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Welfare innovations
at the local level
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Local welfare systems as part of the German Welfare State: Housing, employment and child care

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TABLE OF CONTENTS

1. THE GERMAN WELFARE STATE AND ITS BASIC HALLMARKS

When portraying welfare states one should take account of their historical and dynamic nature. Their architecture at present is made up by the institutional effects of struggles and negotiations that stem from different times with different ideas about welfare and justice prevailing. Furthermore it is important to differentiate between new concepts and discourses coming up, whose impact is often still insecure and the quite erratic nature and high stability of institutional settings and routines that have built up over a long time. This means that at a given moment welfare states and the shifts that are observable represent likewise the presence of a long past as well as of new ideas and practices emerging.

1.1. Structure and development of the German welfare state

Within the prevailing welfare state typologies the German welfare state is usually labelled as representing the "conservative" or "continental European model" (Esping-Andersen 1990). Its main attributes are seen in the fact that the system of social rights and securities are differentiated according to status, with a strong etatism of the overall institutional architecture and a high impact of familial responsibilities for welfare, social security and inclusion. A relatively high level of overall inclusion was to differentiate this type of welfare state from the liberal regimes.

Germany was among the very first industrialised countries to introduce "social security" in the late 19th century. Since its early beginnings, the German welfare state is heavily based on cash allowances and hence transfer-payments. From a comparative perspective, Germany´s welfare state does still today not put a high emphasis on service provision. In particular child care and elderly care have until most recently been perceived as a prime duty of the family. For decades, the "conservatism" of the German welfare state translated into low participation of women in the labour market. A further distinctive feature of the German welfare state has until most recently been the bifurcation between "social security" and "welfare". While the national level – today the Federal Government – has always been responsible for "social security", since the German Empire until very recently, local governments had to take care of "welfare". But against the background that welfare covers a broad spectrum of programs and institutions, among those social assistance, social services, stationary health care, family and child-care, German local governments have always been at the frontier of social policy development.

While these characteristics can easily be verified in the case of Germany (Schmidt 2005) it is even in a short sketch undeniable to add additional ones. With respect to some of them (like e.g. the system of labour market administration and services) it is debatable to what degree they have ever belonged to a special "conservative" type of welfare as described in Esping-Andersens' concept of welfare-regimes; with respect to others one may argue that they have evolved from unique features of German history, different from other conservative/continental welfare-state-regimes, such as e.g. France.

One of these unique features of Germany's welfare state is has been the fact, that, given the relative political weakness of a liberal bourgeois class that initially failed to overcome the monarchic and etatist system, the first reactions out of society to the new capitalism came (besides the labour movement) from the realm of the churches. In their milieu in the Kaiserreich before World War I a local culture of charities, voluntary organisations and clubs took shape that got an ever increasing support by the public authorities. Later in the Weimar Republic of the 1920s, with the formation of national umbrella organisations, a dual structure took shape with the public authorities co-financing the respective help and

services offered, guaranteeing however at the same time a degree of autonomy to this large cooperative sector of welfare related third sector organisations. Despite the interruptions during the time of fascism this structural pattern was as well characteristic for most health and welfare services later in post-war Germany (Sachße 2011). Today roughly about 50% of the social service and health care organisations are run by nonprofits.

Already in the 1920s the social-democratic movement, that had before aimed for a kind of municipal socialism and built up own service structures mostly as housing and consumer cooperatives, joined this compact and its background ideology of "subsidiarity" (Bode and Evers 2004). It should be added here that this system like other hallmarks of the post Second World War West-German political and welfare system were in the course of the reunification at the beginnings of the 1990s "exported" to and implemented in the new federal states of Germany. However welfare mixes developed differently in the respective service areas:

- the fields of child and elderly care and assorted services around issues of social assistance and family support could for a long time be seen as role models for the arrangement just described;
- in the field of health, where in contrast to child and elderly care quite early clear-cut rights and public financing rules developed, third sector organisations where just important as providers of hospital care in a system wherein they had no saying;
- in the field of labour market services and in the educational system, marked as well by clear cut rights and regulations and far reaching state responsibility, third sector organisations never played an important role.
- the field of housing also looked back upon a long tradition of co-operatives which used to work closely together with local administrations; but already before re-unification by law housing-cooperatives were deprived from their tax-exempt status.

The German historical welfare arrangement is however not only marked by social security in old age, health, unemployment and (elderly) care through social insurances based on social contributions beside taxes and a historical division of labour between local public authorities and third sector organisations in wide parts of the field of welfare services (Zimmer and Priller 2004). The special role of municipalities is indeed a further hallmark of the system.

After the basic state reforms that were set up in Prussia and later became important for the German Reich, the municipalities then should not be seen as a clear-cut part of the state but as a realm of local self-organisation and self-administration of the bourgeois classes and later on after the first world war of the local citizenry at large (Hesse 1990). Despite their democratic legitimacy, German municipalities of today, nevertheless do not constitute independent administrative units, instead they are subordinated to the sub-national authorities, the *Länder*. Hence, local self-government does not translate into a clear-cut delegation of power to the local level. For a long time unifying and forward moving forces of central political actions and regulations were missing (coming late in the 20th century). A lot of services (local public health, child care and elderly care) stayed for decades quite scattered, uneven and less professionalised compared to e.g. the health, educational and labour market services.

- In the 1950s a nationwide law created equal and reliable rights on a minimum social assistance for all those that were not covered by unemployment insurance and had not sufficient family support (federal Social Assistance Law); beside continuous payments of social assistance it foresaw to pay the costs for those

who were impaired and/or sick and in need of institutional care wherever and whenever this as not covered by the standard systems of the pension, health, care or accident insurance.

- It was only in the early 1990s of last century that child care for the 4-6 year old became a nationwide social right to be secured by the municipalities and it took even some years longer until a newly created care insurance (modelled in accordance with the national pattern of semi-public insurance funds that are financed through contributions of employers and employees) began to finance at least a part of the costs of care.
- In the early 1990s, the introduction of a nursing care insurance (*Pflegeversicherung*) constituted the most recent enlargement of the German social security system. The insurance, attached the health insurance organisations, is modelled in accordance with the traditional national pattern of insurance funds that are financed through contributions of employers and employees.
- Finally the 1990s also stand for a period of rigid administrative reforms, which were set into practice under the label of New Public Management (NPM). It is worth mentioning that NPM was put into practice specifically at the local level of governance.

1.2. Degree of centralisation and of sharing responsibilities in a mixed welfare system

In international comparisons Germany stands out for its specific type of federalism and its tradition of local self-government. The German Federal Republic consists of sixteen states (*Länder*) bound together by a governance arrangement of "co-operative federalism" (Scharpf 1976). In practice, this means that the federal government and the governments of the sixteen *Länder* have to work together in every respect - politically, as well as administratively. Thus, there is a smooth division of labor between the federal, the sub-national (*Länder*), and the local governments: County and local governments, by and large, are responsible for policy implementation, whereas decision-making is the prime tasks of the federal government acting in close co-operation with Germany´s Second Chamber, the *Bundesrat*, which constitutes the representative forum of the German *Länder*. However, the *Länder* as well as local communities have room to maneuver with respect to policy implementation. Finally, Germany remains noteworthy for its neo-corporatist governance arrangement (Schmitter 1974) in which "associations" traditionally play a key role in the policy process by providing avenues for bridging the different levels of governance (local, sub-national, and federal).

Germany has always had a remarkable municipal as well as a sub-national and federal element of governance (Manow 2004). Yet, today German municipalities are embedded into a complex system of administrative regulations, inaugurated by the *Länder* and the Federal Government. According to German Basic Law, there are certain policy fields in which local governments have to act as if they were "sub-contractors" of the Federal Government, amongst those count most prominently the provision of services in the area of schools, social assistance and parts of child-care. The municipality is by law obliged to guarantee the service (compulsory tasks; "*Pflichtaufgaben*"). There are other policy fields, such as sports or culture, where local governments might be active but they are not by law obliged to take action (voluntary tasks "*freiwillige Aufgaben*").

When it comes to the federal states ("*Länder*"), there are some policy areas in which they exclusively cooperate with the municipalities. These are the policy fields of education, culture as well as the financing and planning of the school-system. The *Länder* coordinate the basic guidelines and regulations of co-financing with the municipalities. In the field of housing and urban planning, the competences of the Federal Government were restricted

to some basic arrangements concerning legal aspects and procedures, related to urban zoning, to the creation of special national funds or tax relief systems as well as to the encouragement of private housing investments.

In recent decades, there are strong indicators for a smooth and steady undermining of local self-governance. From the 1980s onwards, in several key-areas of welfare arrangements the traditional rather decentralised system of divided responsibilities among the different levels of governance came under pressure. The municipalities have been then evermore integrated into a system of increased central power.

