

Germany

INCLUSIVE LABOUR MARKETS: ENSURING NO ONE IS LEFT BEHIND



Authors: Chiara Crepaldi (IRS), Verena Liessem and Philip Hagedorn (Caritas Germany)

Caritas Europa coordinator: Lucy Anns

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About this report

Caritas Organisations are essential actors in the fight against poverty and social exclusion, and the striving for social justice. They do so by assisting and providing services to people in need, as well as by presenting alternatives to address unfair structures, policies and measures.

The Caritas CARES poverty reports are an important instrument in this endeavour. Caritas informs local, regional, national and European authorities and formulates recommendations, based on its daily work with people experiencing poverty. Caritas CARES poverty reports support the advocacy efforts of Caritas at national and at European levels and ensure that the voices of the most vulnerable members of our societies are heard.

The focus of this edition is on inclusive labour markets and social economy as part of national social models. The report focuses particularly on the challenges that should be urgently tackled to make labour markets more inclusive and to promote the social economy, making use of selected Sustainable Development Goals (SDGs) and targets on poverty and employment as reference frameworks and based on Caritas Europa's vision for sustainable social models, as well as existing EU and Council of Europe processes, programmes and legal instruments.

This report has been realised on the basis of a questionnaire, designed in consultation with the participating member organisation.

About Caritas Germany

The *Deutscher Caritasverband* (subsequently Caritas Germany) is one of the biggest welfare institutions in Germany. It has services and institutions in nearly all social fields: healthcare,

children and youth, families, elderly persons, people with disabilities, and others.

A special focus of Caritas' activities is directed towards the poor and socially- excluded.

Caritas Germany supported over 13 million beneficiaries in 2018.¹ Beneficiaries are all those coming to Caritas offices or institutions in search of advice, help or services.

Caritas Germany also invests in social-political monitoring. Being in contact with operators providing Caritas services, through their feedback and through the examination of the political debate and official data, Caritas Germany observes and analyses the development of social exclusion and poverty in Germany, by asking and answering the questions: What are the most pressing issues? What political initiatives have been introduced and what is their effect on vulnerable people? Caritas Germany also undertakes political lobbying and is involved in other policy activities. Caritas Germany develops policy proposals based on this knowledge.

The impact of the COVID-19 pandemic on Caritas services

The pandemic has hit all of society, but as in most crises, the poor and socially-excluded have been hit especially hard. They often have no means of coping with the consequences of the pandemic, both financially and socially.

Among those impacted, children in vulnerable situations have been particularly affected by the consequences of the pandemic. They have suffered from the closure of schools and they often were, and still are, not sufficiently

equipped to follow lessons online due to lack of competence at using digital devices and limited support offered by parents. Caritas has been offering them specific support aimed at limiting emerging educational differences. Others have also been severely affected. Homeless persons, for instance, were especially affected when they were living on the streets or in need of shelter.

The pandemic also influenced access to the services of Caritas. Some organisations were not allowed to offer their services due to the contact restrictions. Others had to rearrange their entire organisation. Many counselling services, which normally work directly with people, had to be quickly digitalised. This, however, has had shortcomings because not all the (potential) clients have/had access to digital devices. Furthermore, many new problems and topics of counselling arose and had to be catered for.

¹ Beneficiaries are all those coming to Caritas offices or institutions in search of advice, help or services.

‘As a homeless person, one faces unique problems at times, like during this Corona pandemic: a sudden, unmediated life of social marginalisation/exclusion, being left alone and on one’s own. During the first lockdown, everyone was surprised that the offices of public authorities were closed and that social benefits were no longer being paid. Homeless people on the streets have stayed together – but keeping a distance, alone, so as not to infect themselves as they are a special risk group, often with pre-existing conditions. Insecurity and fear have prevailed; it’s about survival and the provision of the necessities for survival.... There are no more handouts, no refundable bottles to collect. There is no more human contact on the street because everyone is told to stay at home! ‘But how am I supposed to stay at home as a homeless person? I don’t have a home!’ Fortunately, there are Caritas relief organisations that remain open, that provide daily information on the situation and provide packed lunches, drinks, meals, hygienic articles and face masks. Much is now being organised by the counselling centres. The counselling centres can be entered individually for advice, to shower, change clothes, or for ambulant medical care.... Due to the hygiene regulations/distancing rules, shared accommodation can only be 50% occupied, tests for the Coronavirus have to be carried out regularly, for the self-protection of the residents and the staff present there. Alternatives are vacant youth hostels, hotels, campsites, outdoor pools where sanitary facilities are available. In times of need, sleeping bags, sleeping mats, tents and camping cookers have been distributed, as well as food vouchers and Caritas takes care of social assistance payments, stepping in for the closed authorities.... Hot lunches are organised, in accordance with hygiene regulations, in the seminary in Cologne. Every day, over a hundred needy come for weeks, forming long lines and waiting for admission... With all this, including its outreach work, Caritas has shown that it continues to personally be there for these people, that it sees them and looks for them. We keep an eye on them in their distress, which has been further exacerbated by Corona, we do it in person, at eye level and we do not leave them alone!’

