Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study: Germany

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Foreword

The aim of this case study is to identify the main groups of children (aged 0-17) at risk of poverty and social exclusion in Germany as well as the underlying factors. In the search for robust empirical findings, we compare the results based on EU-SILC with those derived from an alternative national data source, the German Socio-Economic Panel Study (SOEP)[1]. The German SOEP started in 1984 in West Germany and in 1990 in East Germany, just six months after the fall of the Berlin Wall. The survey is very well suited for the type of analyses to be carried out here as it provides consistent time-series data from a representative sample of population for more than 20 years on a wide range of socio-economic characteristics. This allows for the analysis of long-term trends in both, the development of the structure of the population as well as household income and poverty.

It should be noted, however, that both surveys (EU-SILC and SOEP) differ considerably with respect to various methodological characteristics, which is likely to affect the comparability of the substantive results (see the methodological appendix). This is why this report not only compares results on inequality and poverty across the two surveys, but across time as well. It may not always be clear whether a given change in any relevant figure (e.g. the Gini coefficient or risk of poverty rate) between 2006 and 2007 represents a genuine change as opposed to a statistical artefact – especially if the underlying number of observations is small. In this context it is interesting to note that confidence limits cannot be calculated for the full German EU-SILC sample due to the underlying sampling design, which includes a quota sample.

As shown below, the results for Germany based on the EU-SILC vary considerably in several respects between 2006 and 2007 – especially when compared with the corresponding SOEP results. In several instances, cross-sectional results for a given point in time, as well as the corresponding changes over time, derived from the EU-SILC appear to be open to question.

[1] http://www.diw.de/gsoep

1. The nature of child poverty and the underlying factors

1.1 The children affected and the underlying factors

Table 1 gives an overall indication of inequality and the prevalence of relative poverty among children in Germany in 2007 based on EU-SILC data in relation to the EU-25 average. Table 1a gives the corresponding information as derived from SOEP data as compared with the EU-SILC and Table 1b compares the results over time from the two surveys.

In the case of EU-SILC, the most relevant results include the following:

- Income inequality in 2007 as measured by the Gini-coefficient is clearly lower among children (0.264) than among the overall population (0.295). This is less so in the EU as a whole where these two values are very close (0.290 and 0.297, respectively).
  According to the SOEP data, inequality (Gini) among children is somewhat less pronounced than among the overall population.
- Almost 14% of children are reported as being at risk of poverty in 2007 as compared with just over 15% for the overall population. This is a significant change from 2006, when both rates were lower and closer together (12.7% and 12.4%, respectively).
  In contrast, the results for the EU average show children to have a higher risk of poverty (19 %) than the over all population (just over 16%).
  The SOEP also indicates an above average risk of poverty for children in Germany (just under 16% compared with just over 13% in 2007); such a difference is relatively stable over time (see section 1.2 below).
- At-risk of poverty rates are highest for older children (12-17 years) and lowest for those aged 6-11. This U-shaped pattern may reflect two very different factors: while mothers of very young children may find it hard to work because of insufficient day care facilities (especially for children under 3, see below), the relatively high rate for older children may in part be a consequence of the higher equivalence scale assumed for those aged 14-17.
  This pattern differs from the EU-25 average risk which increases with the age of children.
  Results from SOEP are in line with those based on EU-SILC.
- Sensitivity checks, which involve changing the poverty threshold between 40%, 50%, 60% and 70% of the national median, show the expected increase in the risk of poverty: around 4%, 8%, 14% and 23%, respectively.
  This pattern is broadly in line with the EU-average.
  These results are also similar to those derived from SOEP.
- With respect to material deprivation as measured by EU-SILC, children in Germany appear to be slightly better off than the EU-average on the basis of both the primary and secondary indicator.

A synopsis of the main findings from comparing the changes shown by the EU-SILC and SOEP between 2006 and 2007 is presented below:

Overview 1: Comparison of changes in inequality and poverty across time and surveys

Change 2006 → 2007	EU-SILC: Germany	SOEP: Germany	EU-SILC: EU-25 (excl. Malta)
Gini	**++**	**o**	**O**
Median Income	**++**	**o**	**++**
FGT0 (risk rate), total	**++**	**-**	**+**
FGT0 (risk rate), children	**+**	**-**	**+**
FGT1 (gap), children	**+**	**-**	**O**

Legend: "++" strong increase; "+" increase; "o" no relevant change, "-"decrease.

By and large the EU-SILC based results on the *level* and *structure* of child poverty in Germany and especially the inter-temporal development of those figures differ from those derived from the SOEP data. Special attention may be given to the EU-SILC finding of increasing inequality and risk of poverty over the period between 2006 and 2007 (that is, income years 2005 and 2006), which was a period of economic growth when (long-term) unemployment, one of the major determinants of relative income poverty in Germany (see Frick & Grabka 2008), declined.

This difference may arise in some degree from the fact that imputed rent is included in the SOEP results for both years (in accordance with the recommendation of the Canberra Group (2001)), while this is excluded from the EU-SILC estimates.

Table 1: Overall indicators of income inequality and poverty

Table 1 Overall indicators of income inequality and poverty

		Germany		Weighted EU-25 (excluding Malta) average	
		Overall population	Children	Overall population	Children
Income distribution					
Gini-index		0.295	0.264	0.297	0.290
Relative income poverty					
At-risk-of poverty threshold (EUR, PPS)	National equivalised median income (nemi)	17,707		14,690	
At-risk-of-poverty rate (%)		15.2	**13.8**	16.3	**19.1**
At-risk of poverty rate by age of child (%)	0-5		13.9		17.6
	6-11		12.4		18.9
	12-17		16.4		21.3
At-risk-of-poverty rates at various thresholds (%)	at 40% of nemi	5.1	4.4	5.3	6.2
	at 50% of nemi	9.6	8.4	9.9	11.4
	at 60% of nemi	15.2	13.8	16.3	19.1
	at 70% of nemi	22.7	23.3	24.1	28.1
Relative risk of poverty (children's at-risk-of-poverty rate relative to overall at-risk-of-poverty rate)	at 40% of nemi		0.85		1.17
	at 50% of nemi		0.87		1.16
	at 60% of nemi		**0.91**		**1.17**
	at 70% of nemi		1.02		1.17
At-risk-of-poverty gap (%)		23.5	21.3	21.5	21.4
At-risk-of-poverty gap by age of child (%)	0-5		25.46		21.6
	6-11		19.32		20.9
	12-17		22.67		22.3
Non-income aspects of poverty					
Material deprivation	Primary indicator (%)	12.1	14.0	15.3	17.4
	Secondary indicator (mean)	3.6	3.6	3.7	3.7
Share of persons being both materially deprived and relative income poor (%)		5.32	5.33	5.98	8.04

Table 1a: Income inequality and poverty in Germany using EU-SILC vs. SOEP

Table 1a Overall indicators of income inequality and poverty in Germany: EU-SILC vs. SOEP

		Germany 2006 - EU-SILC		Germany 2007 - EU-SILC		Germany 2006 - SOEP		Germany 2007 - SOEP		Difference: EU-SILC minus SOEP - 2006		Difference: EU-SILC minus SOEP - 2007	
		Overall population	Children	Overall population	Children	Overall population	Children	Overall population	Children	Overall population	Children	Overall population	Children
Income distribution													
Gini-index		0.260	0.236	0.295	0.264	0.291	0.261	0.288	0.267	-0.031	-0.024	0.006	-0.002
Relative income poverty													
At-risk-of poverty threshold (EUR, PPS)	National equivalised median income (nemi)	15,617		17,707		16,649		16,622		-1,032		1,085	
At-risk-of-poverty rate (%)		12.7	12.4	15.2	13.8	14.2	16.9	13.3	15.8	-1.5	-4.5	1.9	-2.0
Relative risk of poverty (children's at-risk-of-poverty rate relative to overall at-risk-of-poverty			**0.97**		**0.91**		**1.19**		**1.19**	0.00	**-0.22**	0.00	**-0.28**
At-risk-of-poverty rates at various thresholds (%)	at 40% of nemi	4.1	3.2	5.1	4.4	3.8	4.3	3.5	3.7	0.4	-1.1	1.7	0.7
	at 50% of nemi	7.3	6.7	9.6	8.4	8.5	9.7	7.9	9.1	-1.2	-3.0	1.8	-0.7
	at 60% of nemi	12.7	12.4	15.2	13.8	14.2	16.9	13.3	15.8	-1.5	-4.5	1.9	-2.0
	at 70% of nemi	19.9	20.6	22.7	23.3	22.6	27.8	21.1	25.2	-2.7	-7.2	1.6	-1.9
Dispersion around poverty threshold (Share	between 40-60% of nemi	67.5	73.9	66.1	68.4	73.4	74.4	73.9	76.7	-5.9	-0.5	-7.8	-8.4
of persons in 10 percentage points income	between 50-60% of nemi	42.5	46.1	36.5	39.4	40.1	42.5	41.1	42.6	2.4	3.6	-4.6	-3.2
brackets around poverty threshold as	between 60-70% of nemi	56.2	66.2	49.5	68.1	59.4	64.8	58.1	59.2	-3.2	1.4	-8.6	8.9
At-risk-of-poverty gap (%)		20.3	18.2	23.5	21.3	24.3	23.3	24.0	23.0	-4.0	-5.0	-0.5	-1.7

Table 1b: Income inequality and poverty across time in EU-SILC and SOEP

Table 1a: Overall indicators of income inequality and poverty across time in EU-SILC and SOEP