First of all this resulted from the creeping universalisation and standardisation of rights and procedures in the fields of welfare services such as on elderly care and child care but since recently as well in the field of schooling with the attempt to set national goals and incentives for full day schools. In elderly care, the creation of rights on care in the early 1990s made the insurances on the federal level key financers and rule setters, changing a formerly scattered localised system of elderly care. In child care the central state – having decided by law in the 1990s that municipalities have to finance child care for the 4-6 – recently created extra-funds and programs with the federal states as partners for distributing the money among their municipalities in order to make child care for the 0-3 in the future available as a right.

Furthermore since the 1980s the increase of old and emergence of new risks (unemployment, one parent families, poverty and migration, long term care) the social security system with its traditional design had a decreasing coverage – ever more people had to rely on the municipal-based social assistance system (Hegelich and Meyer 2009). Attempts to limit municipal burdens led to various arrangements of co-administration by upper levels. An illustrative example is given by the big reform of both the system of social assistance and of labour market administration (Hartz IV) with a fusion of parts of both at the beginning of this decade. While the municipalities pay for the costs of housing of the long term unemployed the cash assistance is paid by the central state; local job-centres have been created with services co-funded and co-administered by municipal assistance-departments and staff from the local offices of the hierarchical system of labour market administration. Similarly since the 1980s it was felt that problems of urban decay had reached a point where municipalities should be assisted by central laws and programs like a law on urban development and a program for financing urban revitalisation; here once again central rules and funding were to initiate local action.

Trends towards more universal welfare services and reforms concerning the interplay of social security and social assistance systems have altogether led to changed forms of multi-level governance where clear cut centralisation effects can be complemented by arrangements that give incentives to the local communities to co-operate according to the goals set by central programmes and schemes of co-funding.

Besides this another basic trend is concerning the forms of cooperation in the mixed welfare system. Traditionally the social services, like child and elderly care (but in different forms as well the health services), have been developed within a corporatist system of decision making (Zimmer 1999) with a limited number of actors and organisations taking part, deciding on future development rules and division of responsibilities. While in the health system corporatism takes place on federal and central levels much of the social services get negotiated locally among the municipalities that give the bulk of the money and the respective welfare associations running the services and co-financing just small parts of them. Here the last decades have brought important changes to the degree, commercial providers are put on equal footing with the welfare associations when it comes to repay their services and to the degree subscription and competition are

increasing, partly substituting, partly merging with the traditional system of political compromises and negotiations.

1.3. Trends: erratic structures, limited institutional changes and the impact of more recent discourses

When looking at trends it makes sense to differentiate between different levels of reality.

On the level of basic spending patterns, there is after all a considerable degree of immobility.

After the German reunification social spending moved up for some years; since then under changing governments its overall size has been remarkable stable, moving in line with the yearly net-product. The bulk of the expenditure goes to the transfers systems; compared with the Scandinavian countries Germany's welfare state is still far less service oriented. The dilemma of the municipalities and districts – the biggest investors within the whole public system – is that the vast majority of them are since some decades in a chronic financial crisis due to the rising costs of personal services and the constant struggle with their role of financing the social assistance system. With the costs of local social policy measures compensating for effects of change and crisis in addition, depths in many municipal households have gone out of proportions. Many German municipalities are faced with bankruptcy. They are hardly able to finance those services, they are legally obliged to sustain.

On the level of the institutional architecture (for a more detailed overview see Schmidt 2005 and Hegelich-Meyer 2009) changes on its cornerstones are limited; with respect to social and health services (i) the project of expanding child care (as well making it an element of the school system where full day schooling is still an exception) (ii) of having created rights on long term care and especially having (iii) re-modelled the former social assistance system altogether with the labour market services into a much more work-centred system of last resort are the most important. It should be underlined that these changes brought along as well more competitive market and commercial elements into the public services, something in line with the general trend in the German welfare state towards upgrading private individual responsibility and marketising issues of health and social protection (e.g. an increasing role of state subsidised private old age insurance with a complementary reduced level of provision by the old age pension system).

More remarkable changes can however be found on the level of welfare discourses and dispersed innovative practices. By the latter point we refer to the increasing number of bottom up projects and experiments, as well as time limited top down programs in the wide landscape of welfare and integration services and the fields of urban revitalisation. Without changing yet the basic distribution patterns of overall welfare spending and the core routines of welfare bureaucracies, they have had an impact that differs depending on the respective policy field and area of welfare services (Evers 2010).

As to the discourses, the classical post-war welfare consent in Germany about extending rights and services in rather universal and standardised systems provided by a dual system of public authorities and rather professionalised welfare agencies as privileged partners has been questioned in the last decades from three directions. All of them are concerning (a) "*Leitbilder*" of welfare and services (b), the welfare mix, especially the division of responsibilities in the service systems between state and municipalities on the one and the third and business sector on the other hand (c), the concept of the user, as individuals, members of families and communities, co-producer, clients, consumers and citizens and

(d) the ways to interact with them – between expectations for compliance and cooperation, ideals of the citizen to be protected and the power of customers.

First of all, there is the legacy of the discourses on participation and democracy as they started in the early 1970s at a time when many new associations where founded; services were called to be better tailored to a more plural and multi-cultural landscape of needs and to aspirations for active participation, be it individually or in collective settings; up until today there are strands of change that aim at open up closed institutions, working with concepts of individual empowering community building, and citizens engagement; the field of urban housing and neighbourhood-revitalisation is one of the most prominent examples for the impact of the present civil society oriented discourse.

Secondly there is the legacy of neoliberal thinking and consumerism as it started off in the 1980s, calling partly for a straightforward privatisation of public tasks, partly for building in more elements of choice into publicly guaranteed services; users should be supported by associations that operate as lobbies and providers of counselling services for "consumer citizens" on welfare markets; users are addressed here very much as "economic men" to be stimulated or rather deterred by financial incentives that go along with steering systems; in recent years ideas and instruments for creating more choice have had an impact on designing the local provision of child care (advertising vouchers) but as well for legitimising the quasi-markets that have been opened up in elderly care.

Thirdly there has been a whole wave of concepts for strengthening economic considerations: on the level of individual organisations and service systems there has been an impact of New Public Management (NMP), especially when it comes to set clearer criteria for measuring efficiency and effectiveness; NMP has had considerable effects on the ways today in Germany not only public and local administrations are lead, but as well been influential on the styles of operation of the bigger third sector organisations in health and welfare. However a productivist orientation has as well been influential on the aggregate level of the welfare system, be it in education, health or family care; appropriate social investments (Evers and Heinze 2008) into human capital building and services that help to increase women's labour market participation should not only lead to higher levels of welfare but foremost stimulate the economy and safeguard competitiveness; the design of reforms in labour market services and social assistance in Germany has been very much influenced by such concepts that combine managerialism and activation.

Despite their differences these discourses as well share something when comparing them with the traditional widely held notion of welfare:

- in various ways they underline the role of people and users as active counterparts rather than mere citizens in need, to be foremost protected;
- with respect to issues of inclusion and poverty they are less concerned with levels of income poverty but more with socio-cultural dimensions such as degrees of education and social competence, intercultural understanding and general attitudes towards challenging environments;
- therefore in these discourses services as means for welfare policy get upgraded against mere transfer solutions;
- finally, they all operate with interactive service concepts that make the borderlines between the public sphere of organisations and professionals and the private sphere of individuals and families to be addressed far more porous.

2. THE FIELD OF HOUSING

German housing policy is characterised by a dichotomy of approaches: first, in a socio-political tradition, housing has always been seen as a social good rather than an economic good (Beyme 1999). Housing policy became part of a widespread social policy, especially due to the immense housing shortage in the post-war period (Heinelt and Egner 2006). Today, the German municipalities, the *Länder* and the federal government still act in this tradition, but – as it can be seen in other policy fields, too – more and more strengthen the role of the individual person rather than supporting the construction of social housing.

This leads to the second approach, which is set in the area of urban planning. Housing policy is also part of the urban development promotion programs (*Städtebauförderung*) that the federal government applied together with the *Länder*. These programs, the "Socially Integrative City" ("*Soziale Stadt*") being the most popular one, are seen as a means to counteract socio-spatial rifts in cities and to support participation and cooperation (Bundesministerium für Verkehr, Bau und Stadtentwicklung 2007). As well, these programs take into account the strong regional disparities in Germany that reach from housing shortages in some cities to vacancies in others.

In this section, we will refer to the given situation on the German housing market, the instruments of the German housing policy and its causes and effects, effects of social exclusion and recent trends in housing policy.