— Andreas Sellner, Caritas in Germany, diocese of Cologne

Contacts

Contact person: Philip Hagedorn (EU office)

E-mail: philip.hagedorn@caritas.de

Telephone: +49 761 200 702

Contact person: Dr Verena Liessem

E-mail: verena.liessem@caritas.de

Telephone: +49 761 200 484

Department for social policy and social innovation:

Contact person: Dr. Thomas Becker

E-mail: thomas.becker@caritas.de

Telephone: +49 761 200 245



Frameworks for an inclusive labour market

Within Catholic Social Teaching, there is a recognition that economic activities must operate within a broader moral framework of honesty and accountability, respect for human dignity, fairness, and a vision of integral and authentic development that goes beyond mere material profits. The economy must serve people, not the other way round. Work is more than a way to make a living; it is also a form of participation in society. If the dignity of work is to be protected, then the basic rights of workers must be respected – the right to productive work, to decent and fair wages, to the organisation and membership of unions, to private property, and to economic initiative. In the final statement of Pope Francis' *'Economy of Francesco'*,² it is stated that 'the right to decent work for all, family rights and all human rights [must] be respected in the life of each company, for every worker, and guaranteed by the social policies of each country.'

These rights are also enshrined in the Sustainable Development Goals (SDG 8), the International Labour Organisation Conventions, the European Charter of Fundamental Rights, the European Social Charter (r), and more recently, the European Pillar of Social Rights (EPSR) (2017). The 20 principles of the EPSR are what guides the Member States towards a strong social Europe that is fair and inclusive.

For Caritas, respecting the rights and dignity of every worker necessitates a human-centred economy, founded on the 2030 Agenda and the SDGs, which puts people and the climate at the centre of the economic system and is based on an understanding of how the economy, climate and social rights are interlinked and interdependent. It is a sustainable and inclusive social model, which does not consider economic growth as an end in itself, but rather as a means for social and environmental

2 Pope Francis (2020), The Economy of Francesco, 21 November 2020. See www.francescoeconomy.org/final-statement-and-common-commitment (Accessed on 26/06/2021) Accessed on 2 September 2021

progress in combination with climate protection. Human-centred economic policies are therefore based on an assessment of social and environmental needs and boundaries, and are developed with the common good in mind to deliver benefits for people and for the planet.

employment, and quality services remain mandatory objectives for every economic system oriented towards justice and the common good. Inclusive labour markets, therefore, recognise the value of work and people's contributions to society.

An essential element of a human-centred economy is an inclusive labour market, one of the pillars of the Caritas social model. Active inclusion, adequate income, sustainable

| Photo: Young person in training. Source: DiCV Münster, Harald Westbeld



SECTION 1:

Current challenges in the German labour market

1.1. The labour market: pre- and post-pandemic

1.1.1. The evolution of the socio-economic context

The German labour market went through a phase of prosperity in the last decade with increasing employment rates, particularly in the case of women. According to Eurostat statistics,³ between 2010 and 2020 the **employment rate**⁴ in Germany rose from 75% to 80% (compared to the EU 27 average of 72.4% for 2020). In the same period, the female employment rate⁵

increased from 69.7% to 76.9% (compared to the EU 27 average of 66.8%). However, the figures relating to the third quarter of 2020, which reflect the initial effects of the COVID-19 pandemic, show a reduction in the employment rate of -0.2 percentage points (pp) when compared to the third quarter of 2019, while for women the positive trend continued (+0.5 pp).

3 For more information, go to <https://ec.europa.eu/eurostat/web/main/data/database>

4 % of population aged 20-64.

5 % of females aged 20-64.

Between 2010 and 2020, the **unemployment rate**⁶ fell from 7.0% to 3.7% (compared to 6.9%, the 2020 EU 27 average), but the figures relating to the third quarters of 2019/2020 show an increase in the unemployment rate from 3.0% to 3.5% (+ 0.5 pp). For women, the increase was slightly higher (+0.8 pp).

Concerning **youth unemployment**,⁷ over the last decade (2010–2020), it was, and has remained, much lower than the EU average. While in 2010, youth unemployment was at 9.8% (compared to 21.5%, the EU average), this decreased to 7.5% (compared to 16.8%, the EU average) in 2020. As far as female youth unemployment is concerned, it is interesting to note that in Germany it has remained below the rate for men. In 2010 it was 8.8% (compared to 10.7% of males, and 20.9% at EU level), and it dropped to 6.8% in 2020, below the male rate (8.0%) and the EU average (16.7%). Over the same period 2010–2020, the **employment rate of the population aged 15–24**⁸ did not increase in the same way as that of the overall working population. Eurostat data indicate that the increase for young people between 2010 and 2020 was only +2 pp, from 46.2% to 48.2%, a small increase but nonetheless much higher when compared to the EU average, which decreased by 0.2 pp. during this decade (from 31.7% to 31.5%).

