic income support for job-seekers and subsistence benefit include the following elements:

- a standard benefit covering what is regarded as the current minimum subsistence for food, clothing, personal care, furnishings, electricity, healthcare, and everyday personal needs;
- fixed allowances to meet the additional requirements of certain groups (such as single parents);
- one-off payments to meet specific needs (a few one-off payments are listed in the legislation; beneficiaries can apply for loans to cover additional needs);
- benefits for education and social participation – a package of mainly non-cash benefits are directly aimed at increasing the participation of children and young people in recipient households in education and social life;
- coverage of housing and heating costs to a reasonable extent (see below);
- coverage in the case of basic income support for jobseekers of contributions to compulsory statutory health and long-term care social insurance schemes (but old-age pension contributions)⁷.

(2) Standard benefit

(a) Method of setting the benefit level

According to Sections 20 and 23 Social Code Book II, the level and structure of the standard basic income support benefit for job-seekers takes account of how it is defined under Social Code Book XII. Since January 2011, the level of the subsistence benefit under the latter has been legally defined by the 'Standard Benefit Determination Law' (*Regelbedarfsermittlungsgesetz*). The standard benefit payable under Social Code Books II and XII is determined by the 'statistical standard method', which means that it is calculated on the basis of the level and pattern of consumer expenditure in lower-income households, as measured by the 'income and consumption sample survey' (ICS). The method is applied every 5 years, when new data from the ICS become available – most recently with the Standard Benefit Determination Law of 9 December 2020. In the intervening years, benefits are updated annually according to a combined price and wage index, with a weight of 70% attached to price changes and one of 30% to changes in the net wages and salaries of those statutorily insured.

The benefit amounts fixed in this way are the same for both minimum income benefit schemes. In 2022, the monthly amounts are set out below:

- | | |
|--|------|
| • Single person or single parent | €449 |
| • Couple, per head | €404 |
| • Non-working adult under 25 living with their parents | €360 |
| • Young people aged 14-17 | €376 |

⁷ Since 2011, recipients of unemployment benefit II have no longer been covered by the statutory pension insurance scheme. Contributions to private pension plans are also not covered. However, entitlements to old-age provision are a protected asset.

- Child aged 6-14 €311
- Child aged 0-5 €285

The elements listed above are added to these standard amounts to give the total benefit entitlement, though the actual amount payable depends on a household's existing resources.

The procedure for deriving the standard benefit as described above has been the subject of debate for many of years, with questions raised about the determination of the reference group, the procedure for avoiding circular reasoning, and the exclusion of 'non-relevant' consumer goods⁸. However, the Federal Constitutional Court has examined the procedure on a number of occasions, the last time in 2014, and has concluded that it is appropriate. Nevertheless, as studies have shown, the level of basic income support for jobseekers is in most cases well below the household-specific at-risk-of-poverty poverty threshold conventionally used in the EU (see e.g. Tophoven, Wenzig and Lietzmann, 2015; Hanesch, 2016; and Beste, Bethmann and Gundert, 2014, and , most recently, Konle-Seidl, 2021).

(2) Costs of accommodation and heating

A second important part of the two minimum income benefit schemes, in addition to the standard benefits, is the reimbursement of the actual costs of housing and heating. According to Section 22 of Social Code Book II, reimbursement covers the amount of the two which is 'reasonable', taking account of the circumstances in the local housing market. Any rent or costs which exceed this has to be paid by the recipients themselves⁹. The application of 'reasonableness', however, has been waived as part of the temporary easing of access to minimum income benefits in response to the Covid pandemic, so that the actual costs of housing and heating are covered up until 31 December 2022.(Hanesch, Gerlinger 2021). Outside of this temporary period, municipal authorities responsible for the provision of minimum income benefits have some discretion over what housing and heating costs are covered. Accordingly, the implementation of the regulation concerned varies greatly between them.

The decision on the adequacy of housing and heating costs is the responsibility of the municipalities. According to the Federal Social Court case law, the municipalities must present a conclusive overall concept, which should be based on regularly updated surveys of the local housing market. A recent study (Malottki *et al.*, 2017), however, has shown that one in five municipalities make no attempt to develop such a method, but instead use the maximum amount table in Section 12 of the Housing Benefit Act¹⁰. Perhaps as result, the decisions made by municipalities on the costs to cover are often disputed and lead to appeals and lawsuits¹¹.

1.4 Links with other benefits

There are no other benefits which recipients of basic income support for job-seekers and subsistence benefit are entitled to, other than the reimbursement of housing and heating costs, which are an integral part of the two schemes (and which in other countries may be separate from minimum income benefits as such).

⁸ See, for example, Becker,(2011 and 2016); Becker and Held (2020); Aust, Rock and Schabram (2020); Aust, (2020).

⁹ Or they have to move to an apartment whose costs are below this limit.

¹⁰ A crucial difference between housing allowance and coverage of housing costs according to Social Code II and XII is that housing allowance only provides a subsidy and the remaining costs have to be covered by the beneficiary, whereas coverage of costs according to the Social Code is supposed to cover the total amount, since no own resources are available..

¹¹ In December 2019, one in five of all lawsuits before the social courts involved conflicts over the coverage of accommodation costs (*Bundesagentur für Arbeit*, 2020).