2.1. Demand and supply

Germany's housing market is characterised by the importance of private landlords rather than professional housing companies. Nearly 14 million of the 23 million flats let for rent in Germany are owned by private individuals, 10 million flats are administrated by housing companies. The group of professional housing companies in Germany can be differentiated into housing cooperatives, housing companies with municipal majority participation and commercial housing companies. This group takes care of 80% of the non-private housing stock while the rest is administrated by public housing companies that are in possession of the federal government, the *Länder* or the churches (Schader-Stiftung 2005a). Despite this situation, the role of internationally operating companies is growing. In 2005, for example, five German housing companies were bought by investment funds.

Overall, there are 40.1 million households in Germany (Bundesministerium für Verkehr, Bau und Stadtentwicklung 2010). As shown in Figure 1, the home ownership rate was 43.3% in 2009 and thus increased by 4.3% compared to 1998.

Figure 1: Ownership and rent in Germany
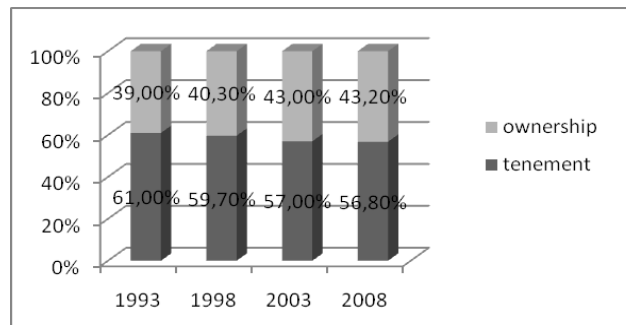
Source: own figure (data from Federal Statistical Office 2009).

Scanlon and Whitehead (2007) even find a 46% ownership rate but include shared ownership and equity (e.g. cooperatives) here. As shown in figure 1, there are significant differences between the former Eastern and Western part of Germany. Between 2003 and 2008, the numbers for the west remain nearly static. Accordingly, the increase of the ownership rate is only due to the growing number of house ownership in East Germany. The roots of this situation can be found in the different ways of support for tenement and ownership in the formerly separated countries but also in today's housing policy (Schmidt 2000).

Figure 2: Ownership and rent in East and West Germany
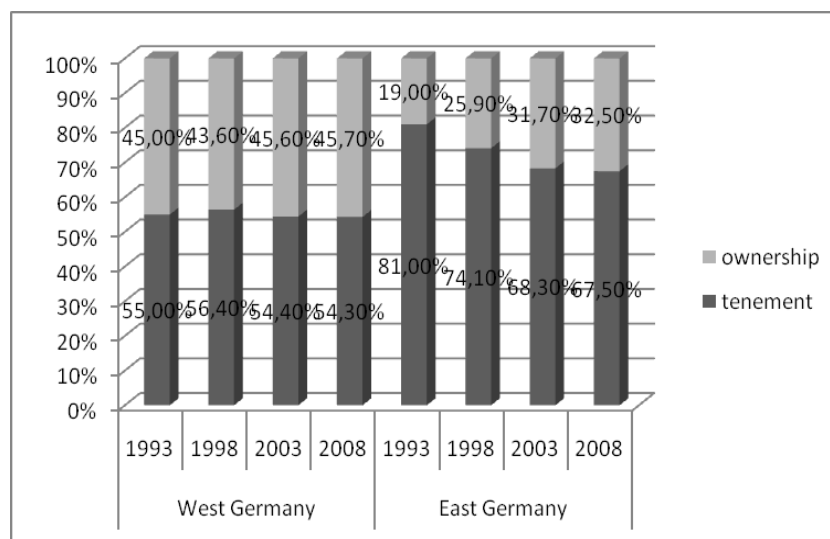
Source: own figure (data from Federal Statistical Office 2009).

According to Scanlon and Whitehead, 6% of Germany's rented flats are social housing, i.e. 1,800,000 units in total. Droste and Knorr-Siedow (2007) also refer to this number and add that there has been a significant decrease of social dwellings between 1987 (3,900,000) and 2001 (1,800,000). Again, there are differences between the former Western and Eastern parts of the country, e.g. in Berlin: in 2006, 9% of dwellings in former West Berlin were social housing but 24% in the former eastern part.

For decades, social housing has been organised in terms of state-aided building of houses. As Germany's social housing has always been organised market-based, housing companies or private investors got and still get cheap building credits and subsidies. In exchange, they

are required to operate the housing as social housing for a certain period (Droste and Knorr-Siedow 2007). The length of this period (the so called *Wohnungsbindungen*) was up to 40 years in the 1970s and 1980s and is 12 to 20 years now. The rent level is also regulated by law. Tenants only pay the economic rent (*Kostenmiete*). After that certain period, dwellings can be rented or sold freely on the housing market. Today, 100,000 dwellings a year lose their status as social housing. As subsidies for social housing decrease as well as the length periods, the social housing stock decreases significantly. Anyway, there is a lot former social housing that remains "quasi-social housing". Depending on the housing market in the actual city, companies and municipal housing societies often operate their housing stock to approximately the same conditions as social housing. This is more often the case in the cities that formerly belonged to the German Democratic Republic (GDR) where the role of the municipal housing companies was bigger. Additionally, the rent level is much lower in East Germany as there is a lot of vacancy. In 2002, 16% of dwellings were vacant; many cities constantly lose inhabitants (Schader-Stiftung 2005a).

"Real" social housing, though, has been undergoing a strong decrease during the last decades (Lenz 2007). It is no longer seen as *the* instrument of support for socially deprived people on the housing market. During the last years, there has been growing consensus among the political parties that it is more efficient to support people directly via housing benefits. Nevertheless, different actors on the housing market also agree that there still has to be at least a minimum amount of social housing to support those who are often seen as the "remaining clientele".

In 2001, German social housing legislation changed significantly. Support for low-income tenants was reorganised. The reform of the *Wohnraumförderungsgesetz* marks a shift from the provision of buildings (*Objektförderung*) to the support of people (*Subjektförderung*). Public welfare moved away from house building towards the direct support of people by giving them subsidies. Thus, the decline of social housing comes along with a rise of people who receive housing benefits as the number of people who cannot participate in the "normal" housing market is rather growing than declining.

Figure 3: Housing policy in Germany
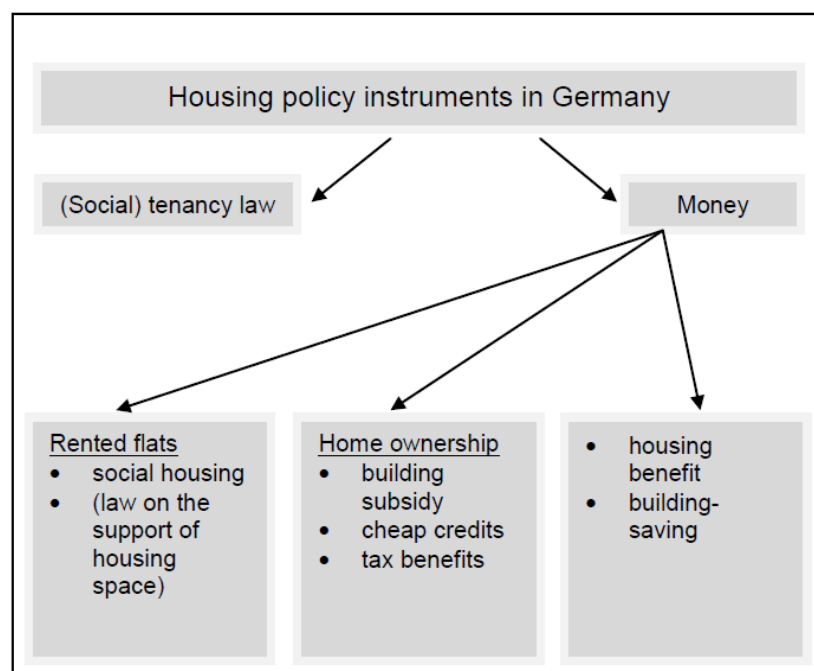
Source: own figure based on Heinelt and Egner (2006).

As shown in figure 3, one strong instrument of Germany's housing policy is money. While investments in the construction of social housings are decreasing, a lot of money is spent for housing benefits. If somebody earns less than 12,000 € a year (18,000 € for two people; some *Länder* have different income limits), he or she is eligible for social housing and can get a corresponding certificate (*Wohnberechtigungsschein*).

The other way of support for low-income tenants is housing benefits (*Wohngeld*). In 2009, 860,000 households (2,1% of all households) received *Wohngeld* (Federal Statistical Office 2010a). Eligibility is assessed in terms of income limits, number of people living in the household and level of rents in a certain city. As rent level differ from city to city, income limits vary across Germany.

Housing benefits are given to tenants as well as to house owners. In 2009, however, 90% of the people who received housing benefits were tenants. Despite the construction of social housing and the support via housing benefits, there is a third way of supporting low-income tenants and especially unemployed people. People who get unemployment pay cannot apply for housing benefits as their rent is paid anyway. In contrast to the construction of new social housing, there is a consensus among the political parties in Germany that housing benefits are a good instrument to support socially disadvantaged people (Heinelt and Egner 2006).