As revealed by the 2020 European Semester country report,⁹ presented before the COVID-19 pandemic at the end of 2019, German economic growth was already experiencing a marked slowdown, but despite this negative trend, labour market performance remained remarkably strong. Job growth continued in the services sector, which is characterised by labour shortages, in particular in sectors such as health, care and personal services, but also in more vulnerable sectors such as the automotive sector.

The labour market has flourished over the past five years, with an increase of fully socially-insured workers and a decrease in precarious labour, such as involuntary part time labour or labour-leasing, but in some sectors, an increase of people working for low wages has been registered.

6 % of active population aged 20–64.

7 % of active population aged 15–24.

8 % of population aged 15–24.

9 COMMISSION STAFF WORKING DOCUMENT, *Country Report Germany 2020* from 26 February 2020 (Accessed on 18/10/2021), accompanying the document SWD/2020/504 final.



Photo: Young refugee in training. Source: DiCV Münster, Harald Westbeld

1.1.2. Challenges in the labour market for vulnerable target groups

Even in this quite positive context, for **migrants, refugees, people with a low level of education and the long-term unemployed, the situation has remained difficult when it comes to the labour market.**

Germany is characterised by a significant inbound migration, with third-country national workers mainly reaching the country as asylum seekers, and EU migrants mainly immigrating for labour-related purposes. Both groups fill significant gaps in the labour market. The **third-country nationals'** unemployment rate has remained almost double that of Germans,

and the former have generally been integrated into low-pay sectors and positions. Even with rising shortages of skilled workers, migrants are struggling to find employment, if they lack or have an insufficient knowledge of German. Moreover, there are difficulties in the recognition of their qualifications. The difference between EU citizens and other migrants is that EU citizens are entitled to free movement and face fewer legal hurdles.

Asylum seekers often do not have full access to the labour market. Their right to work depends on their residence status and approval by

the employment agency, which checks the employment conditions. Recognised **refugees**, however, have free access to the labour market but still have a higher-than-average unemployment rate. Rejected asylum seekers are obliged to leave the country, but some try to acquire the right to remain through integration into work.

For **people with a low level of education** it is also difficult to find stable employment and they often end up in low-skilled and precarious jobs.

The **long-term unemployed** have difficulties re-entering the labour market and need specific support.

1.1.3. The impact of the pandemic on the German economy and the labour market

The pandemic has led to increased unemployment, however mitigated by measures such as short-time work (*kurzarbeit*). Short-time work is an important measure as an answer to the pandemic (as well as to the 2018 financial crisis). It allows employers to keep their employees during external crises. The employees work shorter hours (from zero hours upwards) and a part of the corresponding shortfall in their wages is financed by the state. Many enterprises and employers have thus been able to keep their employees, but many people with precarious working conditions lost their jobs.

Workers in non-standard employment¹⁰, disadvantaged young people and the self-employed are those that have been most affected by the employment crisis during the pandemic. Migrants and refugees are over-represented in these groups and, moreover, face some additional challenges as mentioned below.

Non-standard employees and self-employed workers have faced considerable difficulties considering the fact that they are mainly involved in sectors which have been particularly hard hit by the pandemic, such as gastronomy, tourism, retail, or in arts and culture. Moreover, both groups are not eligible for short-time work and in many cases are either not socially-insured or less so. Self-employed people get support from the state for their enterprises, but with the prolonged pandemic, these small enterprises have been at high(er) risk of insolvency in spite of this support.

Disadvantaged young people who wish to enter the labour market via an apprenticeship after school have faced increasing problems. In Germany there are measures in place, such as counselling and internships, to help them to get an orientation on the labour market and to meet potential employers before their schooling

¹⁰ International Labour Organization definition of Non-standard forms of employment (Non-standard forms of employment) (ilo.org) (<https://www.ilo.org/global/topics/non-standard-employment/lang--en/index.htm>) (Accessed on 18/10/2021).

has ended. The idea is that potential employers offer internships and see the skills of potential employees, separate from school any results. But these possibilities ended due to the pandemic. Caritas Germany fears that this will lead to a change in criteria for the selection of workers, with a higher focus on school results and grades achieved, resulting in additional difficulties for disadvantaged youths, who, in many cases, are also not able to follow home-schooling as easily as their peers. Last year the number of training places decreased, thus a higher level of youth unemployment is expected. In addition, the sectors of the economy where young people with lower results and grades are employed, are the ones that suffered most under the pandemic, and, at this time, employers from those sectors are unwilling to (re)employ. Also, apprentices are not eligible for the important measure of short-time work.