2 Links with labour market activation

Activation regime

Since subsistence benefit under Social Code Book XII is aimed at those who are temporarily unable to work, recipients are not expected to participate in active labour market measures.

In the case of basic income support for job-seekers, labour market activation is an integral part of the scheme (as set out in Social Code Book II). Recipients are, therefore, obliged to actively look for work and this is combined with access to a range of active labour market measures, including counselling, training and job-placement. Non-cooperation with jobcentres over the measures offered can lead to sanctions being applied in the form of a reduction or loss of benefit.

(2) Links between employment and ability to work

The primary goal of labour market activation is to help reintegrate recipients of basic income support for jobseekers into gainful employment as quickly as possible and to end their need for assistance. Every recipient is legally obliged to actively seek a job and be available to participate in activation and integration measures. The employment-oriented integration service is tailored to individual needs and involves profiling and case-management procedures, though the actual implementation of these varies between jobcentres. A central role is played by the integration agreement, in which the mutual tasks and obligations of the person concerned and the jobcentre are set out and on the basis of which job-search and participation in various measures is monitored and, if necessary, sanctioned¹². Integration agreements are intended to be jointly reviewed and updated on a regular basis in the light of the experience up to that point, but no later than after six months. (e.g. Baethge-Kinsky *et al.*, 2007; Bartelheimer *et al.*, 2012; Reis and Siebenhaar, 2015; Brülle *et al.*, 2016; Bruckmeier *et al.*, 2020).

In addition to active job search and regular attendance at counselling sessions, integration agreements can include participation in a wide range of active labour-market programmes (ALMPs), including vocational training, work experience, job-search support and subsidised employment as well as special measures for people with disabilities and access to social services. In order to implement the measures, the jobcentres have entered into cooperation agreements with the municipalities and with providers of special measures..

Jobcentres receive an annual budget for activation measures and for administration on the basis of certain key figures, while expenditure on social benefits is accounted for on the basis of actual approvals. From the outset, the sufficiency of funding from the Federal Government for basic income support for job-seekers has been questioned (see Section 5.3 below and, for example, Kluve, 2013; Hanesch, 2016). Section 44c of the Social Code stipulates the following ratios of staff to the people receiving support for jobcentres: 1:75 for the provision of employment-integration services for benefit claimants who are capable of working and under 25 and 1:150 for those of 25 and over. In practice, however, these requirements are not met in many cases. In 2016, for example, only half of the jobcentres in 9 out of 16 Länder were able to comply with the legal requirements (Schäfer, 2018)¹³.

¹² As noted above, Social Code II contains a whole catalogue of sanctions; these vary according to the type of misconduct and become more severe in the case of repeat offences. Sanctions generally are more severe for those young people under 25.

¹³ It should be said that decisions on staffing are devolved to jobcentres and staff ratios are only one of several criteria on which personnel requirements are determined. Jobcentres, therefore, have responsibility for deciding what staff they need to provide support and how far they are guided in this by the statutory ratios concerned.

Commented [A1]: This is currently overturned by a federal constitutional ruling

A significant expansion in labour market support through new measures and additional resources for the long-term unemployed and recipients of basic income support for job seekers was implemented in 2018 under the Participation Opportunities Act (*Teilhabechancengesetz*). Nevertheless, in 2020, on average, only 10% of recipients of basic income support for jobseekers participated in ALMPs (*Bundesagentur für Arbeit*, 2021a and 2021g). For recipients who were unemployed, the figure was 24%, i.e. still less than a quarter, and, indeed, on average the proportion of long-term unemployed participating in ALMP measures (primarily recipients of basic income support for jobseekers) was much smaller than for the short-term unemployed (primarily receiving unemployment insurance benefits (*Bundesagentur für Arbeit*, 2021a and 2021g)).

(3) Strengths and challenges

Although it has fluctuated a little, the proportion of long-term recipients of income support for jobseekers has remained at around 70%. In December 2020, 2.61 million (68%) of the 3.81 million recipients had been receiving benefits for at least 21 months in the previous 24.

This partly reflects the fact that only a minority of recipients are unemployed in the sense of actively looking for jobs, the others being already employed in low-paid and/or short-hour jobs or temporarily unavailable for work because of other obligations (see e.g. Bruckmeier *et al.*, 2015). Activation measures, therefore, are only relevant for a relatively small number of benefit recipients, while other forms of support may be needed for those in work or with other obligations.

3 Links to social services and integrated provision of targeted social services

(1) Integration of minimum income schemes with social services

According to Social Code Book XII, it is the responsibility of the local welfare authorities to assist recipients of subsistence benefit to overcome their need for support. Social services of various kinds are provided for this purpose, either directly by the municipalities themselves or by welfare associations or private agencies on behalf of these. There are, however, no statistical data – either at the national or local level – on the provision or use of these services by subsistence benefit recipients and it may be that the types and extent of services on offer varies between local social welfare offices.

According to Section 16a of Social Code II, the services concerned are those "necessary for the integration into working life of the person entitled to benefits who is capable of working" can be provided "in order to realise holistic and comprehensive care and support for integration into work". They consist of (1) care for minors or children with disabilities and homecare for family members; (2) debt counselling; (3) psycho-social care; and (4) addiction counselling.