		EU-SILC Germany 2006		EU-SILC Germany 2007		Difference 2007-2006 EU-SILC Germany	
		Overall population	Children	Overall population	Children	Overall population	Children
Income distribution							
Gini-index		0.260	0.236	0.295	0.264	0.034	0.028
Relative income poverty							
At-risk-of poverty threshold (EUR, PPS)	equivalised median income (nemi)	15,617		17,707		2,090	0
At-risk-of-poverty rate (%)		12.7	**12.4**	15.2	**13.8**	2.5	**1.4**
At-risk of poverty rate by age of child (%)	0-5		12.5		13.9		1.3
	6-11		12.0		12.4		0.4
	12-17		12.5		16.4		4.0
Relative risk of poverty (children's at-risk-of-poverty rate relative to overall at-risk-of-poverty			**0.97**		**0.91**		**-0.06**
At-risk-of-poverty rates at various thresholds (%)	at 40% of nemi	4.1	3.2	5.1	4.4	1.0	1.2
	at 50% of nemi	7.3	6.7	9.6	8.4	2.3	1.7
	at 60% of nemi	12.7	12.4	15.2	13.8	2.5	1.4
	at 70% of nemi	19.9	20.6	22.7	23.3	2.8	2.7
Dispersion around poverty threshold (Share	between 40-60% of nemi	67.5	73.9	66.1	68.4	-1.4	-5.6
of persons in 10 percentage points income brackets	between 50-60% of nemi	42.5	46.1	36.5	39.4	-6.0	-6.7
around poverty threshold as percentage of persons with an	between 60-70% of nemi	56.2	66.2	49.5	68.1	-6.7	1.9
At-risk-of-poverty gap (%)		20.3	18.2	23.5	21.3	3.2	3.1
At-risk-of-poverty gap by age of child (%)	0-5				0.25		0.25
	6-11				0.19		0.19
	12-17				0.23		0.23
Non-income aspects of poverty							
Material deprivation	Primary indicator (%)	13.5	17.1	12.1	14.0	-1.4	-3.1
	Secondary indicator (mean)	3.5	3.5	3.6	3.6	0.0	0.1
Share of persons being both materially deprived and relative income poor (%)		4.83	5.31	5.32	5.33	0.49	0.02

		Weighted EU-25 (excluding Malta) average 2006		Weighted EU-25 (excluding Malta) average 2007		Difference 2007-2006 Weighted EU-25 (excluding Malta)	
		Overall population	Children	Overall population	Children	Overall population	Children
Income distribution							
Gini-index		0.293	0.288	0.297	0.290	0.004	0.002
Relative income poverty							
At-risk-of poverty threshold (EUR, PPS)	equivalised median income (nemi)	12,382		14,690		2,308	0
At-risk-of-poverty rate (%)		15.8	**18.5**	16.3	**19.1**	0.5	**0.5**
At-risk of poverty rate by age of child (%)	0-5				17.6		
	6-11				18.9		
	12-17				21.3		
Relative risk of poverty (children's at-risk-of-poverty rate relative to overall at-risk-of-poverty			**1.17**		**1.17**		**0.00**
At-risk-of-poverty rates at various thresholds (%)	at 40% of nemi	5.1	6.3	5.3	6.2	0.1	-0.2
	at 50% of nemi	9.4	11.2	9.9	11.4	0.5	0.2
	at 60% of nemi	15.8	18.5	16.3	19.1	0.5	0.5
	at 70% of nemi	23.7	27.4	24.1	28.1	0.4	0.7
Dispersion around poverty threshold (Share	between 40-60% of nemi	67.5	65.9	67.7	67.7	0.2	1.8
of persons in 10 percentage points income brackets	between 50-60% of nemi	40.6	39.6	39.5	40.2	-1.1	0.5
around poverty threshold as percentage of persons with an	between 60-70% of nemi	49.8	47.9	47.8	47.4	-2.0	-0.4
At-risk-of-poverty gap (%)		21.2	21.4	21.5	21.4	0.3	0.0
At-risk-of-poverty gap by age of child (%)	0-5				0.2		0.2
	6-11				0.2		0.2
	12-17				0.2		0.2
Non-income aspects of poverty							
Material deprivation	Primary indicator (%)	18.8	20.3	15.3	17.4	-3.5	-2.9
	Secondary indicator (mean)	3.8	3.8	3.7	3.7	-0.1	-0.1
Share of persons being both materially deprived and relative income poor (%)		6.78	8.71	5.98	8.04	-0.8	-0.67

Source: EU-SILC 2007 (calculations by TARKI).

		SOEP Germany 2006		SOEP Germany 2007		SOEP Germany 2007 2006	
		Overall population	Children	Overall population	Children	Overall population	Children
Income distribution							
Gini-index		0.291	0.261	0.288	0.267	-0.003	0.006
Relative income poverty							
At-risk-of poverty threshold (EUR, PPS)	equivalised median income (nemi)	16,649		16,622		-27	
At-risk-of-poverty rate (%)		14.2	**16.9**	13.3	**15.8**	-0.9	**-1.1**
At-risk of poverty rate by age of child (%)	0-5		16.5		16.4		-0.1
	6-11		14.6		14.5		-0.1
	12-17		19.4		16.7		-2.8
Relative risk of poverty (children's at-risk-of-poverty rate relative to overall at-risk-of-poverty			**1.19**		**1.19**		**-0.01**
At-risk-of-poverty rates at various thresholds (%)	at 40% of nemi	3.8	4.3	3.5	3.7	-0.3	-0.6
	at 50% of nemi	8.5	9.7	7.9	9.1	-0.6	-0.6
	at 60% of nemi	14.2	16.9	13.3	15.8	-0.9	-1.1
	at 70% of nemi	22.6	27.8	21.1	25.2	-1.5	-2.7
Dispersion around poverty threshold (Share	between 40-60% of nemi	73.4	74.4	73.9	76.7	0.6	2.3
of persons in 10 percentage points income brackets	between 50-60% of nemi	40.1	42.5	41.1	42.6	1.0	0.1
around poverty threshold as percentage of persons with an	between 60-70% of nemi	59.4	64.8	58.1	59.2	-1.3	-5.6
At-risk-of-poverty gap (%)		24.3	23.3	24.0	23.0	-0.3	-0.3

Note: Annual Post-Government Income of the previous calendar year (in 2000 prices), including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale.

Source: SOEP 2006-2007.

Table 2 shows the links between household characteristics and child poverty based on EU-SILC 2007 for Germany and the EU-25 as a whole.

- Household characteristics associated with a high risk of child poverty include young parents, low education of parents, parents living alones, low work intensity, living in rented accommodation, living in thinly populated areas, the chronic illness of parents, and parents born outside the EU.
- While these factors are also important in other EU-25 countries, the risk of poverty for children faced with these characteristics appears to be more pronounced in Germany than in the rest of the EU.
- A closer examination of some of these characteristics, however, reveals potential biases in the EU-SILC data (that have been stressed by Hauser (2008) – see the methodological appendix on these issues). In particular, the share of highly educated parents appears to be too high (which has led to a major revision of the weighting factors provided in the P-file of the German EU-SILC 2007 data - see Horneffer & Kuchler 2008).
- The share of children with parents suffering from chronic illness is around 37%, which also appears to be very high (the corresponding EU-25 average is 28%), which may lead to parents with health limitations not being sufficiently distinguished from those without, so reducing the difference in the risk of poverty between the children concerned.

Table 2a compares results for Germany based on EU-SILC with those derived from SOEP, focusing on the variables that can be measured in a sufficiently comparable way in both surveys.

In general, the risk of poverty according to the two surveys is similar, though the social, economic and demographic structure of the population at risk differs considerably.

- In line with Hauser's (2008) critique of EU-SILC, the SOEP figures on the educational attainment of parents are more in line with external information available in Germany. Accordingly, the composition of children at risk of poverty by education of parents differs sharply between the two surveys.
- The share of children living in owner-occupied housing differs by as much as 10% between the surveys – due to the higher poverty risk among children in rented accommodation.

Table 2: Household level determinants of child poverty

		Germany				Weighted EU-25 (excluding Malta) average			
		Composition of all children (%, total: 100% of children)	Composition of poor children (%, total: 100% of poor children)	At-risk-of-poverty rate - children (%)	Group relative risk of poverty	Composition of all children (%, total: 100% of children)	Composition of poor children (%, total: 100% of poor children)	At-risk-of-poverty rate - children (%)	Group relative risk of poverty
Child's age	0-2	15	14	13	0,94	17	15	17	0,89
	3-5	17	18	15	1,08	16	15	18	0,94
	6-11	34	29	12	0,87	32	32	19	1,00
	12-17	35	39	16	1,16	35	38	21	1,10
Father's age	<30	5	(14)	(27)	(1,95)	6	9	23	1,21
	30-34	14	19	13	0,94	15	15	16	0,84
	35-39	23	20	8	0,58	24	22	15	0,79
	40-44	32	23	7	0,51	28	26	16	0,84
	45+	26	25	9	0,65	27	29	17	0,89
Mother's age	<30	10	18	26	1,88	12	17	27	1,42
	30-34	19	19	13	0,94	21	21	19	1,00
	35-39	28	25	12	0,87	27	26	18	0,94
	40-44	30	24	11	0,80	25	21	16	0,84
	45+	13	14	14	1,01	15	15	18	0,94
Household type	Single parent households (hhs)	14	39	39	2,82	11	22	37	1,94
	2 adults 1 dependent child	17	13	10	0,72	17	10	11	0,58
	2 adults 2 dependent children	40	23	8	0,58	40	29	14	0,73
	2 adults 3+ dependent children	23	21	13	0,94	21	27	24	1,26
	Other hhs with dependent children	6	(5)	(12)	(0,87)	11	12	20	1,05
Family type	Single parent with children	13	36	39	2,82	10	20	37	1,94
	Couple with 1 child	17	12	10	0,72	16	9	10	0,52
	Couple with 2 children	38	20	8	0,58	36	26	14	0,73
	Couple with 3+ children	21	20	13	0,94	18	22	23	1,21
	Other hh with children - single parent	2	(4)	(33)	(2,39)	3	5	30	1,57
	Other hh with children - couple	9	(5)	(8)	(0,58)	15	15	19	1,00
	Other hh with children - other	1	(2)	(32)	(2,31)	2	3	38	1,99
Work intensity	WI = 0	8	35	61	4,41	7	25	68	3,57
	WI = 0.01-0.49	10	20	28	2,02	10	23	42	2,20
	WI = 0.5	25	20	11	0,80	21	27	24	1,26
	WI = 0.51-0.80	30	15	7	0,51	22	13	11	0,58
	WI = 0.81-0.99	12	(3)	(3)	(0,22)	12	4	6	0,31
	WI = 1	16	7	6	0,43	27	8	6	0,31
Father's education	Low	6	20	38	2,75	21	43	32	1,68
	Medium	56	52	11	0,80	50	47	15	0,79
	High	38	28	6	0,43	29	10	5	0,26
Mother's education	Low	8	23	37	(2,67)	21	41	36	1,89
	Medium	56	52	13	0,94	52	48	17	(0,89)
	High	36	26	10	0,72	28	10	7	0,37
Parents' education	Low	4	16	52	3,76	14	33	42	2,20
	Medium	40	48	16	(1,16)	49	53	20	(1,05)
	High	56	36	9	(0,65)	37	14	7	0,37
Tenure status	Owner	60	33	8	0,58	68	47	13	0,68
	Tenant	40	67	24	1,73	32	53	32	1,68
Urbanisation degree	Densely populated area	44	46	15	1,08	(46)	46	19	1,00
	Intermediate area	(39)	33	12	0,87	(29)	25	17	0,89
	Thinly populated area	18	20	16	1,16	(25)	29	22	1,15
Health status of parents	Healthy parents	63	62	14	1,01	72	69	18	0,94
	At least 1 parent has any chronic illness	37	38	14	1,01	28	31	21	1,10
Migrational status of parents	Both born within EU	89	77	8	0,58	89	79	14	0,73
	One parent born outside of the EU	6	(8)	30	(0,87)	5	5	41	0,89
	Both parents born outside EU	5	15	(12)	2,17	6	15	17	2,15
Migrational status of parents	Non-migrant parents	95	87	13	0,94	93	85	17	0,89
	Parents born in other EU Member State	(0)	(0)	35	(0)	2	3	26	1,36
	Parents borns outside EU	5	13	(0)	2,53	5	12	42	2,20