For the **long-term unemployed**, the measures to integrate them in the labour market were largely stopped during the COVID-19-pandemic. Alternative methods of supporting them, which were mostly digitalised, have turned out to be inappropriate because of a lack of equipment and digital competence. Moreover, face-to-face contact is indispensable in motivating people.

Migrants and refugees, as result of the pandemic, are facing additional challenges due to several interconnected problems. The most important one concerns the limited access to free healthcare services by people with no right of residence, asylum seekers and EU citizens (with the right of free movement only to seek a job or only according to Art. 20 of the Treaty on the Functioning of the European Union – TFEU). Among these groups, only asylum seekers have been entitled to free testing for the Coronavirus and vaccination. Some foreigners, for example,

EU citizens, according to Art. 20 of the TFEU, have not been considered eligible for the benefits awarded to children and adults and designed to soften the effects of the pandemic. Family reunification was also difficult due to very difficult access to the embassies.

Generally speaking, formally registered migrants have been affected by an increase in poverty, unemployment and overcrowded living-quarters during the pandemic. The government did not set an individual focus on their specific needs. On the positive side, it has to be noted that workers who have lost their jobs because of the pandemic and have found themselves unable to secure a livelihood since then, have not automatically lost the right of residence.

Germany has elaborated some specific policies to protect and support **care workers** during the pandemic, however, mostly to protect the patients they care for. Care workers have been in the first groups for vaccination priority, depending on the vulnerability of the patients they care for. Protective measures have also been expanded. However, care workers who work and live with the people they care for, the so-called *live-ins*, neither benefited from testing nor from vaccination due to not having registered their residence in Germany. In addition, caregivers from other EU member states (EU migrant care workers) have been, and are, exempt from travel restrictions regardless of the risks – in order to secure the provision of care work in Germany. An additional negative consequence of the pandemic is that, during the period of restrictions and social distancing, EU migrant care workers, who often do not know the rights they are entitled to, have had more difficulty in accessing counselling services which could help them to exercise their rights.

SECTION 2:

Assessing national and EU level policy responses

2.1. German labour market policies and responses and opportunities offered by EU policy making

Thanks to special programmes aimed at supporting people experiencing social exclusion, the German labour market can be considered quite inclusive, even for disadvantaged groups. However, challenges persist.

One example of a recently implemented policy that is having a positive impact on the inclusiveness of the labour market is the *Teilhabechancengesetz* (§ 16i SGB II).¹¹ It is implemented by the *Bundesministerium für Arbeit und Soziales* (BMAS – federal ministry of

labour and social affairs) and is a programme which supports longer-term jobs, providing full social insurance, for people who are far from the labour market (with the exemption of unemployment insurance). People who take part in the programme also get accompanying counselling to improve their situation as a whole.

Another relevant policy recently introduced is intended to support migrants' access to the labour market. It is the *Fachkräfteeinwanderungsgesetz* (law for the

¹¹ https://www.bgbl.de/xaver/bgbl/start.xav?startbk=Bundesanzeiger_BGBl&start=//%5b@attr_id=%27bgbl118s2583.pdf%27%5d#__bgbl__%2F%2F*%5B%40attr_id%3D%27bgbl118s2583.pdf%27%5D__1634229262694 (Accessed on 18/10/2021).

immigration of skilled workers).¹² It came into effect in March 2020 with the aim of providing more ways for qualified workers to migrate to Germany. Due to COVID-19, this law has not been able to demonstrate its full potential yet, but at this point, it seems to lack the potential to overcome the still big problem of the recognition of foreign qualifications, which is a major issue in the German educational and vocational system.

Reskilling and upskilling policies are crucial in the current German labour market context. There are state supported re- and upskilling programmes in Germany which are, in principle, also available for the (long-term) unemployed. Supporting professional development is very useful, especially if it leads to a training qualification. However, the job centres have a limited budget and re- and upskilling is expensive. For this reason, it has been progressively targeted at those people who are close(r) to the labour market and have a better chance of finding a new job once the re- or upskilling programme is over. In addition, during the so-called 'lockdowns', these state-supported measures were stopped. Many providers of re- and upskilling measures tried to work remotely, remaining in contact via phone, digital devices or learning

packages, but it has only been possible to carry on theoretical activities rather than to work on building practical competence. People who are far from the labour market often have problems with digitalisation because they lack the competence and access to devices, but also because they need technical tools and quiet surroundings where they are able to concentrate.