(2) Access to services and integrated service provision

Although under Social Code Book XII, social welfare offices are obliged to take action on their own initiative as soon as they learn of an emergency situation or a need for assistance, the provision of the social services concerned is to some extent discretionary, in the sense that benefit recipients are not legally entitled to them. There are, however, exceptions, such as the legal entitlement to childcare from a child's first year up until compulsory schooling. In practice, the scale and range of services provided are largely dependent on the amount of funding municipalities are able and willing to devote for the purpose, so there tends to be significant variation in provision between them.

Access to social integration services under Social Code II is usually granted as part of an integration agreement, if it is decided that they can help to improve the chances of

finding a job. Data on the provision of, and expenditure on, such services, however, are not available in any detail. For example, the annual report on basic income support for jobseekers contains data on these services in an overview of labour market integration measures in a supplement. This indicates that in December 2020, for example, there were 383,326 beneficiaries in ALMPs, but only 39,116 receiving municipal integration services. Accordingly, while, as noted above, around 24% of unemployed recipients of income support for jobseekers participated in ALMPs, only 2.5% received social integration support, though a significant number of jobcentres failed to report data on this (according to the Federal Employment Agency, only 64% of jobcentres provided data). The proportions, therefore, are potentially affected by substantial under-reporting (*Bundesagentur für Arbeit*, 2021a). Moreover, in addition to a shortage of data, there are no research studies on social integration services and their effects on employment and social integration, which might help to fill the gaps in information (Adamy and Zavaris, 2014; Freier, 2015).

The Participation Opportunities Act which came into force on 1st of January 2019, adopted a holistic approach to the integration of recipients of basic income support for jobseekers, creating two new ALMP measures (§ 16e and § 16i Social Code II). Both are aimed at getting long-term unemployed benefit recipients into work by having the jobcentres contribute to their wage costs for up to two or five years. The "labour market participation" scheme (§ 16i Social Code II) in particular, is directed at long-term unemployed who are difficult to place, by providing longer-term publicly-subsidised employment, so facilitating their social participation.

The measures are complemented by comprehensive coaching throughout the period to help stabilise the employment of the people concerned. (Indeed the primary goal of the measure is "social stabilisation and participation in the labour market" *Bundesagentur für Arbeit*, 2021g). The two measures are currently being evaluated, and initial findings are positive (Bauer *et al.*, 2021a and 2021b; Wagner, Castello and Schug, 2017;).

However, there remains a need to improve the recording and evaluation of the social services provided by municipalities to benefit recipients under Social Codes II and XII.

4 Governance mechanisms

(1) Institutional setting

Subsistence benefit is regulated by national legislation (Sections 27-40 of Social Code Book XII) and additionally by state implementation laws. It is provided and wholly funded by municipalities in their capacity as self-governing entities¹⁴. The provision of benefits and services is carried out by the local social welfare offices.

Basic income support for job-seekers is regulated by national law (Social Code Book II) and implemented by the Federal Employment Agency and local jobcentres. National monitoring of the job-seekers allowance is carried out by the former. Local jobcentres are either run as joint agencies of the local employment offices and municipalities or are by the latter alone. Funding is provided by the Federal state and the municipalities (see e.g. Ruschmeier and Oschmiansky, 2010; Hanesch, 2016; and Kaps *et al.*, 2017).

(2) Governance

Since 2012, a uniform target-management system has been applied in respect of basic income support for job-seekers – in both cases where employment agencies and municipalities are responsible and case where the latter operate alone. To achieve the goals set out in the legislation (in Section 48b of Social Code Book II), target agreements are concluded annually:

¹⁴ Municipalities in Germany currently include 294 districts and independent, or 'district-free' cities, which have the right and responsibility to manage all local affairs.

1. between the Federal Ministry of Labour and Social Affairs and the Federal Employment Agency, and between the latter and the municipalities and joint institutions; and
2. between the Federal Ministry of Labour and Social Affairs and the competent Federal state authorities, and between the latter and the approved municipal agencies.

On the one hand, this means that the goals set by law can be implemented on the basis of a common set of principles, on the other, it means that the performance of the jobcentres can be compared in terms of key figures and potentially improved.

There are four priority goals (spelled out in Section 48b of Social Code II):

1. to reduce the need for assistance;
2. to improve integration into gainful employment;
3. to avoid the long-term receipt of benefits
4. to improve social participation.

For each of the first three goals, a key indicator is defined to judge performance. For the first goal, it is the annual change in total transfer payments and in total housing and heating costs. For the second goal, it is the integration rate, and for the third, the change in the stock of long-term benefit recipients (BMAS, 2020).

The target-management of basic income support for job-seekers, however, has not been the subject of much academic consideration so far and the indicators used have not played a role in evaluations either (e.g. Fertig and Felder, 2013; Brülle *et al.*, 2017).

(3) Monitoring and evaluation

In addition to the political and business management of the Federal Employment Agency and the jobcentres, there is extensive ongoing statistical reporting on training, and labour market, number and structure of beneficiaries and other important aspects of basic income support for job-seekers. The responsibility for these statistics lies with the Federal Employment Agency. Understanding of the data on the support concerned is difficult. The complex structure of the underlying legal framework and frequent changes to it have an effect on how the statistics are structured and hamper straightforward interpretation. In addition, the design of the website is not very user-friendly, which adds to the difficulty.