There are also subsidies for housing construction and purchase as shown in figure 3. Building-saving is supported financially by the government as well as the so called "*Wohn-Riester*" that combines retirement provision and house construction. In contrast, home owner's allowance was abolished in 2006. Anyway, there are still programs that support home owner, e.g. for renovation or the environmentally friendly generation of energy. Finance of housing construction is predominantly organised by means of credits from commercial or cooperative banks.

Housing in Germany is not proven or seen as connected to illegal activities. There are some illegal activities in this sector though that appear in the media from time to time, for example rent defaulters ("*Mietnomaden*") or squatter ("*Hausbesetzer*"). As for homelessness, Germany lacks official statistics. Nevertheless, there are well-grounded estimated numbers of different types of homelessness. Approximately 20,000 people do not have any kind of housing and practically sleep in the streets (Bundesarbeitsgemeinschaft Wohnungslosenhilfe e.V. 2009). A larger number of people live in insecure housing circumstances. Around 255,000 people do have roofs over their heads but are not living in their own homes or rented flats. This number includes all those who live with their families or friends or in asylums.

Summing up, it can be said that the German federal government and the *Länder* support both, house building and tenancy. A remarkable shift can anyhow be seen for the support of low income tenants who are supported directly and not via social housing space anymore.

2.2. Structure of the administration

Social housing and subsidies are regulated by federal law (*Gesetz über die soziale Wohnraumförderung*) that was applied in all of the 16 German *Länder*. However, German federalism has been reformed twice during the last years, in 2006 and 2009. In 2006, with *Förderalismusreform I*, responsibilities for social housing were completely assigned to the *Länder*. This shift of responsibilities takes into account that demands for social housing vary a lot among the federal states. The *Länder* have different problems on their housing

markets, varying from vacancy to housing shortages. Not all of the *Länder* have enacted own laws that differ from the *Gesetz über die soziale Wohnraumförderung* so far, so that variations within the country are not that large at the moment.

The *Länder* are thus the layer in the German political system where potential house builders and building societies have to apply for subsidies. Subsidies are given in the form of cheap credits, house building benefits, the acceptance of bails or cheap building areas (Schader-Stiftung 2005b). The *Länder* are financially supported by the federal government with 518,2 million € each year until 2013 (Bundesministerium für Verkehr, Bau und Stadtentwicklung 2011). As for the housing benefits, financial burdens are shared between the *Länder* and the federal government. In 2009, 1.56 billion € were spent for housing benefits (Federal Statistical Office 2010a).

The third layer, the local level, is also involved in social housing policy. People who want to apply for social housing or housing benefits have to do this at their local housing or social office. As well, the local municipalities do often own social housing (even though there is a growing privatisation in this sector) and are responsible for city and construction planning (Lampert 2007).

But the government and the *Länder* do not only cooperate in the field of social housing but also in other areas of urban development. The already mentioned development promotion programs that form the other part of the German housing policy include strategies and measures to support urban changes (Heinelt and Egner 2006). The most common of these programs is the program "Socially Integrative City," ("*Soziale Stadt*") that started in 1999. Its goal is to support districts with special development needs in German cities and was seen as a new, integrative approach towards to urban development (Bundesministerium für Verkehr, Bau und Stadtentwicklung 2007). However, in 2010, the funding for parts of the programs was cut; yet, it is unclear how the design of the "Socially Integrative City" is going to be in the future (Zimmer-Hegmann 2011).

Additionally, there are programs that focus on the special needs of some German areas, e.g. "Urban restructuring East" ("*Stadtumbau Ost*") that provides subsidies for the demolition of buildings and also demands a close collaboration between local councils and housing companies (Bernt 2009). The program thus takes into account that some East German lost more than 30% of their population between 1990 and 2005. "Urban restructuring West", which started in 2004, focuses on the strengthening of inner cities and town centres and the revitalisation of former industrial locations, e.g. urban derelict land (Bundestransferstelle Stadtumbau West 2011).

2.3. Housing in relation to social exclusion

Germany has faced a big discussion about the so called troubled neighbourhoods. Especially big cities are struck by the growing separation of neighbourhoods. Though this is not a new phenomenon, some new problems arose in the last decades: "structural unemployment" (Farwick 2007), low wages and the growth of welfare recipients led to new problems on the housing market.

In German cities, there are two trends that sharpen the problem of social segregation on the housing market: First, the gentrification is growing. Especially in big cities, lots of neighbourhoods have been valorised, old houses have been renovated. Afterwards, the rents were unaffordable for those social groups that had been living there before (Farwick 2007). Second, the number of social housing units decreased. This leads to the fact that the segment of cheap inner-city housing space continuously shrinks and people with lower incomes move to other quarters.

Social segregation, thus, grew. Farwick (2007) refers to the segregation index that has originally been developed by Duncan and Duncan (1955). The index refers to the amount of segregation in a city that can be 0 (no segregation, social mixture) to 100 (complete segregation). The numbers refer to the percentage of the population that would have to move within the city to achieve fully mixed population. Farwick found out that in nearly all German cities that he examined social segregation of welfare recipients grew between the middle of the 1990s and today. Krummacher (2007) describes the situation as a growing separation of "poor people neighbourhoods", "normal people neighbourhoods" and "rich people neighbourhoods". Or, as the German Institute of Urban Affairs (2003) puts it: Depending "on land prices and availability, rent levels, milieus and images, cities are increasingly dichotomising into low-income, socially disadvantaged neighbourhoods and privileged areas." In addition, "demographic trends have a spatially selective impact and increase the segregation effect." This separation is visible in lots of German cities today (Baum 2007) which has been a reason for the federal government to implement the program "Socially Integrative City" (see above).

Segregation on the housing market is not only perceived in terms of rich, normal and poor people's neighbourhoods but also has an ethnic dimension. As Münch (2009) says, the common idea in Germany's debate on the integration of the country's 6,7 million foreigners is that mixed and 'balanced' inhabitant structures serve as the pre-condition for their integration. Additionally, it is widely assumed that some immigrants withdraw voluntarily from mixed neighbourhoods and live in "parallel societies" (meaning ethnically homogenous neighbourhoods) as they can be found in some German cities. Anyhow, this assumption can be rejected as research found out that it is more likely that people from the same milieu live in one neighbourhood than people from the same ethnic background. As well, Loibl (2008) found out that migrants rather prefer to live in a mixed neighbourhood than among people with the same ethnic background.

In contrast to the public assumption that "parallel societies" are created by immigrants in order to stay within their ethnic group, the actual situation is more complex and can be structured rather in terms of differentiation in milieus than in ethnic groups. When it comes to the housing market, indications of stigma against specific groups of people can be found. As described earlier, quarters with formerly moderate rent levels in some German cities, e.g. Berlin or Hamburg, more and more attract young, privileged tenants and displace those who cannot afford the rent anymore. Especially in big cities, stigmata are attached to certain suburbs where the social mixture is very low, where crime rates are high and lots of people unemployed. Additionally, in some cities, the remaining social housing stock is not spread throughout the city but located in one area.

All in all, it is not easy to qualify or quantify the amount of stigma that is attached to a quarter or the people that live there. This is also due to the fact that, as Münch (2009) puts it, scientific research that focuses on the neighbourhood effects is almost totally neglected.

2.4. Recent trends and developments

During the last years, the German housing market has been undergoing some changes. A major element of the recent changes is the turn from state to market as a driver of innovation (Knorr-Siedow 2008). The state more and more withdraws from the social housing sector which leads to innovations by other actors from various sectors of civil society. Despite this development, the state is still very present in the housing sector which relates to the traditional German concept of housing policy being part of the social policy.

As well, there have been discussions about the privatisation of municipal building societies. Due to empty local coffers, lots of cities sell their tenements to private investors as mentioned above. This development was intensified by the pressure that the financial crisis imposed on lots of companies. Today, in some cities, we can see a comeback of the municipalities: Some municipal housing companies try to buy back parts of their housing stock, e. g. in Hamburg or Dortmund.

This is closely related to another problem: The big decrease of social housing cannot be counterbalanced completely by housing benefits. As cities still need social housing, they have to find ways to be able to guarantee a minimum level of social housing despite the privatisations. In Munich, one of the most expensive cities in Germany, the local municipality buys *Belegrechte* from private companies, which means that they get money to operate the tenements as social housing after the period that they have to do it. The problem is that, in the majority of cases, this solution costs more money than operating a local housing company.

Currently, German housing co-operatives have started to invest in community building by not only upgrading the standard of the housing facilities but by simultaneously taking care of the surroundings and hence neighbourhood of their real estate property. In some parts of Germany, particularly in Berlin and in parts of the Ruhr-area, they support civil society initiatives (voluntary associations, non-profit organisations) by providing grants and administrative support.