Table 2a: Household level determinants of child poverty according to EU-SILC and SOEP, 2007

		Germany 2007 - EU-SILC				Germany 2007 - SOEP				Difference: EU-SILC minus SOEP - 2007				Relative Deviation: EU-SILC minus SOEP - 2007			
		Composition of all children (%, total: 100% of children)	Composition of poor children (%, total: 100% of poor children)	At-risk-of-poverty rate children (%)	Group relative risk of poverty	Composition of all children (%, total: 100% of children)	Composition of poor children (%, total: 100% of poor children)	At-risk-of-poverty rate children (%)	Group relative risk of poverty	Composition of all children (%, total: 100% of children)	Composition of poor children (%, total: 100% of poor children)	At-risk-of-poverty rate children (%)	Group relative risk of poverty	Composition of all children (%, total: 100% of children)	Composition of poor children (%, total: 100% of poor children)	At-risk-of-poverty rate children (%)	Group relative risk of poverty
Child's age	0-2	14.6	14	13	0.94	10.9	12.3	18.0	1.14	3.78	1.67	-4.99	-0.20	26	12	-38	-21
	3-5	17.0	18	15	1.08	16.4	16.0	15.5	0.98	0.62	1.96	-0.54	0.10	4	11	-4	9
	6-11	33.5	29	12	0.87	34.6	31.5	14.5	0.91	-1.01	-2.49	-2.46	-0.04	-3	-9	-21	-5
	12-17	34.8	39	16	1.16	38.2	40.2	16.7	1.05	-3.39	-1.15	-0.67	0.11	-10	-3	-4	9
Father's age	<30	*5.0*	*14*	*27*	*1.95*	4.0	14.0	34.9	2.21	0.99	0.03	-7.88	-0.26	20	0	-29	-13
	30-34	*14.0*	*19*	*13*	*0.94*	11.6	9.6	8.3	0.52	2.44	9.45	4.75	0.42	17	50	37	44
	35-39	23.3	20	8	0.58	25.1	28.2	11.2	0.71	-1.81	-8.15	-3.19	-0.13	-8	-41	-40	-22
	40-44	31.9	23	7	0.51	31.5	29.2	9.3	0.59	0.43	-6.19	-2.26	-0.08	1	-27	-32	-15
	45+	25.7	25	9	0.65	27.8	19.1	6.9	0.44	-2.05	5.86	2.11	0.21	-8	23	23	33
Mother's age	<30	9.6	18	26	1.88	10.8	21.9	31.7	2.01	-1.13	-3.93	-5.73	-0.13	-12	-22	-22	-7
	30-34	18.9	19	13	0.94	15.7	15.6	15.5	0.98	3.18	3.43	-2.46	-0.04	17	18	-19	-4
	35-39	28.2	25	12	0.87	29.5	24.3	12.9	0.81	-1.26	0.69	-0.85	0.06	-4	3	-7	7
	40-44	29.8	24	11	0.80	28.5	27.2	14.9	0.94	1.26	-3.17	-3.86	-0.14	4	-13	-35	-17
	45+	13.5	14	14	1.01	15.5	11.0	11.1	0.70	-2.05	2.98	2.94	0.31	-15	21	21	31
Household type	Single parent households (hhs)	13.9	39	39	2.82	14.7	48.1	51.9	3.28	-0.76	-9.11	-12.88	-0.46	-5	-23	-33	-16
	2 adults 1 dependent child	17.3	13	10	0.72	25.5	15.3	9.5	0.60	-8.17	-2.26	0.49	0.12	-47	-17	5	16
	2 adults 2 dependent children	40.4	23	8	0.58	39.8	18.3	7.3	0.46	0.60	4.70	0.69	0.12	1	20	9	20
	2 adults 3+ dependent children	22.7	21	13	0.94	18.6	17.0	14.5	0.91	4.12	4.05	-1.46	0.03	18	19	-11	3
	Other hhs with dependent children	*5.7*	*5*	*12*	*0.87*	1.5	1.4	14.7	0.93	4.20	3.63	-2.66	-0.06	74	73	-22	-7
Father's education	Low	*6.3*	*20*	*38*	*2.75*	13.2	24.7	19.3	1.22	-6.86	-4.69	18.67	1.53	-109	-23	49	56
	Medium	55.8	52	11	0.80	62.5	64.9	10.7	0.68	-6.65	-12.93	0.29	0.12	-12	-25	3	15
	High	37.9	28	6	0.43	24.4	10.4	4.4	0.28	13.51	17.63	1.61	0.15	36	63	27	35
Mother's education	Low	8.3	23	37	2.67	19.3	40.2	31.8	2.01	-10.95	-17.17	5.21	0.66	-132	-75	14	25
	Medium	55.6	52	13	0.94	63.5	52.1	12.5	0.79	-7.95	-0.12	0.50	0.15	-14	0	4	16
	High	36.1	26	10	0.72	17.2	7.7	6.8	0.43	18.91	18.28	3.16	0.29	52	70	32	40
Tenure status	Owner	60.4	33	8	0.58	50.3	9.5	3.0	0.19	10.15	23.46	4.99	0.39	17	71	62	67
	Tenant	39.6	67	24	1.73	49.7	90.5	28.9	1.82	-10.15	-23.46	-4.85	-0.09	-26	-35	-20	-5

Annual Post-Government Income of the previous calendar year, including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale.
Source: SOEP 2006-2007 and EU-SILC 2006-2007 (release 2009).

Finally, an alternative measure of low income among children is the share of individuals receiving public transfers according to the regulations set out in the SGB II (*Sozialgesetzbuch II*). This includes unemployment benefit (*Arbeitslosengeld*) for the 'employable' population (those aged 15 to 64) as well as *Sozialgeld* for non-employable co-resident family members, mostly children (see Table 2b).

The number of children in households receiving these transfers was almost 2 million in December 2006, or 16.6% of the total under the age of 15.

In contrast, less than 10% of the employable population receive these transfers[2]. In the Eastern part of Germany, almost 30% of all children were among these recipients compared with 14% in the Western part. While these figures were much the same in 2007, there was a marked increase in December 2008 reflecting the first effects of the economic recession.

Table 2b: Receipt of Transfers according to SGB II[1)] by Gender, Age Groups and Region

	Under 15 years of age	Employable Recipients aged 15 to 64 years	Recipients of Transfers according to SGB II, total (0 to 64 years)
December **2006**			
Federal Republic of Germany	16.6	9.7	11.0
December **2007**			
o West Germany (excl. Berlin)	13.9	7.6	8.8
o East Germany (incl. Berlin)	29.8	16.2	18.2
Federal Republic of Germany	16.4	9.4	10.7
December **2008**			
o West Germany (excl. Berlin)	16.8	n.a.	n.a.
o East Germany (incl. Berlin)	31.6	n.a.	n.a.
Federal Republic of Germany	19.9	n.a.	n.a.

[1)] Number of recipients of *Arbeitslosengeld II* and *Sozialgeld* respectively, divided by the total number of the population in the age group.

Source: Own calculations from Federal Labour Agency and Bertelsmann Foundation (2009): Ländermonitor "Frühkindliche Bildungssysteme".

[2] These figures include individuals who are entirely dependent on social transfers as well as those who receive transfers along with other income.

1.2 Trends: interpretation of time-series results (1996-2007) based on SOEP data

Existing analyses based on ECHP data for the period 1996-2001 show the risk of poverty among children in Germany falling slightly from 15% in 1996/97, to 13% for the rest of the 1990s and rising marginally to 14% in 2001.

