

# German government report threatens cuts to welfare benefits

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At the beginning of February, the German government released to the media an evaluation of the €200 billion (US\$265 billion) spent on benefits to families, describing the state spending as ineffective, inefficient or counter-productive.

The study was commissioned by the Ministry of Finance and the Ministry for Families. As is usual in such cases, both ministries distanced themselves from the report. The family ministry led by Christina Schröder of the Christian Democratic Union (CDU) stated that a full evaluation of all 156 services aimed at families was not yet ready, and it had not been decided if the results would be published in the current legislative period.

In fact, the study was made available to the press in order to provoke a discussion in the lead-up to the federal election in September about cutting social benefits upon which millions of families depend. The Hartz reforms, which forced millions of families into poverty, were preceded by similar debates before being implemented by the Social Democratic-Green Party government of Gerhard Schröder.

Among the welfare benefits for families targeted in the study are the child allowance, a benefit that pays for health insurance contributions for family members, parental benefits, widows' and widowers' pensions, pension benefits to help with raising children, funding to help with housing and education costs, and tax rebates for married couples.

When considering the effectiveness or ineffectiveness of these benefits, the authors of the study do not take account of the well-being of those who will be affected by the cuts: the children, families and pensioners. Rather, they focus on the impact these benefits have on birth rates and their usefulness for the national economy, judging the programmes purely through the use of economic criteria.

The figure of €200 billion as the total spent on families is a gross overestimation. As then family minister, Ursula von der Leyen, was forced to admit several years ago, around 50 percent of this is paid out by families themselves in taxes and tax and social insurance contributions.

The main target of the study is child allowance, which is the most expensive of the family benefits, costing around €40 billion per year. It is one of the few state benefits that is paid out at the same rate without any preconditions. For the first and

second child, those responsible for their upbringing receive €184 per month. For families with a third child, it rises to €190, and for those with four or more children, it is €215.

Families with high incomes can deduct a larger sum from their tax bill, whilst poor families who are supported by social benefits have the child benefit offset against other forms of support.

With that said, it is downright cynical for the report to identify child benefit as having "little effect" because it does not significantly influence the birth rate or prevent child poverty. It is precisely because the poorest families don't get the full child benefit that it cannot prevent child poverty.

The authors of the study describe the free provision of the statutory health insurance for married couples and children as "particularly inefficient". Poor families or those on average incomes benefit considerably from this, especially if one member of a couple in a family with more than one or two children decides not to work.

Mainly working people benefit from this form of support, since wealthier layers are generally insured privately. Plans to save €27 billion, including €11 billion through cuts to the funding for spouses, are not acceptable according to the study. Married women would be discouraged from taking up a job that is subject to social insurance contributions, and would pay no tax or social insurance contributions.

The study mixes up the benefits upon which overwhelmingly poor families depend, and tax subsidies that tend to save more money for better-off families. This includes the recently introduced child care allowance, which is the result of a very conservative and religious view of family life. In this way, the government attempts to cover over the class character of the attacks on welfare benefits.

The report classified as "quite inefficient" a tax subsidy paid to married couples that costs the state a total of €20 billion annually. The main beneficiaries of this subsidy are married couples where one earns significantly more than the other, for example when one spouse does not work full-time. Both incomes are added together and then halved, which allows the higher earner to pay a lower level of tax.

The fact that children play no role in this tax system, and that couples who are not married remain unable to take advantage

of it, are examples of the social inequity of the tax system. There are hardly any working class families where the mother does not have to work in order to secure the basic necessities of life. Mini-jobs, in which workers only work several hours per week, are not sufficient for these families, meaning that they will achieve virtually no tax savings through this system.

The parents' allowance, introduced by the grand coalition of the Social Democrats and CDU, is above all a benefit to better-off families. It pays parents in the first 14 months after the birth of their child, if they are not working. It replaced the previously existing parenting allowance, which supported low-income families with up to €300 per month for 24 months after a child's birth. The parents' allowance on the contrary is based on the last income, and families living on welfare benefits have no right to it. It serves therefore as family support for the social elite.

The study came to the conclusion that the parents' allowance had not led to the anticipated increase in the birth rate. Since the amount paid out is dependent on the salaries of the parents, it claimed that families were putting off the birth of their first child until they had achieved a higher income.

The current policies designed to support families are failing to do so. They have not enabled the majority of families with children to live free from financial concerns. The annual poverty reports confirm that millions of children and families live in poverty. Many mothers who would willingly go to work cannot find carers for their children at reasonable prices, or a decent-paying job. Children from poor families face limited prospects for obtaining a good education in Germany's selective school system.

Yet neither the government nor the opposition is able to offer any remedies. The opposition Social Democrats, Greens and Left Party have seized upon the study to call for a massive restructuring of policies aimed at families. They claim it is necessary to bring together all of the different welfare benefits and tax subsidies and put them on a "new basis."

Peer Steinbrück, the social democrats' candidate for chancellor, demanded a "change in family government policy". It could no longer be enough to "work on altering one instrument", he stated. He obviously has in mind the "workplace reforms" of the Schröder government, through which many families were driven into poverty.

The study is targeting family support for restructuring using the model of the Hartz reforms. These reforms, which created a massive low-wage sector and intensified levels of social inequality, were put in place after a campaign that claimed the previous social welfare benefits such as unemployment allowance and social support were "ineffective."

Now, the supposedly "inefficient" policies aimed at families are being used as a pretext to cut the welfare benefits to those who are unemployed and in work.

Mothers from poor families who turn down a job because of the low pay will now be forced into low-paying jobs, while the

children are either left alone or sent in to poorly staffed care centres with limited financial resources.

According to the report, government funding for day care centres, day nurseries and child minders should be cut. This is justified with the claim that the state is losing out on taxes and social insurance payments when mothers are not working.

Around 48 percent of spending on childcare services comes from the government. Full-time schools are financed by state expenditure of between 66 and 69 percent.

The leading candidate of the Greens for the elections, Katrin Göring-Eckardt, has also based herself on these economic arguments. She has accused the Merkel government of having "lost control of the ship". She stated that the report makes clear "that every cent spent on kindergarten places and schools has to be worth it for families and society as a whole".

Göring-Eckardt continued that an analysis of the increase of the child allowance in 1996 had shown that women had worked less in the period that followed, and that this had a negative impact on their careers and incomes. The state had therefore lost out on tax receipts and social insurance contributions. Katja Kipping of the Left Party argued along similar lines.

The government report and the discussion it has provoked in the press will serve to prepare the way for extensive cuts to social spending for working families and the poor after the federal election. As was the case with the Hartz reforms, the most eager proponents of the latest measures are the Social Democrats and the Greens, with the support of the Left Party.

The low birth rate, about which the report complains so cynically, will as a result sink further. The decline is above all due to the fact that many young people confront low-paying insecure jobs, and do not know how their future will develop. Others have to work so hard merely to keep their jobs that they decide not to have children, being concerned that they will not manage to care for them.



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