Since the introduction of the basic income support for job-seekers scheme in 2005, the Institute for Employment Research, which is part of the Federal Employment Agency, has the statutory mandate to evaluate the benefit scheme and since then has continuously examined various aspects of the scheme and the effects of activation policies (see, e.g. Heyer *et al.*, 2014; Harrer, Moczall and Wolff, 2017; Kasrin, Stockinger and Tübbicke, 2021).

(4) Financing

The costs of the subsistence benefit under Social Code Book XII are borne by the municipalities. In 2018, local government spending on subsistence benefit amounted to EU €845 million, in 2019, it fell to €820 million and in 2020, it rose again to €934 million (see Table 3 in the annex 1).

Basic income support for jobseekers is a joint responsibility of the Federal Government and municipalities and they share the financing, with municipalities bearing the administrative costs of carrying out their responsibilities and the costs of social services, as well as originally all, now only part, of the cost of reimbursing housing and heating costs, and the Federal Government bearing the remaining costs (of the benefits themselves, of labour market integration measures, the administrative costs of carrying out their responsibilities, and parts of the costs of covering housing and

Commented [A2]: The Ministry's criticism was wrong because the subsistence benefit is regulated in the Third and not the Fourth Chapter of Social Code XII.

heating costs). The Federal Government took over part of the funding of housing and heating costs to compensate municipalities for various financial burdens placed on them. The part concerned has fluctuated from year to year and has varied across Länder in recent years. In 2018, it averaged 49% and in 2019, 47%. In a move to ease the municipal financial burden from the Coronavirus pandemic it was increased to 72.5% in 2020 and it was 70.5% in 2021 (Wixford, 2016; Boettcher and Freier, 2021a and 2021b¹⁵). There is no information available on municipal administrative costs and the costs for social services, so there are no complete statistics on the total costs of basic income support for job-seekers. The remaining expenditure on basic income support for job-seekers was €43,241 million in 2018, €43,454 million in 2019 and €44,306 million in 2020 (see Table 4 in the annex 1).

5 Impact of minimum income schemes

(1) Strengths of MIS and remaining challenges

There is limited evidence on the effects of the two minimum income schemes intended to provide support for those of working age who are in need. This is particularly the case for subsistence benefits, for which there are little statistical data on recipients, apart from the number of people concerned, and what becomes of them and no evaluations which have been produced (or at least published) on their impact. It is less the case for basic income support for job seekers, for which some data are available - in particular, on the number of people receiving support and their participation in active labour market measures - but for which there is limited information on the effectiveness of the support provided in helping people to find employment and to be no longer reliant on income support. Although a number of evaluations have been undertaken of the impact of different forms of active labour market measure, these have not distinguished basic income support recipients from other participants.

The evidence, noted above, that a substantial proportion of such recipients spend long periods of time in receipt of income support tends to suggest that the measures concerned have had limited success in getting recipients into work (Hanesch, 2016). Nevertheless, the expansion of employment-oriented services is a positive consequence of the introduction of basic income support for job-seekers, even though the practical implementation of active measures varies from one jobcentre to another.

Moreover, there are signs of government recognition of the limitations of the two minimum income schemes. In particular, in 2018, the Federal Government implemented the Participation Opportunities Act, introducing new measures of support for benefit recipients far removed from the labour market. In addition, there is growing recognition of the need to alleviate the short and long-term effects on children of living in households with insufficient resources and there are increasing calls for separate basic income support for them (Tophoven, Wenzig and Lietzmann, 2015; Bündnis 90/Die Grünen Bundestagsfraktion, 2019).

The recent announcement of the governing coalition in Germany, which took office in December 2021, in its coalition agreement (SPD, BÜNDNIS 90/DIE GRÜNEN and FDP, 2021), of a citizen's minimum income to replace basic income support for jobseekers is more far-reaching. The stated objectives of this are to focus on the employment potential of recipients to help their long-term integration into the labour market and to enable their social participation. The main features are:

¹⁵ See also Gesetz zur finanziellen Entlastung der Kommunen und der neuen Länder vom 6. Oktober 2020; Verordnung zur Festlegung und Anpassung der Bundesbeteiligung an den Leistungen für Unterkunft und Heizung für das Jahr 2021 vom 25. Juni 2021.

Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of the EU Member States' minimum income schemes