Table 3: Trends in child at-risk-of poverty (CP) rates in EU-15 countries, 1996-2001

		1996	1997	1998	1999	2000	2001
	EU-15	19	19	19	19	20	20
CP rate <10%	FI	5	5	5	7	6	9
	DK	:	6	:	7	:	7
	SE	:	7	:	7	:	7
10% <CP rate <20%	BE[10]	15	14	13	12	11	12
	DE	15	15	13	13	13	14
	NL	14	13	14	14	17	17
	AT	18	15	15	14	12	13
	FR	16	16	16	17	18	16
	EL	19	18	17	17	19	18
	LU	14	16	20	19	18	18
CP rate > 20%	IT	24	23	21	22	25	25
	IE	27	25	23	21	22	26
	ES	23	26	24	25	25	26
	PT	23	25	26	26	26	27
	UK	25	27	29	29	27	23

Source: EC (Marlier et al) – child poverty report, 2008, p. 17.

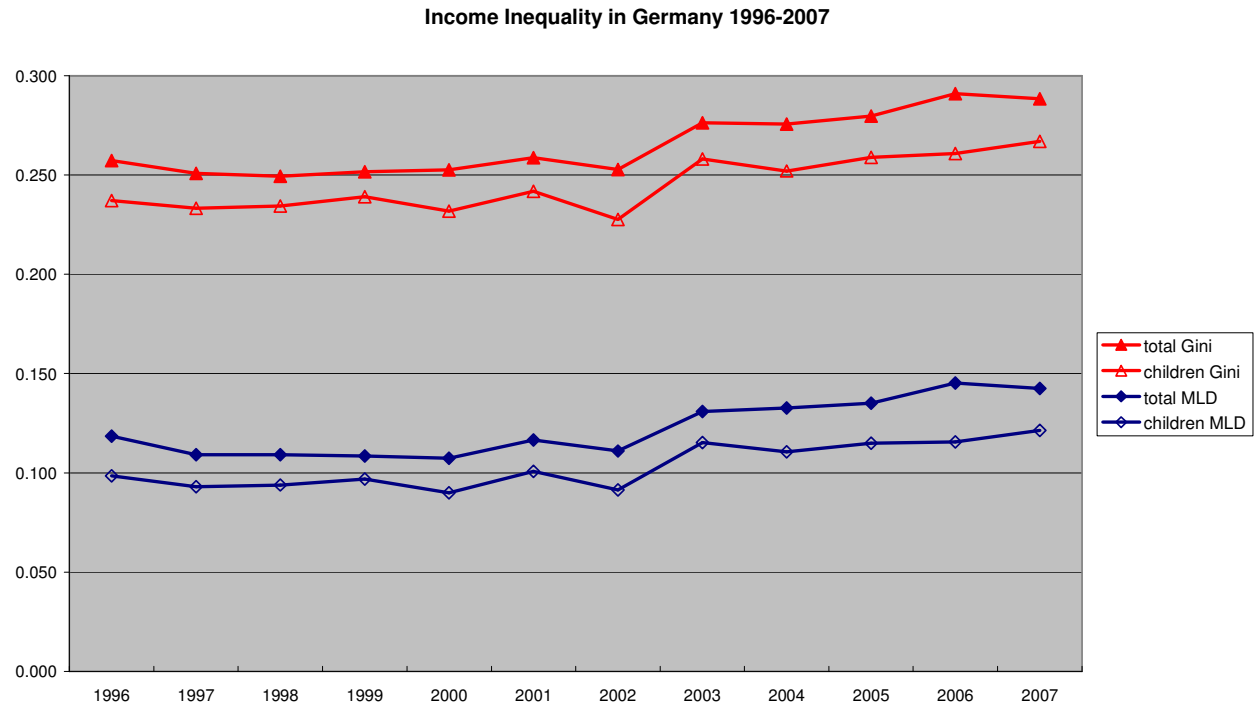
In the following section, trends in inequality and poverty rates are examined over the period from 1996 (i.e. after the first period of economic turbulence following German unification) to 2007.

These need to be related to trends in the composition of population in terms of migrant status and household type.

Figure 1 shows that the stable situation described for Germany by Marlier et al (2008) up to the turn of the millennium is no longer the case. In line with the literature (see e.g. Frick & Grabka 2008), there is a clear upward trend in equivalised income inequality in Germany since the early 2000s.

In general, inequality among the overall population is consistently higher than for children – this finding holds irrespective of the inequality measure used (from the Gini coefficient as well as the MLD).

Figure 1: Income Inequality in Germany, 1996-2007

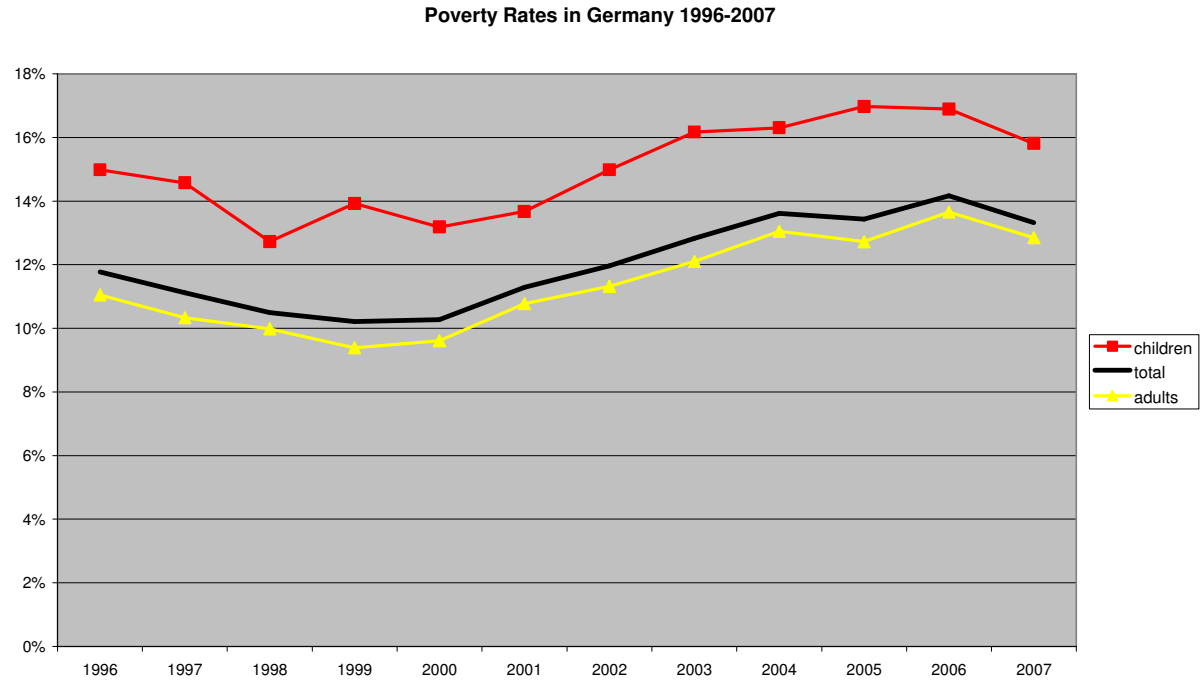


Note: Annual Post-Government Income of the previous calendar year, including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale. Source: SOEP 1996-2007.

As would be expected, Figure 2 shows a parallel development of the at-risk of poverty rates for both the overall population and children – children being more exposed to such risk than the population as a whole.

In addition, from around 2000, there is a trend towards higher poverty rates which came to a (temporary) halt in 2007 reflecting the significant reduction in (long-term) unemployment resulting from the years of economic growth (see Frick & Grabka 2008).

Figure 2: Poverty risk rates in Germany, 1996-2007



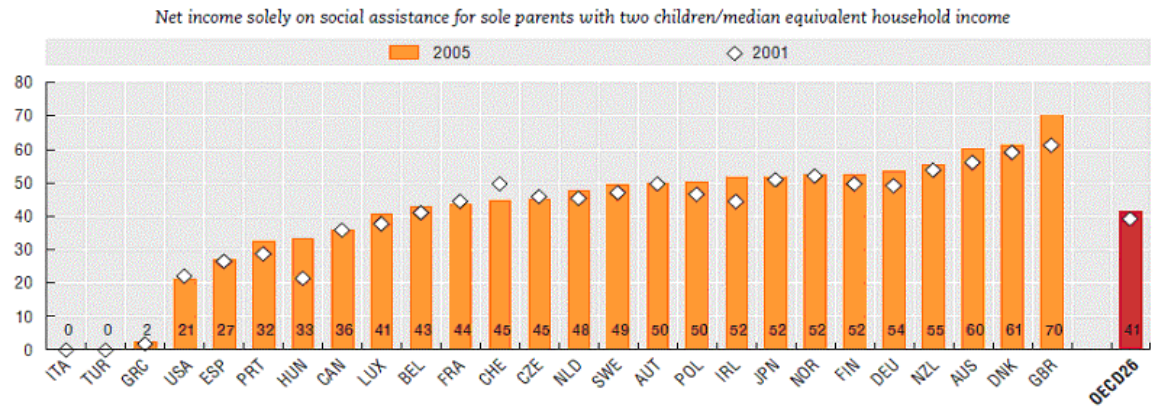
Note: Annual Post-Government Income of the previous calendar year, including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale. Source: SOEP 1996-2007.

Differentiating children by household type, Figure 4 confirms the well-established finding that children of lone parents are more severely affected by a risk of poverty than children living with two parents. This is the case despite the level of social assistance for lone parents being higher in Germany than in other countries (see Figure 3).

Children in couple households with only one or two children (up to 17 years of age) face a poverty risk rate of at most 10%, whereas those in households with 3 or more children have a higher risk.