To sum up, German housing policy is not solely seen from the socio-political perspective anymore but also from a broader point of view that still includes the support of low-income tenants but also measures of urban development. On the one hand, these changes underline the increasing role of the individual-centred approach that can be seen in other policy fields, too. On the other hand, the implementation of programs like the "Socially Integrative City" underlines the fact that the federal government and the *Länder* open up for investigative policy approaches and apply new forms of governance. It remains to be seen, which effects the cuts of subsidies for the "Socially integrative City" are going to have and if they mark - at least in the field of urban planning – a change of approaches.

3. THE FIELD OF EMPLOYMENT

From abroad the German debate on labour-market policies may appear in an odd way: Since five decades a relatively short period of full employment marks the ultimate reference point for almost all stakeholders. Hence, the alignment of the field but also its cultural embeddedness has very much concentrated on *bringing people into work*. Furthermore, Germany's social security system that linked major benefits, such as healthcare and pensions, to people's jobs has forged an inseparable bond between employment and welfare. This has had an imprint on the sector. We will start with an overview on demand and supply rates (1); then, we will stress on the governance of the field (2) and access policies and indications (3); finally, recent trends and developments will be examined.

3.1. Demand and supply

In 2005 unemployment in Germany passed its critical stage. At that time, the labour market's service administration, the Federal Employment Agency (FEA), announced a jobless total of more than five million. This statistical peak had far-reaching political consequences. Germany's former social democratic chancellor Gerhard Schröder, who failed his promise to halve unemployment rates within his period of office, was not re-elected. The Christian Democrats (CDU) went into the 2005 election campaign by promoting the slogan "Social is what creates work" (*"Sozial ist, was Arbeit schafft"*) – a clear commitment towards workfare policies. The ruling parties' approach to subordinate all labour-market policy instruments under the task to put people on the labour market lead back to the so-called *Agenda 2010*. Passed by a coalition of Social Democrats and Greens in 2003 the agenda has been a paradigm shift towards economic growth and employability accompanied by considerably cuts in social security payments.

Historically, the rigour of the political discourse can be explained by the perceived normalcy of full employment. Since 1967 a situation, defined by unemployment rates of less than 2%, enjoys the status of a national aim, officially forced by a federal law. Although full employment has existed merely till the 1970s, since then, the assessment of Germany's labour market has to hold out the comparison with this supposedly glorious decade. With regard to this historical burden, today's demand and supply situation presents a mixed picture: From an EU-27-perspective, Germany belongs to the frontrunners with an actual unemployment rate of 7.6% (state: March 2011; merely the Netherlands, Austria, Luxembourg and Malta perform better). Though, the status quo of approximately 3.2 million unemployed is still far away from the self-imposed obligation of full employment. Especially, long-term unemployment has been a persistent problem: In 2006, 1.76 million persons were jobless since one year or longer in Germany – the highest percentage among all industry countries within the OECD. Though, the number is declining considerably; in April 2011 897,318 people were long-term unemployed. However, within the last decade, foremost the composition and quality of the jobs available have changed considerably. This can be demonstrated by the following facts that shed light on the details of recent demand-supply-rates:

- (Un)Employment per sector: Within the labour-leasing sector unemployment rates are out of proportion. There, socially insured work decreased about 25.3% in 2009. Especially, the labour-leasing and the highly export-dependent manufacturing sector suffered from the global financial crisis. On the other hand, the service sector is still booming. Jobs in the healthcare and social welfare sector increased about 3.8% in 2009; the same holds true for the

educational sector (+4.2% in 2009) (FEA 2010). In March 2011 the FEA registered more than 368,000 job vacancies.

– Less inclusive types of labour market participation: 12.5% of all persons (women-men ratio 3:1) who are able to work have small-income jobs without social insurance for an extra low tariff. These jobs are mostly generated in the maintenance and manufacturing sector and increasingly in the hotel and restaurant industry. 1.4 million of these 4.9 million low-income jobbers are dependent on complementary subsidies in order to reach the guaranteed social minimum (so-called *Aufstocker*) (FEA 2010).

– Gender balance: Since 2009 for the first time more men are registered unemployed than women; this shift is consolidating because women are still advancing at the labour market. Currently, 8.2% of the male and 7.5% of the female workforce are jobless (FEA 2011). Differences exists in terms of the percentage of socially secured jobs: 14.83 (54.2%) million men are employed within the scope of social insurance, the same holds true for 12.55 (45.8%) million women. In addition, women have much more often a part-time occupation than men (4.3 million to 0.8 million) (FEA 2010).

– Age: Generally, at the age of 50 the risk increases to become unemployed. In 2009 0.92 million (26.8%) of the 3,42 million unemployed were older than 50 years; however, unemployment of people under 25 is as well higher than average (14%). The percentage of long-term unemployed among people aged 50-65 is disproportionately large (36.6%). Consequently, this group depends more often on subsidised jobs and active labour market instruments (FEA 2010).

– Ethnicity: Migrants are two times so often unemployed (15.8%) than ethnics Germans (7.9%). Furthermore, 76.7% of the unemployed migrants have no professional training, in comparison to 37.1% of the unemployed German nationals. Among unemployed foreigners persons in the "best working" age (between 25 and 50 years) make up the biggest share (72.6%) (FEA 2010, 2011).

– Regional differences: Access to the labour market remains fairly uneven across Germany. Two aspects are most striking: First, a clear East-West division; while the unemployment rate in West Germany dropped to 6.4%; East Germany performs still relatively poor (12.4%) (FEA 2011). Second, the situation on the regional and local level is extremely different; some boom towns and districts in Bavaria and Baden-Württemberg achieve nearly full employment while jobless rates are persistently in two-digits in former working-class areas in North Rhine-Westphalia (West) and economically underdeveloped parts of Mecklenburg-West Pomerania (East).

3.2. Governance of the field

As elsewhere across Europe labour market policies have changed fundamentally in Germany within the last ten years. According to the overarching goal – increasing employability and combating unemployment – main policies were focused on people's workfare and activation strategies called "support and demand" (*Fördern und Fordern*). Basically, this clear-cut work-first strategy, introduced by the red-green coalition (1998-2005), has re-shaped interactions between labour market institutions and jobseekers. Short-term offers and low-income jobs gained importance in order to serve *clients* immediately but also to test their commitment and readiness to work.

These quick-fix measures were accompanied by a cut of public benefits and rights in case of long-term unemployment. Since 2005 the long-term unemployed receive – after dropping out of the unemployment insurance after one year – merely a subsistence income ("Hartz IV") of 364 € (to be paid out of the central state budget) plus costs for rent and heating (on average 360 € for singles, paid by the municipalities). This is on the level of

the former social assistance minimum, now only paid to those physically unable to work more than three hours per day. In this respect, work-first orientation means that most persons out of work are treated as "people able to work"; obliged to secure their livelihood by work.

This new and fairly rigid grasp on the long-term unemployed has been the consequence of modernising the governance architecture of the FEA that followed blueprints of New Public Management (NPM). The FEA functions as a key player that is working together with parts of the social assistance administration on the local level of municipalities and districts. However, modes of operation are designed on central levels and do not leave much leeway for local variations (Bode 2010; see also below). The FEA established as a rather hierarchical-structured non-governmental agency at the end of the 1920s consists today of a head office, 10 regional directorates and 178 local employment agencies. Being "a public body with self-governance" (www.arbeitsagentur.de, 23.03.2011), the FEA is co-governed by representatives from the side of employers, trade unions and the Federal Government. However, in 2004 the FEA lost its image as a corporatist bureaucracy and has been commissioned to become an effective and client-centred agency – being responsible for supporting and activating the unemployed. Nowadays, the renewed FEA, all times oriented on employability, is ruling the labour market through management by objectives.

At the local level, service structures in place are characterised by a quite complex system of shared responsibilities. There, FEA employment agencies provide services for short-term jobseekers that are entitled to receive (at least for one year) wage compensations (up to 67% of the last salary) financed by the federal unemployment insurance. FEA's services for the long-term unemployed are implemented in cooperation with the municipalities. New established job centres – a joint venture (so-called *Arbeitsgemeinschaften*) of FEA branches and local social security offices – are taking care of the "hard-to-place" unemployed. Within 69 so-called opting out municipalities (*Optionskommunen*) this task has remained in local responsibility. Job centres are responsible for the payment, profiling and case managing of the unemployed as well as for helping them to access additional services such as child minding or debt counselling. For special services, that ought to increase people's employability, job centres have own budgets at their disposal in order to engage placement-oriented providers (see below). Generally, the procedure of "client-facing" gets accomplished by case managers being responsible for the building of the respective service networks and links with business. However, the sheer number of clients (on average more than 70 per agent) handicaps the mission.