- A simplified means-test: in the first two years, the citizen's minimum income will be paid without taking account of assets and without checking that the costs relating to housing and heating are 'reasonable'.
- The obligation on beneficiaries of support to cooperate will be redefined by the end of 2022 at the latest, on the basis of an evaluation of the existing system. Until new legislation is passed, there will be a one-year moratorium on current sanctions applied by jobcentres that result in beneficiaries having income below the subsistence level. Housing benefits will be exempt from sanctions, and beneficiaries under 25 will be treated equally to those aged 25 and over (they are currently subject to tougher sanctions, as noted above). In the event of sanctions, they will be offered coaching in coordination with the local youth welfare office.
- Sustainable integration into the labour market is intended to be at the centre of the future target-management system, and the steps necessary for this are expected to take social stabilisation and participation into account.
- The citizen's minimum income is intended to provide individual holistic support. Counsellors and beneficiaries should meet on an equal footing. Strengths and development needs will be identified through a competence-assessment procedure, which should also enable 'soft skills' to be certified. The measures provided will be jointly agreed with the beneficiaries as part of a 'participation' agreement (previously the 'integration' agreement), formulated in simple language. A six-month period of trust will apply. An independent arbitration mechanism for disputes will be put in place.
- To ensure tailor-made and holistic support, well qualified staff at the jobcentres in sufficient numbers will be made available through appropriate funding.
- The priority of placing people in jobs as soon as possible, set out in Social Code Book II, will no longer apply. At present, it is only if a person does not have any vocational qualifications that they are offered the possibility of attending a training course. In future, higher priority will be given to promoting vocational training and further education, with a view to enabling sustainable integration. The time limit on the Participation Opportunities Act, which came into force at the beginning of 2019, will be abolished and support for coaching and outreach work will become standard in the citizen's minimum income scheme.
- Opportunities for combining benefits with earnings will be extended, with the aim of increasing incentives for employment. Citizens' minimum income, housing benefits and, where appropriate, other tax-financed social benefits will be co-ordinated or combined in such a way that the benefit withdrawal rates achieve the most favourable effects in terms of employment and labour market participation. An independent Expert Commission will be set up to develop the reform model.

(2) Wider impact (national indicators)

The impact of the two minimum income schemes considered here on indicators of poverty, and in particular, on the at-risk-of-poverty rate is reduced, as indicated above, by the fact that the level of the benefits paid under the two schemes is below the at-risk-of-poverty threshold of 60% of national median income for all household types. It is also reduced by seemingly significant non-take-up (Although it is affected by other factors apart from the nature of the minimum income schemes, it is relevant to note that the at-risk-of-poverty rate among the unemployed in Germany is among the highest in the EU - 74% in 2019, as against an EU average of 49%.)

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7 Annexes

Annex 1

Table 1. Subsistence benefit (outside institutions); recipients and claimant's households 2018-2020 (absolute numbers and in %; at the end of the year)

Year	Total number	By gender		By age			claimant's households by household type	
		Male	Female	Under 18	18-64	65 or over	Total	Single households
2020	119,860	66,305	53,550	15.3%	79.9%	4.8%	113,165	74.1%
2019	113,314	60,745	52,569	16.3%	78.7%	5.0%	106,147	71.5%
2018	121,511	64,842	56,669	16.0%	78.1%	5.9%	113,773	72.0%

Source: Statistisches Bundesamt (2021a and 2021b).

Table 2. Basic income support for job-seekers; beneficiaries 2018-2020 (recipient households and number of people)

Benefit recipients	2020	2019	2018
Number of recipient households	2,903,150	2,906,469	3,092,540
Total number of people in recipient households*	5,710,092	5,747,469	6,065,578
men	2,889,421	2,901,722	3,071,968
women	2,820,510	2,845,620	2,993,486
Total number of regular beneficiaries	5,427,710	5,476,051	5,794,833
Regular beneficiaries capable of work	3,889,188	3,894,008	4,141,330
- of whom unemployed people	1,586,504	1,433,640	1,523,374

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- of whom employed people	0,933,234	1,017,771	1,097,706
Regular beneficiaries not capable of work**	1,538,522	1,582,043	1,653,503
- of whom under 15	1,487,871	1,530,824	1,600,251
Percentage of people in recipient households***	8.3%	8.4%	8.9%
Percentage of regular beneficiaries capable of work***	7.1%	7.1%	7.6%
Percentage of regular beneficiaries not capable of work aged under 15***	13.1%	13.5%	14.2%

+ Including non-beneficiaries: 218,324 (2018), 216,151 (2019), 224,354 (2020) and other beneficiaries: 52,421 (2018), 55,268 (2019), 58,028 (2020).

** In 2020 1,369,234 (or 36%) regular beneficiaries capable of work were neither registered unemployed nor employed, but pursued an activity outside the labour market with the approval of the jobcentre – such as going to school or college, or taking care of their children or family members.

*** As a percentage of the respective population group.

Source: Bundesagentur für Arbeit (2021c): Strukturen der Grundsicherung SGB II (Zeitreihe Monats- und Jahreszahlen ab 2005) Deutschland, Nürnberg.

Table 3. Subsistence benefit (outside of institutions); expenditure in €million; 2018-2020

Year	Expenditure in € million
2020	952
2019	836
2018	857

Source: Statistisches Bundesamt (2021c): Tabelle Bruttoausgaben der Sozialhilfe: Deutschland, Jahre, Sozialhilfearten, Sozialhilfeträger, Ort der Leistungserbringung, Wiesbaden.

Table 4. Basic income support for job-seekers; expenditure in € million; 2018-2020

Year	Unemployment benefits II/ social benefits*	Housing and heating costs*	Activation, labour market integration measures	Administration**	Total costs**
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2020	20,873	14,030	3,996	5,407	44,306
2019	20,267	13,675	3,877	5,625	43,454
2018	20,871	14,243	3,071	5,457	43,641

* Including contributions to statutory social insurance schemes.