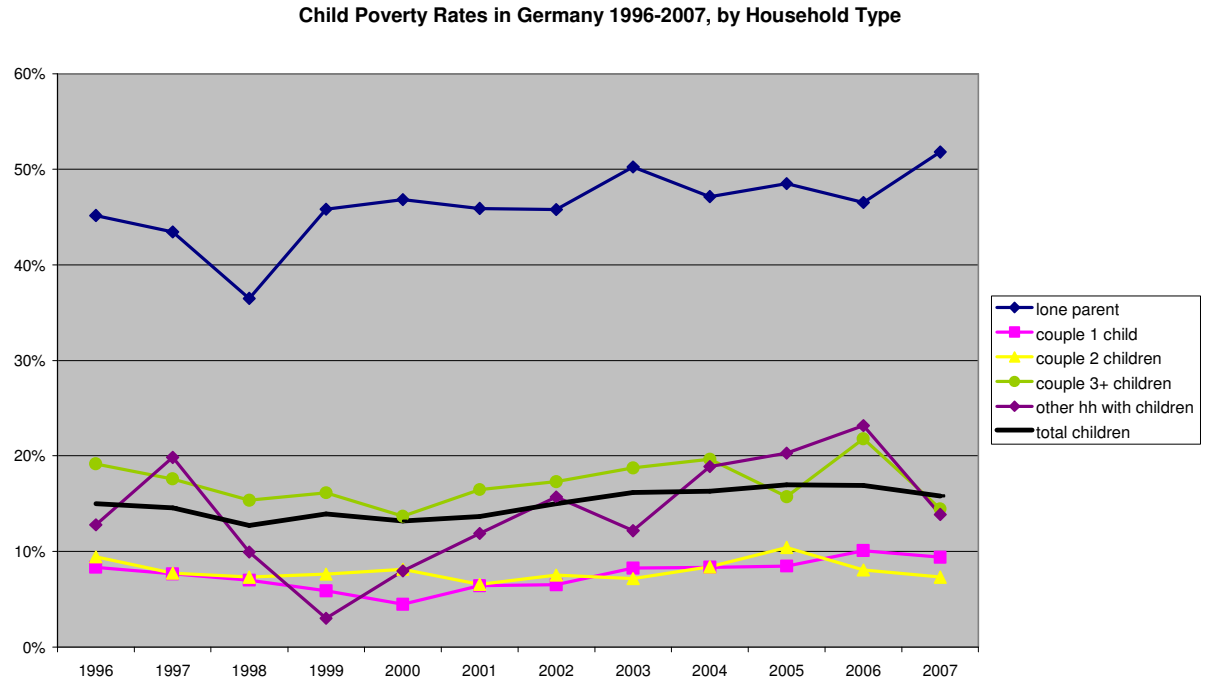
However, according to time-series data, it appears that there is a slightly increasing risk of poverty for all types of household distinguished in Figure 4.

Figure 3: "[EQ4.1] Sole parent families with no market income face high poverty risks in some countries"



Source: OECD - Society at a Glance 2009, p. 97.

Figure 4: Child poverty risk rates in Germany 1996-2007, by household type

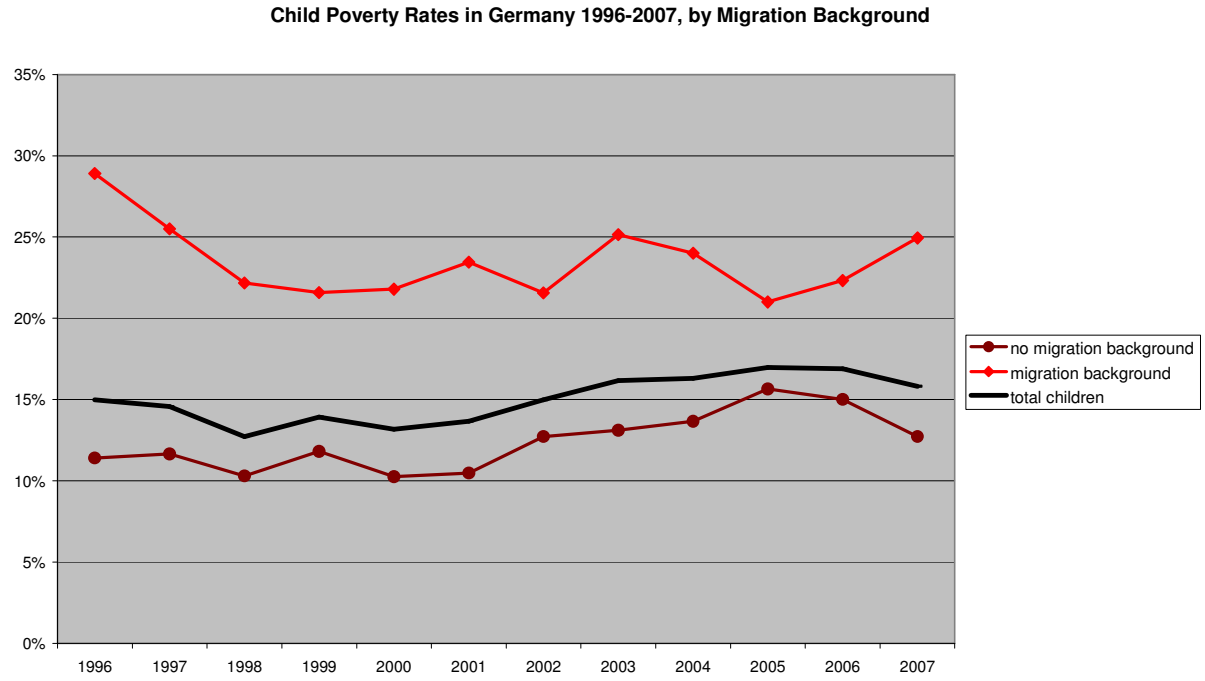


Note: Annual Post-Government Income of the previous calendar year, including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale. Source: SOEP 1996-2007.

Finally, Figure 5 differentiates children by migration status.

The massive influx of immigrants into Germany after the fall of the Berlin Wall led to a higher risk of poverty which levelled off in the late 1990s and has remained broadly unchanged since then.

Figure 5: Child poverty risk rates in Germany 1996-2007, by migration status



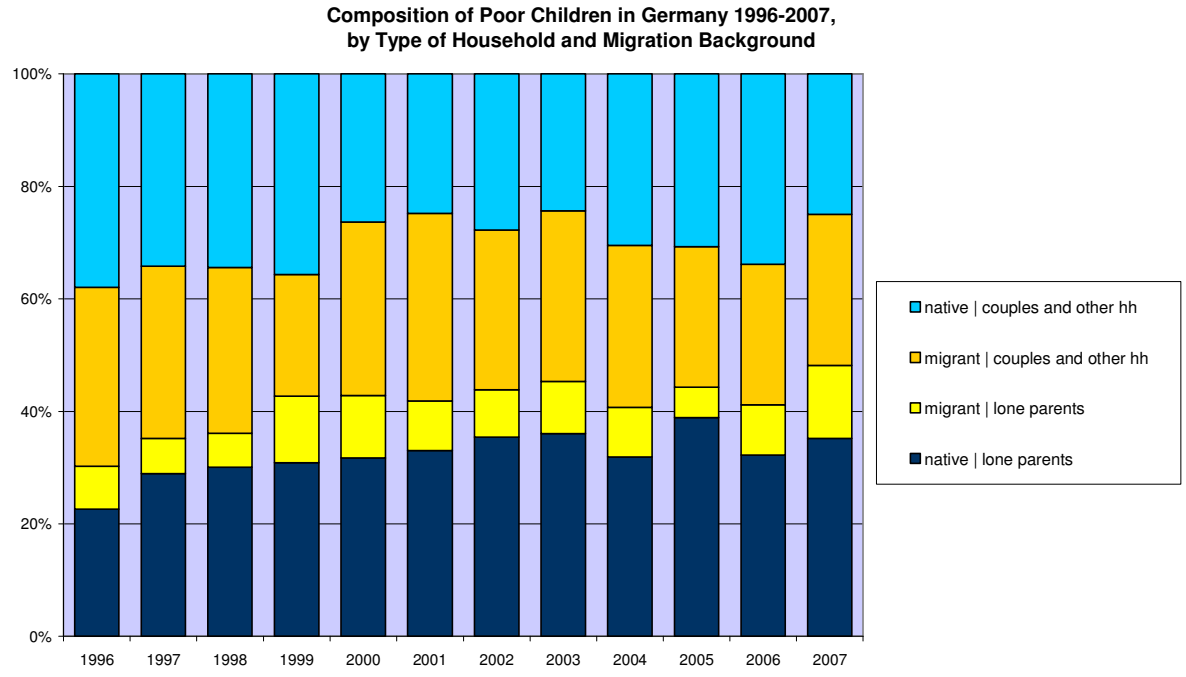
Note: Annual Post-Government Income of the previous calendar year, including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale. Source: SOEP 1996-2007.

Summing up, Figures 4 and 5 reveal that child at-risk-of-poverty rates are more pronounced among children of migrants and those living in lone parent families.

Figure 6 shows the change over time in the socio-demographic composition of children at risk.

This population is made up increasingly of migrants and children living with lone parents. While in 1996 around 62% of all children at risk of poverty were either migrants or lived with a lone parent, this had risen to 75% in 2007.

Figure 6: Composition of children in poverty in Germany 1996-2007, by household type and migration status



Note: Poverty defined on the basis of annual Post-Government Income of the previous calendar year, including Imputed Rent. Imputation of missing data due to item non-response and partial unit non-response. Modified OECD equivalent scale. Source: SOEP 1996-2007.

As well as these cross-sectional and chronological findings there is empirical evidence that intergenerational mobility in Germany is relatively low (according to PISA, see also Breen 2004). These results are complemented by Frick, Grabka and Groh-Samberg (2008) who analyse the re-distributional effects of non-monetary income benefits arising from publicly-provided education, taking account of regional and education-specific variations.

In a simple cross-sectional perspective, publicly provided education has the expected levelling effect, since all households with children attending any type of school benefit from public education. However, the effects of accumulated educational transfers in kind are larger for households with higher incomes, since the children concerned attend educational institutions for a much longer time (including pre-primary, higher secondary and tertiary education) than low-income households. There is, therefore, evidence of a reinforcement of economic inequalities through public funding of *non-compulsory* education.