As already emphasised, external service providers are key actors at the local level to put activation policies into practice by offering various kinds of training courses. In this respect a creeping shift has taken place: Instead of local corporatist patterns and arrangements, marked by informal agreements with non-profit welfare associations, professionalised and increasingly commercialised purchaser-provider splits have emerged. The purchasers, the local job-centres are forced by central advice to put price competitiveness over issues of local embeddedness. In practice, integration aid (*Eingliederungshilfe*) for the long-term unemployed – a key instrument for short-term support and activation – runs the risk to become more an industry than a tailored program. Hence, meaningful empowerment that is based on a sound mixture of social services (e.g. debt counselling) and professional training becomes secondary, whereas a quick mediation of clients has prime importance (see also recent trends).

Taken together, the governance of the labour market has been streamlined and centralised according to the philosophy of activation, tightened in terms of actors' autonomy and adjusted towards immediate usable outputs – peoples' workfare. This approach tends to push a number of complex and sensible issues for people's reintegration into the labour

market such as a better cooperation between job centres and social services provided by municipalities or networks among all partners aside.

3.3. Access to the labour market

Since decades, the group of long-term unemployed has been persistently large in Germany; hence, one can speak of a specific handicap of the labour market. As figures demonstrate (see above), so far, activation policies have failed to pave the ways for these clients towards normal and sustaining working conditions. Instead, persons, being jobless since more than one year, face the peril to become enmeshed within a closed loop of programs and (temporary) low-income jobs that do likewise less for work-integration and for social support and inclusion. What characterises the clientele?

First, in 2009 on average 29.7% of all 3.14 million jobless were long-term unemployed; 53.8% of them longer than two years. The proportion between women (50.9%) and men (49.1%) is almost equally whereas the number of people aged 50-65 is disproportionately often long-term unemployed (36.6%). The same holds true for people without any professional training (50.6%). In addition, migrants suffer from long-term unemployment out of proportion (32.7%). In 2010, 616,000 single mothers and fathers, another risk group, received "Hartz IV" benefits. Finally, more youngsters under 25 than the official 14% jobless face transitional phases accompanied with vocational preparations, a.o. programs that keep them off the record of unemployment statistics but as well out of jobs (FEA 2010; Berlin Institute 2010).

Second, long-term unemployment often turns out to be a vicious circle: 40% of those unemployed who had found a job were again dependent on public benefits after one year (Hans-Böckler-Stiftung 2009). Those jobseekers that at least succeeded to become temporary employed, belong very often to the group of "working poor" (with an hourly wage of less 10 €) or receive the already mentioned combination of wage and complementary subsidies in order to reach the social minimum (up to 1.42 million persons in February 2011). Overall, one of the major problems with the "support-and-challenge"-approach is that total payments for passive transfers and benefits are still much higher than "activating" investments in support measures (in 2007 the relation was 68 billion to 15 billion) (Bach and Spitznagel 2008).

Access to the labour market in Germany differs as well in terms of the quality and the social protection gained from available jobs. In this respect, women are (on average) still discriminated against men. This is not only the case because women are in large proportions part-time jobbers (see above), but due to their low-income occupations in general. Approximately, one from three female full-time workers earn less than 10 € per hour. Out of the total workforce, up to two third of the low-income jobbers are female. On the other hand, women are still underrepresented in leadership positions. On average women occupied merely 29% of those jobs in 2008 (Berlin Institute 2008). While, in general, women's entering on the labour market has been celebrated as an overall success that excuses minor shortcomings (such as low wages) the absence of women in leadership positions has raised public attention as well as claims to introduce a proportion of woman in certain sectors by law.

Specific difficulties exist also for the employed elderly: once persons aged 50-65 drop out of the first labour market, they get often dependent on low-income employment and public support measures. Data clearly demonstrates that the percentage of this cohort benefiting from job opportunities (29.3%), integration aid (41.8%) and a subsidised income (47.5%) is out of proportion (FEA 2010). Politics have been already identified and tackled this problem; however, the success of tailored programmes such as "perspective 50plus"

has been insignificant so far – the program created 1,000 regular jobs within ten years (www.arbeitsagentur.de, 24.3.2011; see also below).

With regard to migrants there are as well high obstacles to get access to the German labour market. On top of persistent handicaps such as high shares without professional training migrants' parts of jobs is restricted by cultural cleavages. For instance, despite the fact that one out of five German citizens has a migrant background, migrants are rather marginalised within the public service sector. The issue has been promoted by the authorised agent for integration of the federal government recently; however, claims to introduce a quota of 20% have been rejected. Migrants (and foreigners) receive disproportionately often low-income wages (33.7%, only the percentage for unskilled workers is higher) (Kalina and Weinkopf 2010). Hence, migrants are three times more in danger of falling under the poverty line (60% of the average income) than German nationals. However, due to the high demand for skilled workers efforts to acknowledge foreign diploma get intensified.

3.4. Recent trends and developments

After sketching out the framework and key problems of the German labour market, this part identifies current trends in the field of (un)employment. Once more, we are drawing a rather mixed picture, consisting of undesirable developments on the structural level and occasional, mostly initiative-based, approaches that may be seen as promising. In particular, we will highlight five major trends:

First, times as in the early 1990s (shortly after Germany's reunification) are over where one had tried to create additional time-limited jobs by massive public programs, addressing the public and third sector organisations as employer. Today, job opportunities for long-term employed are often limited to so-called "One-Euro-Jobs" – a decreasing offer that is restricted to 20 hours per week with a symbolic payment of 1-2 € per hour. Former attempts to link people's reintegration by stimulating local economies and supporting social work integration enterprises (Bode *et al*. 2006) have been reduced and have a difficult time within workfare frameworks. What have been left are subsidies for any employer taking up long-term unemployed and debates on the need to enlarge the low-income-sector of the labour market.

Second, from a more detached perspective, one can classify Germany's labour market reform in 2004 as the bad merger of two world's rationalities: On the one hand, hierarchical dirigisme represented by the FEA and, on the other hand, efficiency-oriented marketisation in favour of "unemployment-profiteers". This kind of "industrialisation" of relationships becomes clearly obvious at the local level. Instead of "tailor-made activation services" (Van Berkel and Borghi 2008: 394), jobseekers are more and more confronted with delocalised and de-contextualised for-profit organisations that are highly professionalised in the skimming of public money.

Third, in the absence of political readiness to invest into obviously risky inclusion programs, which may pay off only in the long run, most services tend to be tailored to clients that are already nearer to the labour market. For the long-term unemployed, support is reduced to measures that often do not pursue any educational goal besides keeping them under control. Recently, e.g. reports on long-term unemployed being forced to simulate working processes within an artificial supermarket over months caused public attention. Beneficiaries of the "Hartz IV" payments face a bunch of awkward obligations (e.g. compulsory registrations or the disclosure of banking transactions and living situations) that touch their privacy noticeably. As a result, an underclass with downsized citizenship rights is emerging gradually.

Fourth, instead of an overarching concept for social inclusion a high number of loose instruments (currently case managers can choose among 42 measures) and projects emerged. Recent target groups that promise visible results in due time, have been (a.o.) persons aged 50-65 and young people without school-leaving qualifications. Characteristically, high-publicity initiatives function as a role model – such as "perspective50plus", a federal program to reintegrate senior long-term unemployed in certain regions. "Perspective50plus" refers to an official codex according to them all partners (case managers, local entrepreneurs, trade unions, welfare associations etc.) commit themselves to improve continuously the applied toolkit for bringing the jobless back into decent work. Furthermore, references to common values such as respect, partnership and innovation are made extensively within the program's codex (www.perspektive50plus.de, 25.3.2011). Concerning school dropouts a legal right has been introduced to receive extraordinary support for private coaching and tutoring in order to gain a school degree ex post. Here, sceptics refer to labour markets' structural constraints, foremost its dominating rationalities (e.g. willingness to perform, flexibility, etc.) that tend to keep any kind of outsiders at bay.

Fifth, the focus on employability and people's adaption to the rough reality of the labour market and its quest for employability has the inherited tendency to "blame the victim". People are responsible for success or failure. However, a group released from the "moral duty" of being oneself responsible for one's fate are children and youngsters. The offspring of the unemployed are regarded as deprived in terms of their chances for a "good childhood". Hence, the Secretary of Labour promoted the creation of "equal opportunities", defined as children's access to social and cultural activities and for being tied to lesser degrees into the binding networks of weak and failed families. All kinds of special public child supports to be handed out to them directly are debated here. Suggestions to equip unemployed parents with vouchers, to be used by their kids, e.g. for sport, or to provide them with a so-called "Hartz IV-Card" that allows access for benefits like free meals in schools.