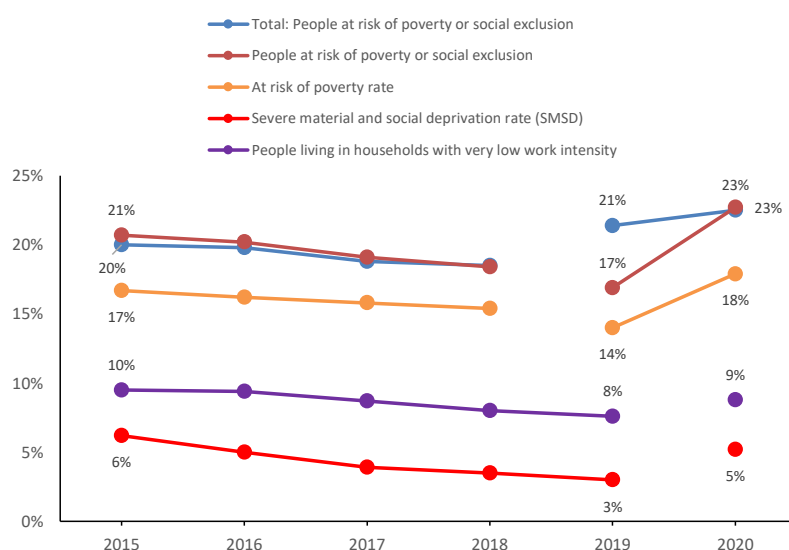
** The federal government's share of the cost of housing and heating was 49.0% in 2018, 47.2% in 2019, and 72.5% in 2020.

*** Without administrative costs and costs of social services of the municipalities.

Source: Bundesagentur für Arbeit (2021e): Tabelle Ausgaben für aktive und passive Leistungen im SGB II (Jahreszahlen) Deutschland 2019, Nürnberg; Bundesagentur für Arbeit (2021f): Tabelle Ausgaben für aktive und passive Leistungen im SGB II (Jahreszahlen) Deutschland 2020, Nürnberg.

Annex 2

Figure 1. AROPE indicator and components, Germany, 2015-2020 (%)



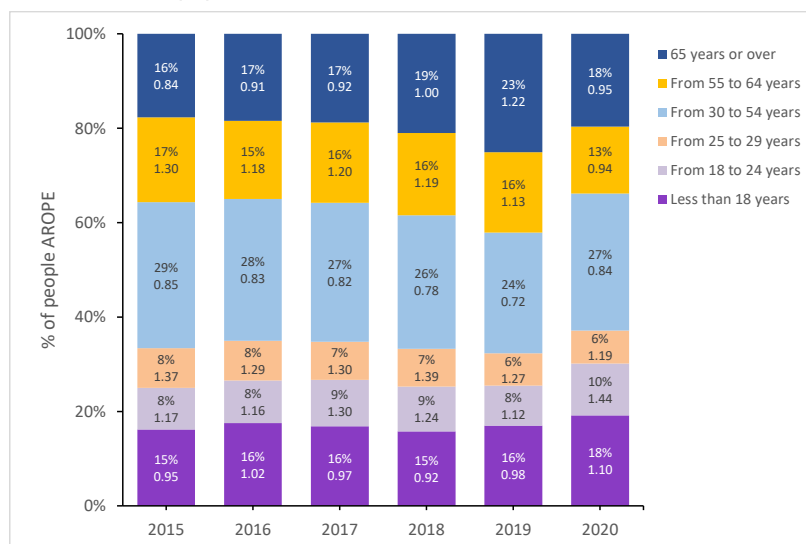
Note: The line for "Total: People at risk of poverty or social exclusion" indicates the trend for overall population, while the other lines show the figures for individuals aged 0-64. Break in the series for the at-risk-of-poverty rate in 2019 and for the other two series in 2020, so that the figures for these years are not directly comparable with those for the preceding ones. (In 2020, the basis of the EU-SILC was changed to the German microcensus, so that the figures for earlier years cannot be directly compared with those for this year, except for AROPE and the at-risk-of-poverty rate, where an attempt has been made by Eurostat to adjust the 2019 figures to the same basis.)

Source: Eurostat EU-SILC indicators [ilc_peps01n], [ilc_li02], [ilc_mdsl1] and [ilc_lvhl11n]. Data downloaded on 14/02/2022.

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- In 2020, the share of total population at risk of poverty or social exclusion (AROPE) in Germany stood at 22.5%, which was marginally less than for those aged 0-64 (22.7%), reflecting the slightly lower risk for those aged 65 and over. Over the period 2015-2018, the risk for both declined by 2-3 percentage points, but seems to have increased between 2019 and 2020, especially for those aged 0-64
- Most of the people at risk of poverty or social exclusion (17.9 % of those aged 0-64) had household disposable income of below 60% of the median in 2020 (I.e. they were at risk of poverty). The proportion also declined between 2015 and 2018.
- 39% of those aged 0-64 at risk of poverty or social exclusion lived in households with very low work intensity (8.8% of those aged 0-64). The share living in such households of the total aged under 65 declined as well between 2015 to 2018.
- Less than a quarter of those at risk of poverty and social exclusion were affected by severe material and social deprivation (only 5.2% of those aged 0-64). This share declined too between 2015 to 2018 in line with the fall in the overall AROPE indicator.