1.3 Absolute poverty

There are no representative data on absolute poverty among children in Germany, though estimates of the number of homeless children are in the range of 1,500 to 2,500 (www.offroadkids.de).

2. Impact and effectiveness of policies in place

2.1 Overall approach

Main features of policy

In Germany, there is no unifying strategy or distinct programme aimed at fighting child poverty. However, child poverty has become a major topic in social policy and a range of policy programmes and benefits serve to reduce child poverty at least indirectly. This situation might reflect the fact that when poverty came back on to the political agenda in the late 1970s, poverty rates of the elderly, in particular of widows, were a top priority. This age profile of poverty was gradually reversed in Germany during the 1980s and 1990s, echoed by the slogan of the "Infantilasation" of poverty (cf. Hauser 1997) which appeared in the late 1990s. From then on time, children have become the age group with the highest risk of poverty (see also Chapter 1 above).

Policies targeted at preventing child poverty can be grouped under two main strands: social policies aimed at reducing poverty and social exclusion and policies aimed at supporting families with children. In response to the relatively low performance of German pupils revealed by the PISA results and the rising risk of poverty and social exclusion among migrant children, a general shift occurred within social policy: away from providing (unconditional) monetary benefits towards services and measures aimed at fostering the skills, abilities and competencies of individuals and equality of opportunity. This general policy shift is reflected in the paradigm of "activating policies", imposing a new understanding of the relationship between the state, the market and the civil society, under which social policy is aimed at activating individuals to help themselves, rather than simply to provide income support. As a consequence, unconditional monetary benefits have been called into question and pushed into the backyard of social policy.

This way of thinking has been reinforced by debates around social inequalities, pointing to the importance of educational attainment, the intergenerational reproduction of poverty and social disadvantage and the importance of intervention in early childhood. The main message from these debates is that sustainable and effective intervention in social processes needs to focus on shaping individual competences and abilities in the very early stages of life. This also includes early intervention schemes, which operate at a local level and combine monitoring systems with social support programmes: for example obligatory home visits by social workers to households with newborn babies.

However, the idea of a motivating social policy is called into question when it is misused as a simple means of cutting back monetary benefits for the most needy and saving on public spending on welfare. In many recent policy programmes, the close relationship between activation policies and budget-neutral transformation of benefit-orientated social policies into service-orientated policies often turns good ideas into worse practise – as shown in more detail below[3].

Clarity of objectives and targets

The rather indirect way of addressing the risk of child poverty is also reflected in the definition of policy targets concerning children. The German government has never declared a goal for reducing child poverty to a certain threshold. However, such targets have been defined with respect to the betterment of children in general, particularly children of migrants.

In response to the UN Convention on the Rights of the Child initiative, the Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) has developed a National Plan of Action for Children

[3] See also the very recent statement of the "*Bundesjugendkuratorium*" (2009), an advisory commitee of experts installed by the German Government to assess the situation of children and youth in Germnany, which explicitly argues against the neglection of the role of monetary transfers.

(2005-2010). This action plan is intended to promote children's well-being and to monitor it through an indicator-based system. Five areas of activity have been outlined: equal opportunities through education, growing up without violence, promotion of health and health related environmental conditions, social participation of children and young people, and adequate standards of living for children. The monitoring system specifies instruments and measures based on a complex and multidimensional understanding of childhood poverty.

Recently, the German Government has declared target goals with respect to education: public expenditure on education is to be increased to 10% of GDP by 2015 (from 6.2% in 2006), and the proportion of those leaving school without any certificate is to be cut by half from 8% to 4% by 2015.

The most relevant explicitly defined targets concern the intended increase in childcare. In 2007, the Ministry for Family Affairs (BMFSFJ) declared it will provide childcare opportunities for almost 35% of all children under 3 by 2013.

In order to provide new impetus to the strengthening of the inclusion and social integration of immigrants, an integration summit with representatives from the Federal Government, the Federal States and local authorities was held for the first time in July 2006, at which it was agreed to draw up a National Integration Plan and to define central themes and guidelines of the integration policy for the next few years.

2.2 Income Support

Overview of existing benefits

In December 2006, a competence team was established within the Ministry for Family Affairs to assess systematically all monetary transfers targeted at the family. The final report covers 156 programmes for 2007, with an overall budget of EUR 183 billion.

Eight programmes with a budget of EUR 71 billion are related to marriage. The transfers concerned, e.g. widow pensions or tax advantages for married couples (*Ehegattensplitting*), are not related to the needs and resources of families with children, but are based instead on a conservative ideology in favour of traditional family patterns centring on marriage.

Of the remaining EUR 112 billion, EUR 43 billion is devoted to families to compensate for the financial burden of raising children (*Familienlastenausgleich*). Transfers under this heading are intended to redistribute incomes from households without children to those with (*horizontal* redistribution) and mainly include child benefit and a range of child allowances.

Child benefit is a basic flat rate of EUR 164 per month for the first and second child, EUR 170 for the third child, and EUR 195 for the fourth and further children. However, for households with taxable income above a certain level, child benefit is paid as a tax allowance, resulting in a higher income advantage for higher income households.

Table 4: Family related social transfers in Germany, 2007

Type of transfer		Budget (in billion €)
1. Transfers related to Marriage		**71.5**
	Widow pensions	39.9
	Tax advantages from joint taxation of married couples (*Ehegattensplitting*)	21.0
	Free membership of spouses in the health security system	10.1
	Other minor transfers	0.5
2. Family compensating transfers (*Familienlastenausgleich*)		**42.6**
	Child benefit (*Kindergeld*)	34.2
	Child allowances in a diverse range of programmes (e.g., home ownership)	8.4
3. Family supporting transfers (*Familienförderung*)		**23.2**
	Contributions for mothers to old age insurance system	11.5
	Child related transfers in the social assistance system (*ALG II*)	4.4
	Parental leave benefits (*Elterngeld*/*Erziehungsgeld*)	3.8
	Other minor transfers (e.g., for educational training)	3.5
4. Social Insurance System (child allowances)		**25.0**
	Health, health care, and accident insurance	21.9
	Unemployment insurance	2.3
	Old age insurance	1.3
5. In-kind transfers		**20.8**
	Childcare	11.9
	Youth	8.9
Total		**183.1**

Around EUR 23 billion is spent on supporting families with children (*Familienförderung*), on parental leave benefits, contributions to the old age insurance system for mothers and child-related benefits in the social security system. The last includes child supplementary benefit (*Kinderzuschlag*) up to a maximum of EUR 140 per child, introduced in 2005 along with the reform of unemployment benefits and social assistance ("*Hartz IV*"). Child supplementary benefit is targeted at households that fall below the needs thresholds of the new unemployment benefit (ALG II) *only because* they have children and is aimed at reducing the non-take-up of ALG II (also known as *Hartz IV*) due to the associated social stigma.

Another EUR 25 billion went into the social insurance system, mainly to finance the exemption of fees for children and spouses in the health insurance system.

Criticism and reform proposals

The German family policy has been criticised for three major reasons: *first*, for the orientation of many programmes towards marriage, rather than towards the needs of actual families i.e., those with children. This mainly concerns the tax regulations for married couples (*Ehegattensplitting*), which give income advantages to couples, one with relatively high earnings and one with relatively low earnings or no earnings at all. The incentive for mothers to reduce the number of hours they work (and to allow their husbands to maximise their workload), therefore, directly acts against the objective of integrating mothers into the labour market by improving childcare services, in particular.

Second, child benefit assists higher income families more, because they are able to exempt a higher amount from their income taxes, whereas families with lower income are paid a flat child benefit. However, child benefit is a horizontal transfer in that it redistributes incomes from households without children to families with children.

Third, it is widely argued that the true costs of children are not covered by child benefit and the child allowances included in the new social assistance scheme (in effect since 2005). In reaction to this criticism, the Federal Government agreed to a rise in the needs calculations for children as from July 2009, children between 6 and 14 being assumed to have 70% of the needs of a single adult (as compared to 60% previously), which yields an additional transfer of EUR 40 per month. Nevertheless, these changes are still criticised (by welfare organisations, the so-called *Paritätischer Wohlfahrtsverband*, and the expert committee *Bundesjugendkuratorium* [2009]) for being insufficient to

capture the true costs concerned which are estimated to be an additional EUR 89 for this age group(a decision by the Federal Court is pending at the time of writing).

A more general criticism is that child-related social transfers in Germany are rather diverse and spread across a broad range of transfers and regulations and, partly as a result, fail to provide an overall level of child protection that meets the needs of families with children. Accordingly, an effective reform to combat child poverty and to meet the respective goals set out by the German Government requires a genuine child benefit that is independent from the employment status of the parents and based on the real costs of children.

There are several current reform proposals of this kind. For example, Caritas Germany (2008) suggests further developing child benefit, child supplementary benefit and housing benefit in order to guarantee a minimum standard of living for children. Irene Becker and Richard Hauser (2008) propose replacing the existing child supplementary benefit, which is embedded in the framework of the unemployment benefit II, by an independent supplementary child benefit that is conditional on the needs of families with children, but unconditional on any labour market policy measure. The expert committee commissioned by the German Government (*Bundesjugendkuratorium* 2009) has opted for a two-stage strategy of improving existing benefits towards providing an effective means of protecting children from poverty in the first stage and integrating the improved benefits into a single basic safety net for children in a second stage. A more radical reform proposal suggests a universal child benefit of EUR 500 per child per month, which takes priority over other social transfers and is liable to the standard rate of income tax (*Bündnis Kindergrundsicherung* 2009).