In promoting vulnerable groups' integration into the labour market, a key role is also played by the *European Social Fund (ESF)*¹³. In Germany, the ESF is used to fund different programmes to promote an inclusive labour market. At the federal level, the ESF funds projects for the long-term unemployed, underprivileged young people, the inclusion of migrants, asylum seekers and mothers with a migrant background in the labour market. Nevertheless, in the new funding period 2021–2027, the former Fund for European Aid to the Most Deprived (FEAD) has become a part of the new *ESF+*¹⁴, and Caritas Germany advocates using ESF money for social inclusion measures as well as for labour market activation. Therefore, it welcomes more programmes targeted at social inclusion, e.g. through combating child poverty, homelessness or the social isolation of elderly people. At the same time, with the

12 [https://www.bgbl.de/xaver/bgbl/start.xav?startbk=Bundesanzeiger_BGBl&start=//*\[@attr_id=%27bgbl119s1307.pdf%27\]#__bgbl__%2F%2F*%5B%40attr_id%3D%27bgbl119s1307.pdf%27%5D__1634546913513](https://www.bgbl.de/xaver/bgbl/start.xav?startbk=Bundesanzeiger_BGBl&start=//*[@attr_id=%27bgbl119s1307.pdf%27]#__bgbl__%2F%2F*%5B%40attr_id%3D%27bgbl119s1307.pdf%27%5D__1634546913513) (Accessed on 18/10/2021).

13 Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006 *EUR-Lex - 32013R1304 - EN - EUR-Lex (europa.eu)* (Accessed on 18/10/2021).

14 European Commission (2018), *Regulation of the European Parliament and of the Council of 24 June 2021 on the European Social Fund Plus (ESF+)* COM/2018/382 final. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R1057> (Accessed on 18/10/2021).



Photo: Caritas Cologne food distribution to people in need during the COVID-19 pandemic. Source: DiCV Köln, Andreas Sellner

new *Multiannual Financial Framework*,¹⁵ ESF funds in Germany have been significantly reduced, from €7.5 billion for 2014–2020 to €6.5 billion Euro for 2021–2027. On top of this, co-financing rates have been reduced by the European Union, which means that most ESF projects will now have to finance up to 60% of the project's costs through their own resources or other funding opportunities. This poses major problems for the future implementation of

the ESF+ in Germany, which will concentrate its investment in three main areas: education, employment and social inclusion. Thematic concentration, as has been decided in the ESF+ regulation, is a very important tool for the EU to ensure that ESF+ money is used where the need is greatest. Caritas Germany therefore appreciates that 25% of ESF+ money has to be used for social inclusion, 5% to combat child poverty (where child poverty is above the EU

¹⁵ For more information, go to https://ec.europa.eu/info/strategy/eu-budget/long-term-eu-budget_en (Accessed on 18/10/2021)

average), 12.5% to combat youth unemployment (where youth unemployment is above the EU average), and at least 3% for measures regarding the ex-FEAD (material and food assistance, as well as social inclusion measures). The European Union now has to closely monitor that member states respect these rules. The success of the programme depends on the good application of the partnership principle.

In general, Caritas Germany considers that setting wages is not a matter to be decided by the state. Agreements and decisions by collective bargaining partners strengthen free collective bargaining, and freedom of association, which are constitutionally granted.¹⁶ However, over the past years there have been increasing areas of the economy where wages are not determined by collective agreements. To guarantee social protection, it may become necessary that the state determines not only general protection provisions for employees

(such as maximum working hours, minimum rest periods, minimum number of days for vacation), but also **minimum wages**. Minimum wages can be an important instrument to prevent socially-unacceptable low wages. They can achieve an appropriate balance between individual work performance and the corresponding remuneration. Germany has already had a minimum wage scheme since 2015 that allows a Commission, partially consisting of the Social Partners with independent experts as advisors, to regularly meet to determine the actual level of minimum wages. The minimum wage scheme in Germany has led to a significant increase in hourly wages, especially at the bottom of the income scale. Evaluations show that the number of workers that previously had to top up their income with unemployment benefits (*Arbeitslosengeld II*) decreased slightly, thanks to the establishment of the minimum wage scheme.

2.2. The EU framework

Introduced in 2010, the *European Semester* enables Member States to coordinate their economic and social policies throughout the year.

As far as the labour market and social inclusion are concerned, Germany, differently from all the other countries analysed, has not received any detailed recommendation for actions to

¹⁶ See Art. 9 of the German 'Grundgesetz'/Constitution https://www.gesetze-im-internet.de/englisch_gg/englisch_gg.html#p0054 (Accessed on 18/10/2021).

be implemented in 2020 and 2021, due to its particularly favourable situation. The Country Specific Recommendations include only general suggestions for addressing the pandemic and supporting the economy and the recovery:

1. In line with the general escape clause, **take all necessary measures to effectively address the pandemic, sustain the economy** and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Mobilise adequate resources and strengthen the resilience of the health system, including by deploying eHealth services.
2. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on sustainable transport, clean, efficient and integrated energy systems, digital infrastructure and skills, housing, education and research and innovation. Improve digital public services across all levels and foster the digitalisation in small and medium-sized enterprises. Reduce the regulatory and administrative burden for businesses.