Figure 2. Division of people aged 0-64 and in AROPE by age group, Germany, 2015-2020 (%)

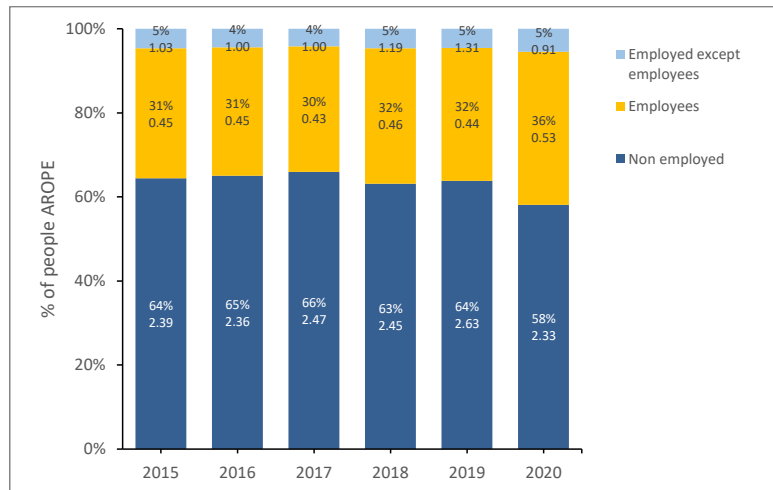


Note: Break in the series in 2019., so the figures for this year and 2020 are not directly comparable with those for earlier years. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.

Source: Eurostat EU-SILC indicators [ilc_peps01n], own calculations. Data downloaded on 14/02/2022.

- Slightly more women than men aged 0-64 were at risk of poverty or social exclusion in 2020 (50.4% of the total). Since the share of women in total population is less than that of men, the implication is that women, on average, are more at risk than men.
- In general, older people aged 65 and over were marginally less likely to be at risk of poverty or social exclusion than younger age groups in 2020, accounting for 18% of the total at risk, slightly less than their share of population. However, the likelihood increased between 2015 and 2018.
- Children under 18 were slightly more likely to be at risk than adults.
- The highest risk was for young people aged 18-24, while those aged 25-29 also had a higher risk than average.

Figure 3. Division of people aged 18-64 in AROPE by most frequent economic activity status, Germany, 2015-2020 (%)

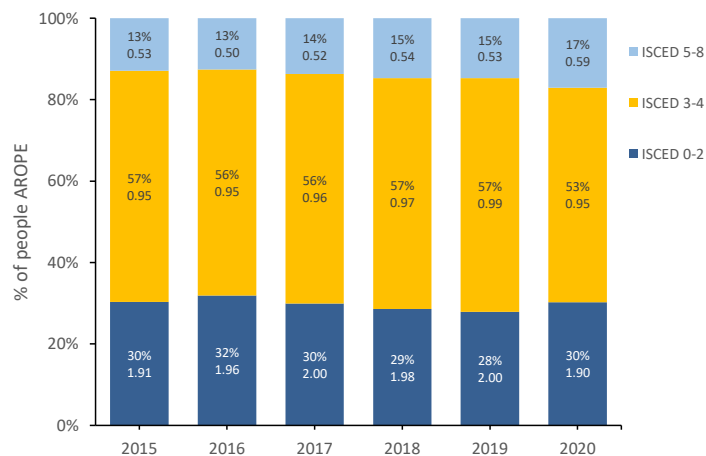


Note: Break in the series in 2019., so the figures for this year and 2020 are not comparable with those for earlier years. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.

Source: Eurostat EU-SILC indicators [ilc_peps02n] and [ilc_lvhl02], own calculation. Data downloaded on 14/02/2022.

- The non-employed accounted for 58% of the total aged 18-64 at risk of poverty or social exclusion in 2020, the probability of them being at risk being well over twice that of those in employment.
- Among the employed, the self-employed were much more likely to be at risk than employees, but their relatively small numbers mean that they made up only 5% of the total at risk.

Figure 4. Division of people aged 18-64 in AROPE by education level, Germany, 2015-2020 (%)

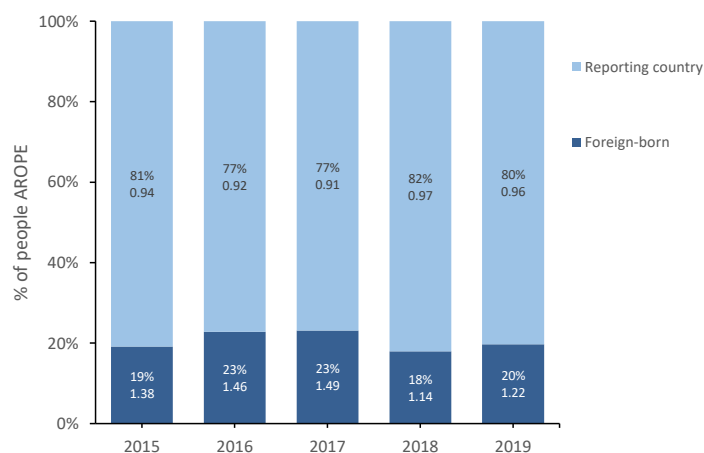


Note: Break in the series in 2019., so the figures for this year and 2020 are not directly comparable with those for earlier years. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.

Source: Eurostat EU-SILC indicators [ilc_peps04n] and [ilc_lvps04], own calculation. Data downloaded on 14/02/2022.