Indicators of policy impact

Compared to other European countries Germany exhibits a high overall level of family related and other social transfers – focusing on cash benefits alone (see Table 4)[4]. The "distributional index" as regards family-related transfers amounts to as much as 3.6 for all households with children, which places Germany in third place after Denmark (3.8) and Finland (4.1). However, households with children also score very high on the distributional index as regards other social transfers. Considering both types of transfers, therefore, the share of transfers received by households with children, weighted by the share of those households in the overall population (i.e., the distributional index), is among the highest in the EU-25. Family-related transfers make up a larger share of income and also show a higher effect in reducing the risk of poverty in Germany than in other EU countries (around 40-50% higher – see Table 4).

However, looking at the relative distribution across household types, there appears to be some errors in targeting family and social transfers in Germany. In relative terms, all household types particularly exposed to the risk of poverty and social exclusion (for example lone parent households, households with very young children and immigrants) receive less than in other EU-25 countries. For example, households with children with income below the poverty threshold in Germany receive 14% of all family-related transfers received by households with children, compared to 18% in the EU-25. Moreover, the overall share of family-related as well as other social transfers reaching families with children is lower (79%) in Germany than the EU-25 average (89%). Therefore, despite the high overall level of transfers in Germany, transfers are less targeted on those in need than elsewhere.

[4] As such, any cross-national comparison of this type will be hampered by differences arising from national policies focusing on the provision of in-kind transfers rather than monetary benefits (see the results of a comparative European research project at http://www.iser.essex.ac.uk/research/euromod/aim-ap-project).

Table 5: Indicators of policy impact

		Germany				Weighted EU-25 (excluding Malta) average			
		Family/child-related benefits		Social transfers (excl. pensions)		Family/child-related benefits		Social transfers (excl. pensions)	
		A. Distribution of social transfers among those living in households				*A. Distribution of social transfers among those living in households*			
		Distribution (%)	Transfer distribution index	Distribution (%)	Transfer distribution index	Distribution (%)	Transfer distribution index	Distribution (%)	Transfer distribution index
All households	Households without children	21	0.26	56	0.72	11	0.19	51	0.71
	Households with children	79	3.64	44	2.02	89	2.07	49	1.75
		Households with children							
	Household without child age 0-5	54	0.91	55	0.94	48	0.83	52	0.91
Age of child	Household with atleast 1 child age 0-5	46	1.13	45	1.09	52	1.22	48	1.13
Household type	Single parent hhs	14	0.86	20	1.19	16	1.27	20	1.58
	2 adults with 1 dependent child	18	0.61	20	0.69	16	0.56	18	0.67
	2 adults with 2 dependent children	38	1.07	33	0.93	34	0.97	30	0.85
	2 adults with 3+ dependent children	22	1.83	19	1.58	26	2.21	20	1.76
	Other hhs with children	7	1.18	8	1.22	9	0.68	11	0.87
Family type	Single parent with children	13	0.83	18	1.19	14	1.28	18	1.60
	Couple with 1 child	17	0.60	19	0.68	14	0.55	17	0.66
	Couple with 2 children	34	1.08	29	0.91	31	1.01	26	0.86
	Couple with 3+ children	20	1.84	17	1.57	21	2.35	17	1.83
	Other hh with children - single parent	3	1.15	3	1.29	4	0.92	5	1.15
	Other hh with children - couple	13	1.21	14	1.21	14	0.79	16	0.89
	Other hh with children - other	1	0.69	1	0.88	1	0.89	2	1.20
Poverty status	Non-poor	86	1.00	81	0.94	82	0.99	78	0.94
	Poor	14	0.99	19	1.38	18	1.04	22	1.30
Work intensity of household	WI = 0	8	1.01	20	2.36	11	1.56	18	3.17
	WI = 0.01-0.49	12	1.17	17	1.66	13	1.20	18	1.72
	WI = 0.5	24	1.16	20	0.97	20	1.06	18	0.98
	WI = 0.51-0.80	28	0.96	23	0.77	23	1.05	20	0.94
	WI = 0.81-0.99	11	0.82	8	0.60	12	1.00	10	0.91
	WI = 1	15	0.86	11	0.64	20	0.71	15	0.47
Migrational background	Non-migrant parents	94	0.99	92	0.97	90	0.97	88	0.94
	From other EU Member State	0	#DIV/0!	0	#DIV/0!	1	1.28	1	1.41
	From outside EU	5	1.08	7	1.50	8	1.33	10	1.67
		B. The role of transfers within household income (%)				*B. The role of transfers within household income (%)*			
		Households with children	Households without children	Households with children	Households without children	Households with children	Households without children	Households with children	Households without children
Overall share of transfers		11.7	1.1	20.6	16.9	8.0	0.5	16.5	
Age of child	Household without child age 0-5	10.6		19.2		6.6		14.7	
	Household with atleast 1 child age 0-5	13.4		22.7		9.9		18.9	
Household type	Single parent hhs	19.4		43.6		15.9		38.5	
	2 adults with 1 dependent child	7.5		13.8		4.8		11.4	
	2 adults with 2 dependent children	10.8		15.5		6.9		12.6	
	2 adults with 3+ dependent children	15.4		22.6		14.6		23.6	
	Other hhs with children	9.4		17.3		4.6		10.6	
Family type	Single parent with children	19.5		44.4		16.2		39.4	
	Couple with 1 child	7.4		13.5		4.7		10.9	
	Couple with 2 children	11.0		15.4		7.2		12.6	
	Couple with 3+ children	16.9		24.5		15.8		24.6	
	Other hh with children - single parent	16.3		30.1		9.8		23.2	
	Other hh with children - couple	8.6		15.2		4.9		10.4	
	Other hh with children - other	9.4		24.9		8.8		24.4	
Poverty status	Non-poor	9.9	0.8	15.7	37.0	6.4	0.3	12.3	25.5
	Poor	23.2	2.2	51.0	13.3	16.1	1.0	36.6	10.6
Work intensity of household	WI = 0	23.7	1.7	75.9	48.8	22.1	0.9	64.1	37.2
	WI = 0.01-0.49	15.7	3.8	36.8	30.4	11.6	1.4	30.7	22.6
	WI = 0.5	12.2	1.7	16.4	12.9	8.5	0.6	14.9	10.3
	WI = 0.51-0.80	10.0	2.2	13.3	8.5	7.0	0.7	12.5	7.6
	WI = 0.81-0.99	8.1	1.0	9.9	3.8	5.8	0.4	9.4	4.6
	WI = 1	8.4	0.5	9.4	1.4	4.9	0.2	7.1	1.8
Migrational background	Non-migrant parents	12	4.45	20	15.08	9.0	1.2	20.8	10.1
	From other EU Member State	0	5.35	0	5.35	11.7	1.8	29.6	12.6
	From outside EU	16	5.11	38	21.07	8.1	2.3	16.4	18.5
		C. Impact of transfers (%)				*C. Impact of transfers (%)*			
		Poverty reduction impact	Composition of children being poor before transfers, but not after	Poverty reduction impact	Composition of children being poor before transfers, but not after	Poverty reduction impact	Composition of children being poor before transfers, but not after	Poverty reduction impact	Composition of children being poor before transfers, but not after
Overall impact		31		54		21		42	
Age of child	0-5	33	36	57	36	25	39	42	36
	6-11	33	34	58	34	21	33	37	32
	12-17	27	29	47	30	16	28	42	31
	Single parent hhs	16	16	42	24	13	14	41	22
	2 adults with 1 dependent child	20	(7)	46	9	16	7	41	9
	2 adults with 2 dependent children	35	28	57	26	22	30	40	27
	2 adults with 3+ dependent children	49	45	67	35	29	42	47	32
	Other hhs with children	21	(3)	56	(5)	14	7	36	9
Family type	Single parent with children	16	14	46	22	13	12	41	20
	Couple with 1 child	36	(7)	58	8	22	7	41	8
	Couple with 2 children	47	26	66	24	30	28	48	25
	Couple with 3+ children	24	42	43	33	15	37	40	28
	Other hh with children - single parent	33	(3)	67	(3)	17	4	38	5
	Other hh with children - couple	11	(8)	28	9	11	12	27	12
	Other hh with children - other	31	0.0	55	0.0	20	0	41	0
Work intensity of household	WI = 0	4	(3)	38	17	3	3	25	12
	WI = 0.01-0.49	24	15	55	20	12	12	39	20
	WI = 0.5	48	37	63	28	28	38	45	30
	WI = 0.51-0.80	45	26	62	21	32	24	54	20
	WI = 0.81-0.99	47	(6)	68	5	34	8	55	7
	WI = 1	49	13	0	9	33	15	0	11
Migrational background	Non-migrant parents	32	94	56	92	22	90	43	88
	From other EU Member State	0	(0)	0	(0)	20	1	37	1
	From outside EU	19	(6)	43	8	14	9	36	11

2.3 Access to the labour market and income from employment

Access to the labour market

In recent years, all political parties in Germany have generally accepted the importance of early and all-day childcare. Such childcare provides two important features in one: It enables mothers to participate in the labour market and to accumulate work experience. This is particularly important given the high at-risk-of-poverty rates of single-mother households. On the other hand, high-quality early and all-day childcare serves as a means of "compensatory education", enabling children from low educated and from migrant families to catch up with other children in terms of language proficiency and school-relevant skills, and providing social competencies for all as a precondition for successful schooling.

Under the Day Care Expansion Law (*Kinderbetreuungsausbaugesetz*) introduced in 2005, the proportion of children attending day care has already been increased. By March 2007, 15.5% of all children under the age of three were either in nursery schools or in day-care centres in Germany. Moreover, the European objective of a 90% care rate for children between 3 and compulsory school age had almost been achieved by 2007.

In March 2007, barely one in five children under the age of 10 (19.4%) were cared for outside school in an after-school club or by a childminder. Progress, however, is currently being made in the extension of all-day education and care across the German *Länder*, in particular in newly established regional programmes. Almost 13% of school-children attending primary school were in all-day schools in the academic year 2006/2007, as compared with only 4% in 2002 (KMK 2008).