The *National Reform Programme* for Germany was published on 1 April 2020, whilst the Country Specific Recommendations date back to 20 May 2020. Thus, the situation described and the policies suggested in these documents do not, or only partially, reflect the socio-economic and overall situation since Spring 2020 due to the pandemic. That said, the German government, in the area of labour and social policies of the National Reform Programme, has mentioned as a priority the integration of long-term unemployed people back into the labour market. Caritas Germany appreciates this and stresses the importance of offering support through qualification and education measures that aim to put people into work, also for people who have not been in the official education system for a long time, or those who have always had difficulty reaching proper access to education. The European Commission is recommending ‘front-load[ing] mature public investment projects and promot[ing] private investment to foster the economic recovery.’ Such investments should increasingly be focusing on measures fostering employment. An active, reinforced labour market at this time of national crisis, with mounting challenges, is vital for avoiding increasing unemployment.

To mitigate the socio-economic impact of the pandemic and to help European economies and societies become more sustainable, the recovery plan and the *Recovery and Resilience Facility (RRF)*¹⁷, developed by the EU, presents an important opportunity for Germany to address its social needs. Germany will receive about

17 European Commission (2021), *Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility* <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R0241> (Accessed on 18/10/2021).

€23.3 billion and the German government plans to use this money to re-finance the national *Corona aid package* (*Corona-Hilfspaket*), which has already been decided, as well as to fund digital equipment for schools. Caritas Germany is critical of the fact that this additional EU money is not going to be used for additional investments which are necessary to overcome the crises. As additional and new investments, Caritas German proposes investments in the digitalisation and

ecological transition of the social sector. In Caritas Germany's view, digitalisation and social policy are interconnected since there are many social challenges involved in digitalisation. This is insufficiently taken into consideration so far. The RRF should put more emphasis on vulnerable groups and support young people and children from poor households, non-formal education, and investment in inclusive labour markets.

2.3. The Social Economy

There is no specific legislation on social entrepreneurship in Germany. However, an important concept when talking about the Social Economy in Germany is the 'public benefit' status (*Gemeinnützigkeitsstatus*) that recognises organisations that have a social mission and strict limits on profit distribution. It does not allow any distribution of profit but requires assets to be (re-)invested exclusively and directly to pursue its organisation's social purpose. Caritas Germany does have this German 'public benefit' status.

Caritas' social economy organisations contribute to the common good, following the principles of Catholic Social Teaching. Caritas Germany's understanding of entrepreneurial conduct is determined by a number of principles that guide Caritas' Social Economy actors and their activities and focus on advocacy for the most vulnerable. These are: economic efficiency, sustainability and transparency.

The role of the social economy in Germany is very relevant in promoting both access to services for the most vulnerable and social cohesion, as well as social and environmental sustainability in the economy.

German social law recognises that in many cases the state itself does not offer the necessary assistance to clients but works through suppliers, which are – in most cases – the statutory welfare organisations. The constitutional mission that Caritas has in Germany, as part of non-statutory welfare in Germany, is enshrined in the Welfare State principle referred to in Article 20 (1) of the *Grundgesetz*, the German Constitution. This model of providing social services across a wide range of areas, with the absolute primacy of the social objective, has proven to be extremely flexible, people-oriented, innovative, sustainable, democratically legitimised and efficient, even in

times of crisis. The role that Caritas in Germany plays, together with the five other organisations of non-statutory welfare (the *Arbeiterwohlfahrt*, the German Red Cross, the *Deutscher Paritätische Wohlfahrtsverband*, Diaconia Germany and the Central Jewish welfare Office in Germany), is essential to the overall functioning of the German welfare system and the provision of services. Caritas Germany alone supports around 13 million people every year, in 25,000 centres and institutions nationwide, in overcoming different social problems and difficult situations. The three sectors Caritas in Germany is most present in are: Health Care (around 280,000 employees), Child and Youth Services (around 163,000 employees) and Care for the Elderly (around 125,000 employees).¹⁸ For the clients, the model is good because they can choose between different suppliers of assistance. They choose the offer that suits them and their circumstances most. The 'competition' between suppliers leads to engagement and the improvement of the assistance offered (within the legal framework that is set by the state). Caritas Germany has good experience with the principle of subsidiarity in force in Germany, including the active role of civil society.

In this context, the application of EU Competition Law presents particular challenges: especially the rules and regulations on State Aid, specifically for Social Services of General Economic Interest (SSGEI). The question on whether state aid rules apply in the first place, are often not clear for both the authorities and recipients of

subsidies, resulting in uncertainty. At EU level, further clarification and simplification, but also exemptions for certain services, are necessary.