- In general, people aged 18-64 with only basic schooling (I.e. ISCED 0-2) are far more likely to be at risk of poverty or social exclusion than those with higher education levels, but because of their relatively small numbers they made up only 30% of the total at risk in 2020, similar to their share in the 5 years previously.
- Those with tertiary education are the least likely to be at risk but still accounted for 17% of the total at risk.

Figure 5. Division of people aged 18-64 in AROPE by country of birth, Germany, 2015-2019 (%)

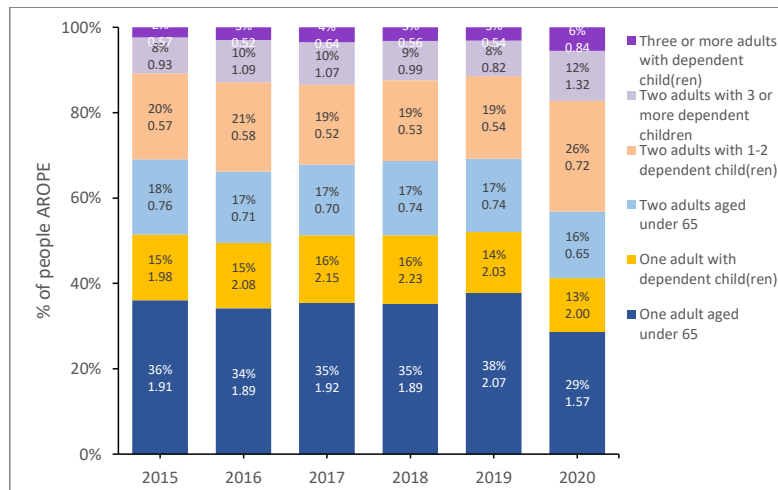


Note: Break in the series in 2019., so the figures for this year and 2020 are not directly comparable with those for earlier years. No detailed country of birth data for Germany and no data for 2020. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.

Source: Eurostat EU-SILC indicators [ilc_peps06n] (Data downloaded on 14/02/2022) and EU-SILC microdata, own calculation.

- People aged 18-64 and born outside Germany are more likely to be at risk of poverty or social exclusion than those who were born in the country abroad (it is not possible to distinguish those born outside the EU among this group). These accounted for 20% of the total at risk in 2020.
- The relative likelihood of those born outside Germany being at risk increased between 2015 and 2017. The trend since then is uncertain.

Figure 6. Division of people in AROPE by household type, Germany, 2015-2020 (%)



Note: Break in the series in 2019., so the figures for this year and 2020 are not directly comparable with those for earlier years. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk. Note that the chart does not include all household types. In particular, it excludes those aged under 65 living in a household with three or more adults without children, who are difficult to distinguish in the published data.

Source: Eurostat EU-SILC indicators [ilc_peps03n] and [ilc_lvps02], own calculation. Data downloaded on 14/02/2022.

- People under 65 living alone have a far higher risk of being at risk of poverty or social exclusion than other groups. This is especially so for those with children. Together those living alone with or without children made up 42% of the total at risk in 2020. (This should be noted is less than in earlier years, but the figures for these years are calculated on a different basis and are not comparable.)
- Couples with three or more children also had a higher likelihood of being at risk than others in 2020, though they made up only 12% of the total at risk

Table 5. At risk of poverty rate before and after social transfers, excluding old age benefits, for those aged 0-64, Germany, 2015-2020

	Before social transfers, excl. old-age benefits (%)	After social transfers (%)	Effect of social transfers on atrop rate (%-point change)
2015	27.1	16.7	-10.4
2016	26.9	16.2	-10.7
2017	25.7	15.8	-9.9
2018	25.2	15.4	-9.8
2019	24.2	14.0	-10.2
2020	28.1	17.9	-10.2

Note Break in the series in 2019., so the figures for this year and 2020 are not directly comparable with those for earlier years.

Source: Eurostat EU-SILC indicators [ilc_li02] and [ilc_li10]. Data downloaded on 14/02/2022.

- Social transfers had the effect of reducing the at-risk-of-poverty (arop) rate by 10 percentage points in 2020, reducing the number at risk by just over a third (36%), slightly less in these terms than in the preceding 5 years, when the reduction was around 40%.

Table 6. At risk of poverty rate and persistent at risk of poverty rate for those aged 18-64, Germany, 2015-2020

	At risk of poverty rate (%)	Persistent at risk of poverty rate (%)	Persistent rate as % of annual rate
2015	17.3	12.2	70.5
2016	16.4	10.8	65.9
2017	16.0	11.5	71.9
2018	15.7	9.9	63.1
2019	18.8	10.3	54.8
2020	17.6	:	:

Note Break in the series in 2019., so the figures for this year and 2020 are not directly comparable with those for earlier years.

No data for persistent at risk of poverty rate in 2020.

Source: Eurostat EU-SILC indicators [ilc_li02] and [ilc_li21]. Data downloaded on 14/02/2022.

- Just over half (55%) of people of working age (18-64) at risk of poverty in 2019 were at persistent risk, i.e. they were consistently at risk for a number of years rather than being at risk for only one year, or temporarily. This is

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significantly less than in the preceding 4 years when those at persistent risk was well over 60% of those at risk.

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