The "Future, Education and Care" investment programme (IZBB) for the consolidation and expansion of all-day schools (2003 to 2009) has given assistance to around 6,400 all-day schools. In order to ensure that the best use is made of the investment, the Federal Government in close consultation with the Länder has conducted comprehensive parallel research since 2005, using European Social Fund resources.

As mentioned above, the German government has set the goal of providing childcare opportunities for 35% of all children under the age of 3 by 2013. Currently (2006), the share of children below the age of 3 that attend childcare institutions is significantly below 10% in all West German Länder, except Hamburg, whereas in East Germany, participation rates are already above 35%. Moreover, it is evident that children in poverty have lower participation rates in pre-primary education (Spieß et al. 2008). The childcare reform will also include a guarantee for all children between the ages of 2 and 6 to have access to a childcare place. For those parents who prefer (or are forced) to care for their child at home, a home caring benefit is under discussion. A joint initiative of the Federal Ministries for Family Affairs and for Education and Research is aimed at ensuring appropriate training for childcare staff.

Ensuring adequate income from work

There has been a heated debate around the introduction of a general minimum wage, which so far exists only for a minority of industries (e.g. the construction sector).

Labour unions and left-wing politicians argue in favour of introducing minimum wages in order to prevent 'a race of wages towards the bottom' as well as to reduce the risk of poverty. On the other hand, labour economists argue that minimum wages would have negative effects on job creation (see e.g. Müller & Steiner 2008). Based on a minimum wage of EUR 7.50 (which unions have suggested), estimates of job losses varies – depending on the underlying assumptions – from more than 1 million to less than 150,000 (see Müller 2009). In consequence, alternative models of state subsidies for employees are proposed to protect workers from being paid less than acceptable wages. However, none of these policies is in place yet.

Another important trend is the growth of low-paid jobs leading to more working poor in Germany. The number of working poor households almost doubled from 1998 to 2006 (Grabka et al. 2007). As a consequence, promoting labour market integration of parents is not necessarily a sufficient protection against child poverty, in particular when workfare policies are introduced alongside labour market de-regulation that lead to an expansion of low-paid and/or precarious employment conditions. Finally, an increase of low-paid jobs is one aspect of an overall widening of wage inequalities in Germany (Giesecke/Verwiebe 2007) and, most importantly, rising inequality in incomes (Frick/Grabka 2008).

This trend might explain why Germany exhibits both high levels of child-related transfers as well as considerable levels of child poverty.

2.4 Access to enabling services

Other recent improvements include the so-called school-starter package and the introduction of early warning systems against child deprivation and neglect.

In 2008, the German government introduced an "*Initiative for Qualification*", including various measures for lifelong learning and further education, as well as a budget for extending all-day schools.

Conclusions

Despite the fact that Germany invests more relatively in family/child transfers than most other EU-countries, results from the SOEP indicate that at-risk-of-poverty rates of children remain around 20% above the average for the population as a whole. Thus, both *how* this money is being spent and *who* actually benefits from these transfers are in question.

Ideas for restructuring the transfers include a shift towards focusing on "families" rather than on "marriage"; a revision of child benefits to better target them on needy families; and a revision of the method used to identify the "true" needs of children (whether they are compensated in-cash or in-kind).

Currently, there are several reform proposals being discussed with the specific aim of combating child poverty more effectively. Although the importance of parents being in employment is widely recognised, the need for an independent child benefit is based on the observed trends of a growth in low-paid jobs and in "working poor"-families.

In response to these trends, most of the reform proposals stress the need to further develop existing social transfers (mainly, child benefit, the recently introduced child supplementary benefit and the child-related measures within the social assistance system) towards an independent child benefit. The overarching aim here is to make child related benefits independent from other transfers, in particular from labour market policies, and to determine the level of the benefit by means of an independent assessment of the needs of children.

More radical reform proposals combine universal child benefits with some kind of vertical redistribution through the tax system, whereas more moderate reform proposals build on the existing mix to redistribute transfers horizontally (child benefit) and vertically (child supplementary benefit).

However, above and beyond these more direct transfers, there is a need to further improve the "enabling" framework by targeting specific groups such as children living in lone parent households and those with migrant parents, both of whom appear to dominate increasingly the socio-economic structure of children at risk of poverty. Family policy in recent years has already responded to these needs by improving childcare arrangements and introducing measures targeted at improving the integration of migrants, so improving employment opportunities of those concerned. Such policies also include early intervention schemes designed to compensate for disadvantages arising from low education ("compensatory education") and so to break the vicious circle of the intergenerational transmission of low education and a high risk of poverty.

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Methodological Appendix: Alternative databases for the analyses of child poverty in Germany: EU-SILC and German SOEP

The following section briefly describes and interprets relevant methodological and substantive differences between the two major data sets used here: the EU-SILC and the German Socio-Economic Panel Study (SOEP).

In the survey year 2007 used in these calculations, the SOEP sample consists of eight different sub-samples each of which has been drawn in a multi-step random sampling process (see Wagner et al. 2007). A major advantage of SOEP data is its explicit oversampling of foreigners and recent immigrants (Frick & Tucci, 2006), East Germans, and high income households (Frick et al. 2007).

New population-representative sub-samples have been added in 1998, 2000, and 2006, which do not only add to the number of analysable observations but also help coping with immigration after the initial sampling which took place in 1984 in West Germany and in 1990 in East Germany, respectively.

The survey sample of the German EU-SILC contribution is a mix of quota and (random) samples with the quota sample being sequentially rotated out over the first four years of the survey. It is not clear from the documentation or from the microdata itself how different these samples develop over time. On the other hand, being a life long panel study, SOEP continues to follow the entire survey sample population from one wave to the next.

With respect to the survey mode, data in the German EU-SILC sample is collected by means of drop-off questionnaires (without the presence of an interviewer), whereas SOEP employs a multi-mode approach, which is primarily interviewer-based (using both PAPI and CAPI) but also allows for self-administered interviewing.

In agreement with the Canberra group (2001) recommendations, the SOEP-based income measure used in this report is the previous year's annual equivalent post-government income including a measure of net imputed rent (IR). In line with the relevant EC regulations SOEP data contains an estimate of IR for both owner-occupiers and subsidized renters (see Frick, Goebel & Grabka 2007, Frick, Grabka, Groh-Samberg 2008), whereas the German EU-SILC data is still lacking this important non-monetary component which should have been provided together with EU-SILC data for 2007 at the latest.

An important methodological issue is the treatment of missing income data due to non-response. While both, EU-SILC and SOEP, use imputation to correct for eventual selectivity arising from such missing data, it is not clear how exactly the imputation in EU-SILC is carried out. The SOEP imputation procedures used for correcting item-non-response (INR) are described in detail in Frick & Grabka 2005, the imputation treatment of missing observations arising from non-participation of single household members in otherwise interviewed households (this phenomenon is called partial unit non-response, PUNR) is described in Frick, Grabka & Groh-Samberg (2009).

In fact, the analyses presented here are the first to use these very detailed longitudinal imputation procedures in case of PUNR – an analysis on how this treatment affects measures of income inequality is also given in Frick, Grabka & Groh-Samberg (2009).

In general, one should note that all time trends shown here are very similar to those presented in previous research (e.g. Corak et al. 2008), although the level of inequality and relative income poverty appears to be lower after full imputation of PUNR – this is also true for children in couple-headed households. EU-SILC also imputes income data in case of PUNR, however, only using a "flat correction" factor, thus assuming an identical degree of misrepresentation across income sources received in a given household as measured on the basis of the participating household members. Other than that, it is important to note the very high share of proxy-interviews in the German EU-SILC sample (around 20%, see Horneffer & Kuchler 2008)

Above and beyond such methodological differences between the two surveys, Hauser (2008) argues about the proper representation of basic socio-demographic characteristics as given by EU-SILC and SOEP for Germany when compared to the Micro-census, a 1% survey of the entire population.

The following findings relate to the survey year 2006.

- Migration background: There appear to be problems of the EU-SILC sample to properly mirror the true degree of heterogeneity of the migrant population in Germany. While the proportion of migrants as such may be correctly estimated, the structure of the migrant population in EU-SILC is heavily biased towards foreigners from northern EU-countries, while Turks in particular are very much underrepresented. Thus, it appears that EU-SILC oversamples migrant groups, which are more likely to be better integrated into the German society as well as to be economically more successful. "This result confirms the suspicion that the survey method using only postal questionnaires is not suitable to give a representative picture of poorly integrated foreigners" (Hauser 2008: 11-12).
  On the other hand, SOEP has various features to counter this phenomenon: firstly, there is an explicit oversampling of immigrants from the start of the survey; secondly, additional survey samples have been drawn to compensate for eventual misrepresentations of immigrants entering the country after the initial sampling process; thirdly, in order to prevent any bias arising from language barriers among the migrant population translation aides for the various survey instruments are available.

- Age: There is indication of misrepresentation of children by age-groups in the German EU-SILC sample: "[...] small children up to the age of four are clearly under-represented in EU-SILC, while they are slightly over-represented in SOEP compared with the microcensus. People aged between 55 and 79 are clearly overrepresented in EU-SILC while the age structure in SOEP shows only slight deviations from the microcensus. As age is one of the variables used to calculate the weighting of persons in EU-SILC these deviations are particularly in need of explanation. And they can also clearly distort the poverty ratios calculated" (Hauser 2008).

- Education: "[There is] considerable under-representation of the lowest education category in EU-SILC, i.e. people who attended school only up to the age of 15 but did not obtain a certificate of graduation, while this group is over-represented in SOEP. By contrast, people with high educational qualifications (...) account for 32.8% in EU-SILC compared with only 20.5% in the microcensus. SOEP also shows a discrepancy from the microcensus, but it is clearly less. These two distortions in the EU-SILC sample may be expected to have a noticeable effect on the poverty ratios calculated and other Laeken indicators" (Hauser 2008:14).