The *EU Action Plan for Social Economy* could improve the regulation of the social economy ecosystem in Germany. Caritas Germany supports the recommendations made in September 2020 in the EESC opinion INT/906 'Strengthening non-profit social enterprises' (Rapporteur: Krzysztof Balon).¹⁹ Caritas recommends the strengthening of, and targeted support for, social enterprises and other social economy organisations, particularly those that are non-profit. In addition, their visibility should be boosted across Europe. To strengthen the not-for-profit social economy in the EU, it is necessary to improve the legal framework for the provision of services, for example, by giving priority to not-for-profit social service providers in public procurement law and, further, to exempt them from state aid law. With regard to EU public procurement law, public contracting authorities have to take into account not only the price but also the social and ecological criteria given in Directive 2014/24/EU.

¹⁸ All numbers refer to 31 December, 2018. (For more information, go to www.caritas-germany.org).

¹⁹ <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/strengthening-non-profit-social-enterprises-essential-pillar-socially-equitable-europe/related-links-int-906> (Accessed on 18/10/2021).

SECTION 3:

Caritas Germany's promising practices

‘Stark im Beruf – FrauenPower’ (Strong at work – WomenPower)²⁰

This project addresses the difficult access to the labour market of mothers with a migrant background or refugee history.

The local Caritas organisation in Ulm, Germany, carries out the ESF funded project ‘Stark im Beruf – FrauenPower’. With this project, Caritas tries to help mothers with a migrant background or a refugee history who are looking for a job. All burdens and problems mothers face in accessing the labour market are tackled during different counselling and coaching activities, such as language acquisition, qualification, child care, digital or workplace-related skills, etc. The project works with a holistic approach through a network of different actors in the city of Ulm. The participating mothers are either sent by the local employment service or they join the project on a voluntary basis.

‘Arbeit und Ausbildung für Flüchtlinge – Projektverbund Baden Work’ – (Training for Refugees – Project Network Baden)²¹

This project aims to assist refugees in finding jobs or training. It supports refugees, potential employers and relevant institutions with the goal of helping with any questions and problems regarding legal status, qualifications, language courses, job searches, etc. It is implemented by eight

20 For more information, go to www.caritas-ulm-alb-donau.de/hilfe-und-beratung/beruf-arbeitslosigkeit/beruf-arbeitslosigkeit (Accessed on 18/10/2021).

21 Arbeit und Ausbildung für Flüchtlinge – Projektverbund Baden – Über uns. For additional information, see www.projektverbund-baden.de (Accessed on 18/10/2021).

providers (Caritas Freiburg, Caritas Breisgau-Hochschwarzwald, Caritas Rastatt along with Diakonie, the German Red Cross, the City of Freiburg, and the adult education centre of Freiburg (VHS)) and carried out at various locations in the Baden region.

The network offers individual counselling and support for refugees who are struggling to access the labour market. The project targets all refugees who have secondary access to the German labour market (with different residence status).

The project has been running for 12 years. Over 3,100 migrants have benefitted, more than 1,200 jobs or vocational training positions have been matched, and more than 3,000 people have been reached with events, workshops, training courses, etc.

The project 'Work and Training for Refugees – Project Network Baden' is supported by the Federal Ministry of Labour and Social Affairs and the European Social Fund.

Project 'Menschen Stärken Menschen' – (People Support People)

This project, initiated by the Bundesministerium für Familie, Senioren, Frauen und Jugend, Germany's Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, aims to connect people in need with volunteers who act as mentors. The goal is to integrate people from disadvantaged backgrounds into the community and give them the opportunity to participate more equally. Caritas takes part in this project in many towns, amongst others in Haltern am See, where the project aims at the inclusion of refugees. One objective in Haltern is to support integration into the labour market.

One of the volunteers in Haltern am See is Ellengart 'Ellen' G. (81). Only recently, she helped Ragheb Sh. (31), who fled from Iraq to Germany, to find an apprenticeship as a retail salesman. 'It's hard to orient oneself on Germany's demanding labour market,' says Ragheb. Ellen helped him to learn German and encouraged him to attend several training programmes. In return, she learned a lot about Iraqi culture. Ellen and Ragheb met as strangers. Today, like many other project participants, they consider themselves friends.

SECTION 4:

Conclusions and recommendations

Even in the context of economic slowdown, the German labour market went through a phase of prosperity over the last decade with increasing employment rates, in particular as far as women were concerned. Layoffs in the manufacturing sector remained contained to avoid losing skilled workers and the services sector continued to grow.

Despite this quite positive context, **the situation for migrants, refugees, people with a low(er) level of education and the long-term unemployed, has remained difficult when it comes to the labour market.** Third-country nationals' unemployment rate has remained almost double that of Germans, and of those employed, many work in low-paying sectors and positions. This also applies to EU citizens; they share a key challenge, that is, the lack of or insufficient knowledge of German and the difficulties in finding recognition of their qualifications. Asylum seekers, although generally legally able to secure employment, do not have full access to all jobs. Recognised refugees, however, have free access to the labour market but still have a higher-than-average unemployment rate. For people with a low(er) level of education, it is also difficult to find stable employment and they often end

up in low skilled and precarious work. The long-term unemployed have difficulty re-entering the labour market and need specific support.