4. THE FIELD OF CHILD CARE

Preschool education is a label that is not much used in Germany; so far the common terms have been child care and kindergarten which are non-compulsory services in Germany. The field has changed profoundly during the last two decades. Due to the fact that the *leitbilder* of the families' role and the state's job in child care in West and East Germany were traditionally opposing, part of the changes and the new status quo is closely linked with the German unification process. In this section, distinctive hallmarks of German preschool services will be portrayed. While doing so, we concentrate on four snapshots: the given demand and supply and its historically origins and shortages (1); the governance of the provision of child care (2); access policies and (regional/qualitative) differences (3) and current trends that determine debates and practices in the policy field (4).

4.1. Demand and supply

Today's German preschool system has come a long way with different points of departure in West and East Germany. The former historically attached a low profile to public child policies, regarding child care as a private and female domain; the latter provided access to public kindergarten for more than 60% of its offspring already in the 1970s. In the GDR, women and mothers were perceived as full-fledged workers that should be employed full-time. A comprehensive system of public child care was seen as a precondition in order to safeguard a socialist socialisation. In West Germany child care belonged strongly to the realm of the family and this remained the guiding principle until the late 1960s. However, in the course of modernisation, due to women's entering on the labour market, a process set in that gradually changed the former male-breadwinner family model into the now prevailing one and a half one where mothers' work additionally without paid work been so central for their biography as for men (Evers and Riedel 2002).

An additional push concerning guiding images and qualitative issues of child care came from progressive parents. The scarce, often church-related, child care provision became changed and was expanded by the so-called *Kinderladenbewegung*. This movement invented new pedagogical concepts and thus contributed to the opening of the deeply cultural embedded role model of family care. Finally, in the 1980s almost 80% of children aged 4-6 in West Germany attended a kindergarten at least half a day (ibid.).

Until today, there has been a drastic expansion of child care; however, the balance of budget did not change that much. Child care allowances (38.8 billion € p.a.) and tax benefits for married couples (20 billion € p.a.) (main forms of family support) are together still more than five time higher than child care expenditures (11 billion € p.a.).

Splitting up the landscape of service providers that run the around 50,000 kindergarten in Germany, the prominent role of non-profit welfare associations is outstanding. The welfare associations and (parent-driven) initiatives are caring up to 60% of the kindergarten (in a relation of 5 to 1) whereas 39% of them are provided by local authorities (numbers for East Germany are much higher, see Zimmer and Priller 2004). Supply by childminders is a well-known but minor contribution (15% of the children were cared by child minders in 2007). For-profit providers run just 1% of all child care facilities. In this sector with a long tradition, commercial offers are still seen as unusual and they would have difficulties to cope with a regulation where non-profit providers contribute by own resources to the financing.

Switching over to the demand side, change has been incremental since the establishment of public child care for children aged 3-6 as a legal right in 1996. Three waves of dealing with parents' demand on child care can be distinguished:

- First, the expansion of kindergarten provision for children aged 3-6. Making half-day care to a national standard and guaranteed right had been a major challenge for the responsible municipalities; however, this mission has been (more or less) accomplished. In 2009 92% of all children aged 3-6 attended a kindergarten (differences between West and East Germany are insignificant). Though, one has to keep in mind that the bettering of the supply rate is pushed by a steady tail wind: the cohorts of children are shrinking in most regions of Germany.
- The second wave was (and still is) much more about satisfying parents' uneven demands and needs In the face of modern working life realities, issues such as lunch offers, over-noon- and full-time care have gained importance. Concerning the numbers of children aged 0-6, benefitting from full-time arrangements, differences between East Germany (62.4%) and West Germany (19.9%) are still remarkable (Federal Statistical Office 2009).
- The third wave has not ebbed away yet; it deals with care arrangements for children aged 0-3 – a cohort that (at least in West Germany) had hardly contacts with public child care in the past. Here, the expansion of provision has become a national goal; due to the fact that from 2013 onwards parents will have a legal right to early child care facilities. According to cautious estimations, nationwide 38% of the parents may be willing to use local arrangements. Compared to this level, West Germany is lagging with more than 320,000 missing crèches places (Federal Statistical Office 2010b).

Basically, preschool arrangements are fee-based services in Germany; however variations exist between the municipalities and the *Länder*. Parents' contributions for child care depend mostly on the family's yearly income. Hence, the status quo across Germany is a *patchwork*, reaching from services free of charges (as it is the case in Rheineland-Palatinate) till the exceeding 5% of the gross income. Average wage earners (45,000 € gross income p.a.) pay 814 € per year for one child (www.insm-kindergartenmonitor.de, 25.3.2011). The patterns of fee paying for early child care is even more non-transparent; here, competing public and private providers charge very different amounts (up to 500 € per child/month). Systems that allow parents to redeem vouchers exist so far merely in the city states of Hamburg and Berlin (for kindergarten supply) and the city of Heidelberg (for crèche supply).

4.2. Governance of child care provision

The governance structure for child care in Germany is decentralised. The loose federal framework varies due to uneven regulation laws within the federal states (*Länder*). Actually, the responsibility for provision lies at the municipalities. Financially, the local level shoulders together with the *Länder* (in a relation of 4 to 1) the lion's share of child care costs, e.g. 11.1 billion € in 2006. Municipalities are also the key actors in the governance of local welfare mixes concerning child care provision. This kind of decentralisation is constitutionally rooted in the principle of subsidiarity that gives clear priority to local welfare providers. On the local level, the central institutions are *Child and Youth Welfare Boards*, whose members – large welfare associations, representatives from the municipalities and parents' association – are in charge of planning the offers on preschool facilities.

Traditionally, these governance bodies, representing a type of local corporatism (Evers *et al*. 2005), have much autonomy in the governing, regulating and developing of local patterns of child care provision. Governance is fairly different and more or less innovative across Germany. In the city of Frankfurt, for instance, local planners decided early to use provider pluralism in a way that made parent-driven kindergarten to the frontrunners in terms of more flexible and need-based caring offers. Today, while the city is challenged by the planned expansion of crèche places, the boosting of parent-run initiatives proved to be wise. The expertise of the nowadays highly professionalised partner organisations is a key resource for the municipality (Riedel 2009).

Especially with regard to the drastic extension of crèche supply good local governance relationships turn out to be a valuable resource. Here, new forms of co-operation, e.g. public-private-partnerships, are promising that go beyond the institutionalised routines of the Child and Youth Welfare Boards (that often no longer represent the pluralism of today's child care providers). In this respect, blueprints of good local governance emphasise municipalities' roles as pacemakers and mediators of reform: be it in giving legal advice for start-up providers and the merging of strategic partnerships or be it in the building of informal networks and forums that agree on specific local demands (ibid.).

Within the last years the municipalities increasingly switched into the role of *performers*, that are obliged to implement federal government's target-driven child care policies. While still enjoying much autonomy how-to-realise decent child care arrangements, the local level is confronted with top-down decisions concerning its overarching targets. This could be exemplified by Federal government's legislative offensive, passed in short time intervals, to extend and improve early child care facilities across Germany:

- The *Tagesbetreuungsausbaugesetz (TAG)* in 2005 charted the course by forcing municipalities to set up 230,000 new child care places for children aged 0-3 until 2010. This ambitious goal was foremost a stress test for cash-strapped communities in West Germany; e.g. in North Rhine-Westphalia (the most populated *Land*) more than 50,000 places were missing (Federal Statistical Office 2010b). Even worse is the situation with regard to childminding offers. According to the law, municipalities should upgrade one third of their overall demand with childminders.
- The implementation process of the TAG was supported by extraordinary investments by the federal government. The *Kinderbetreuungsfinanzierungsgesetz* in 2007, both, disburdened municipalities and urged them to accelerate their efforts to establish new crèches by providing a budget of 2.15 billion € plus 1.85 billion € for additional personnel costs.
- In 2009 central interventions were even intensified by the *Kinderförderungsgesetz (KiföG)*. The federal law has sharpened the targets by jacking up the demand on crèches places up to 400,000 (till 2013) and granting parents a legal right for early child care from 2013 on. Furthermore, the *KiföG* welcomes the inclusion of company-driven kindergarten and commercial providers – a recommendation that reminds communities to revise their routine governance patterns of excluding basically these types of providers. In the medium-term, communities' governance role in child care becomes also affected by modified financing competences that may shift political power from the bottom to the top: From 2014 the federal government will subsidy pre-schooling with a yearly amount of 770 million €.

Altogether this is a real shift of policies from being family-centred towards a focussing on supplementary services. However, this development towards more public and professional child care is not totally uncontroversial: the upcoming right of a crèche place in 2013 will

be accompanied with small subsidies (130 €) for parents per month for those who decide to care themselves for their under-3s at home (*Betreuungsgeld*).