In 2020, the pandemic led to increased unemployment and short-time work. Many enterprises and employers were able to keep their employees, but many people with precarious working conditions lost their jobs. Workers in non-standard employment, disadvantaged young people and the self-employed people are those that have been most affected by the employment crisis during the pandemic. Migrants and refugees are over-represented in these groups and moreover face additional challenges.

Even in this context, the German labour market can be considered as quite inclusive, including for disadvantaged groups, thanks to the impact of special programmes aimed at supporting people who are usually far from the labour market. One such example is *Teilhabechancengesetz*, implemented by the Federal Ministry of Labour and Social Affairs, to support longer-term jobs providing full social insurance for people who are far from the labour market. However, there remain persisting challenges.

The role of the social economy in Germany is very relevant in promoting both access to services for the most vulnerable and social cohesion, as well as social sustainability and environmental sustainability in the economy. Germany has a long tradition of not-for-profit social enterprises, which have dedicated

themselves to solving societal or social problems within the framework of non-statutory welfare work and organised civil society. The adoption and implementation of an EU Action Plan for Social Economy could improve the regulation of the social economy ecosystem in Germany.

4.1. National level recommendations

RECOMMENDATION 1: Keep measures such as short-time work for as long as the pandemic continues

The short-time work '*Kurzarbeit*', together with the simplified access to social benefits, has helped reduce the economic damage that has occurred due to the pandemic. It is important that such measures are continued and – if necessary – expanded for as long as the crisis lasts.

RECOMMENDATION 2: Support the long-term unemployed

Possibilities to support people who are very far away from the labour market, according to §16 i SGB II²², should be made permanent. The programme is very successful at including long-term unemployed in the labour market and enhances their social participation.

RECOMMENDATION 3: Labour market integration of migrant women

Caritas Germany advocates for the right to attend day-care from the age of one, and school through compulsory schooling. Moreover, there has to be the actual possibility of day-care/school attendance for all children, regardless of their respective residence status. This would indirectly

²² See section 2.1 of this report: German labour market policies.

improve the opportunities for women and lead to better integration into the labour market. The situation of migrant women can be improved through special support programmes for women, like the 'Strong at work – women power' project.

RECOMMENDATION 4: Reduce the legal hurdles hampering the access of asylum seekers to the labour market

It is necessary to further reduce the legal hurdles regarding access to the labour market for asylum seekers. Offers such as part-time training or assisted training must be opened up. Training companies must be provided with advice and offers of support when recruiting asylum seekers as trainees, e.g. assistance during training or assisted training. In addition, the training and employment phases of asylum seekers must be supported through job-specific language teaching. Language and integration offers, labour market policy measures, and the matching practice of the job centres must take the specific needs of new immigrants into consideration.

RECOMMENDATION 5: Reduce problems with training courses due to the COVID-19 pandemic

The measures for off-the-job training programmes (*außerbetriebliche Berufsausbildung*) should be expanded so that young people who haven't found suitable training have an alternative.

4.2. National and EU level recommendations

RECOMMENDATION 6: Legal migration for unqualified workers/workers without formal qualifications

Caritas Germany recommends improving labour immigration. Germany is a magnet for labour. The Skilled Workers Immigration Act has advanced the rules on labour migration for specialists. Now the possibilities of immigration in the low-skilled or unqualified fields of work should be expanded. This could also ease the pressure for illegal migration. Successful concepts of labour migration, such as the western Balkans' regulations, should be expanded and consolidated.

Labour immigration is an issue that could also be advanced at the European level, especially in the context of creating more, and reliable, rules for legal migration into the European Union.

4.3. EU level recommendations

RECOMMENDATION 7: Ensure that the partnership principle is implemented uniformly across all European countries

The EU should ensure that the partnership principle is implemented consistently in all European countries. Only with the help of civil society organisations and organisations working with the target groups is it possible to ensure that EU funding is used in the most efficient way and where the money is needed most.

RECOMMENDATION 8: Improve the legal and financial framework of the not-for-profit social economy

The legal and financial framework of the not-for-profit social economy should be improved, for example, by giving priority to not-for-profit service providers in public procurement law, by amending sectoral exemptions for not-for-profit services in state aid law (e.g. by raising the ‘aid intensities’ within the General Block Exemption Regulation, GBER) or sufficient co-financing rates in EU funding programmes. The existing *de minimis* regulation in the field of services of general economic interest has to be renewed, especially by raising the total amount of *de minimis* aid granted, which currently cannot exceed €500,000 over any period of three fiscal years.



Caritas Germany

Karlstrasse 40,

79104 Freiburg, Germany

Telephone: +49 761 200 0

Fax: +49 761 200 572

E-mail addresses: info@caritas.de

euvertretung@caritas.de

Website: www.caritas.de