4.3. Access policies and significant regional differences

Formally, parents in Germany not only enjoy the legal right to child care but also freedom of choice with respect of providers (so called *Wunsch- und Wahlrecht*). Parents can choose among kindergarten according to their own criteria such as pedagogical profiles, accessibility, group sizes or fees. However, in reality these rights are de facto constrained by the given supply conditions. Exercising the right of public child care depends on one's residence and social status. Due to the fact that mostly demand exceeds supply, parents' mobility and affluence often make a subtle distinction regarding actual choice opportunities. Socially deprived groups, e.g. single mothers and fathers, unemployed and immigrant parents, often struggle to get any kindergarten place but hardly have the means to find tailor-made caring arrangements (Bien *et al*. 2005). Empirically, the same clientele is relatively underrepresented in local governance boards and parent-run child care initiatives.

There are huge regional differences with respect to both, demand and supply. A relative high supply rate may go along with a still considerable caring gap due to an even higher demand. A low supply rate in a rural area may mirror different cultural habits where so far most of the children have been child cared at home. According to the so-called *caring atlas*, compiled by the German Youth Institute, the differences in supply are as follows:

- Concerning children aged 0-3 East Germany's *Länder* (48.1%) have a higher supply rate than the Western *Länder* (17.4%); though, the general picture covers enormous regional differences, e.g. in Heidelberg, a city in the Southwest, 35% of the under-3s attend a crèche, whereas in some rural areas in Lower Saxony, North Rhine-Westphalia and Bavaria the proportion of children enrolled in a crèche lies under 5% (Hüsken 2010; BMFSFJ 2011).
- Childminding, as an alternative to public early child care facilities, remains low. Merely 14% of all children aged 0-3 across Germany are being cared by child minders. However, numbers in low populated areas in the Northwest, where access to Kindergarten could be difficult, are much higher, e.g. 30% and more in Schleswig-Holstein and Mecklenburg West Pomerania (Hüsken 2010).
- As already mentioned, access to day-care-centres is very uneven for children in West and East Germany. There, two third of the under-3s being cared for at least seven hours per day in comparison to just one third of their Western contemporaries; once more huge regional differences exist: in some districts of Thuringia up to 80% of the children aged 0-3 attend a crèche all day long whereas in Western rural districts numbers are occasionally under 5%. With regard to children aged 3-6 merely 22.4% attend day-care centres in West Germany (ibid.).

Access to child care facilities differs as well in terms of quality aspects such as child-staff ratio, nursery group sizes or rather the composition of nursery groups. Empirical findings underpin that early childhood settings vary enormously (Leu and Schelle 2009).

- Nationwide, nursery teachers are responsible for 3 to 9.5 children aged 0-3 attending a crèche (full-time); whereas the recommended child-staff ratio of 1:3 (see Bertelsmann Stiftung 2009) is merely reached in the Saarland. Generally, the status quo in the Eastern *Länder* is less good with a child staff ratio of 1:6.5. This holds also true for children aged 3-6, where on average

- nursery teachers are responsible for three more children than their Western colleagues (Hüsken 2010).
- When it comes to group sizes, normally 8 to 10 children form a nursery group. Findings for East Germany are mixed: while in low-populated parts less than 8 children form a crèche group, in other regions numbers go up to 14 children on average. Kindergarten groups vary between 18 children (East) and up to 24 children (West) (ibid.).
- Quality of child care arrangements could be measured as well in terms of nursery teachers' qualification. Despite a gradual professionalisation process (see next part) remarkable differences remain between West and East Germany. In the Western *Länder* on average 66% of the personnel are qualified childhood educators; in comparison, the percentage in the Eastern *Länder* lies over 90% (Leu and Schelle 2009).
- Finally, nursery groups across Germany are extremely differently composed in terms of children with migration backgrounds and German language skills. Concerning crèches, groups are very homogenous in the Eastern *Länder* with small proportion of migrants anyway (under 5%). The opposite is the case for the city states (Berlin, Hamburg and Bremen), where between 27.9% and 29.4% of the children aged 0-3 have a non-German background. In Berlin 18.3% of the under-3s do not speak German in their families. The proportion of migrants is also high in large-area and high-populated *Länder* as North Rhine-Westphalia, Baden-Württemberg and Hesse. However, there, children with a migrant background are concentrated in rather few crèches where Germans form just another minority then, making any inclusion and integration effort impossible (Leu 2007).

4.4. Recent trends and developments

What are the major issues within the ongoing German debate on pre-schooling? This part sheds light on recent developments within the policy field. In the following, we will concentrate on four trends concerning the governance as well as the thematic orientation of child care facilities.

The first trend touches the balance of power within a field of de-centralisation. Since we have already stressed on the process of centralisation in child care in detail, at this stage, we just identify a creeping shift of competences towards the central level. As emphasised above, this overarching trend is about readjusting the governance of child care arrangements by mitigating the impact of local corporatism. While the latter gave much leeway for informal participation by local authorities, providers and parents, nowadays quasi-markets and competitive purchaser-provider splits gain importance. Taken federal government's permanent subsidies from 2014 into account, a further streamlining of child care provision seems likely.

The second trend concerns the revision of pedagogical concepts. Nowadays as well in Germany child care is more associated with education and schooling. Expansion of child care is seen as a promising antipode against the social and cultural inequality of family backgrounds. The still ongoing debate has been nurtured by scientific insights on learning in early childhood and Germany's poor performance at the first Programme for International Student Assessment (PISA) ten years ago. Though, two different threads have to be distinguished: On the one hand, the political conflict on how to increase early child care nationwide in due time which is much about quantity but less about quality aspects. On the other hand, the professional discourse concerning the invention of pedagogical practices that are more about social investment via early childhood education (Leitner *et al*. 2008). The latter combines approaches of *educare* based on the conviction that under-

3s need early impulse beyond the realm of the family to develop cognitive and emotional skills. With an eye on the increasing proportion of children from migrant families in nursery groups, tackling German language deficits has become a priority (Leu and Schelle 2009).

The underline third trend deals with the upgrading of services of family support. Instead of more substitutive offers, primarily orientated on better work-life-balances of parents, the accent is now more on the uplifting of children rights and competences to be promoted as well by empowering the families. In a similar vein as UK's Children Centres, so called family centres in Germany also attempt to teach "the most disadvantaged, hard-to-reach parents" (Lewis 2011: 75). Therefore, family centres are thought of as vibrant cross points that combine a bunch of services. Hence, existing kindergarten may get expanded towards network institutions (Peucker *et al*. 2010) that support young parenthood in terms of informal integration, poverty and health prevention and need-based education.

The fourth trend is closely connected with the two previous ones. By reshaping the means and aims of child care, challenges for early childhood educators become much more complex and comprehensive. However, the professionalisation of an occupation that was hardly seen as a profession but was dismissed for a long time as a rather unqualified part-time job is still in its infancy. As a starting point, experts made demands to revalue early childhood education by expanding professional qualifications, establishing advisory networks for pedagogical staff and increasing earning potentials (Leu and Schelle 2009). Despite a few pioneering initiatives to establish respective study programs at colleges of applied science, a change towards better qualified and better paid pre-school teachers in short term is unlikely. There is a main and simple reason: scarce public budgets.

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THE WILCO PROJECT

Full title: Welfare innovations at the local level in favour of cohesion
Acronym: WILCO
Duration: 36 months (2010-2013)
Project's website: http://www.wilcoproject.eu

Project's objective and mission:

WILCO aims to examine, through cross-national comparative research, how local welfare systems affect social inequalities and how they favour social cohesion, with a special focus on the missing link between innovations at the local level and their successful transfer to and implementation in other settings. The results will be directly connected to the needs of practitioners, through strong interaction with stakeholders and urban policy recommendations. In doing so, we will connect issues of immediate practical relevance with state-of-the-art academic research on how approaches and instruments in local welfare function in practice.

Brief description:

The effort to strengthen social cohesion and lower social inequalities is among Europe's main policy challenges. Local welfare systems are at the forefront of the struggle to address this challenge – and they are far from winning. While the statistics show some positive signs, the overall picture still shows sharp and sometimes rising inequalities, a loss of social cohesion and failing policies of integration.

But, contrary to what is sometimes thought, a lack of bottom-up innovation is not the issue in itself. European cities are teeming with new ideas, initiated by citizens, professionals and policymakers. The problem is, rather, that innovations taking place in the city are not effectively disseminated because they are not sufficiently understood. Many innovations are not picked up, because their relevance is not recognised; others fail after they have been reproduced elsewhere, because they were not suitable to the different conditions, in another city, in another country.

In the framework of WILCO, innovation in cities is explored, not as a disconnected phenomenon, but as an element in a tradition of welfare that is part of particular socio-economic models and the result of specific national and local cultures. Contextualising innovations in local welfare will allow a more effective understanding of how they could work in other cities, for the benefit of other citizens.