



Federal Government  
Commissioner for the  
New Federal States

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# Annual Report of the Federal Government on the Status of German Unity in 2017

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## Publishing details

### **Published by**

Federal Ministry for Economic Affairs and Energy  
(Bundesministerium für Wirtschaft und Energie BMWi)  
Public Relations  
11019 Berlin  
[www.bmwi.de](http://www.bmwi.de)

### **Editorial staff**

Federal Ministry for Economic Affairs and Energy  
VII D Task Force: Issues of the New Federal States  
Division VII D 1

### **Design and production**

PRpetuum GmbH, Munich

### **Last updated**

August 2017

### **Images**

picture alliance/ZB/euroluftbild

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### Notes on the regional definitions used

New federal states:	Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt, Thuringia
Eastern Germany:	New federal states and Berlin
Old federal states:	Baden-Württemberg, Bavaria, Bremen, Hamburg, Hesse, Lower Saxony, North Rhine-Westphalia, Rhineland-Palatinate, Saarland, Schleswig-Holstein
Western Germany/western federal states:	Old federal states excluding Berlin

Any deviations from these definitions have been referenced.

# Part A

# On the path to completing German unity

The Federal Government's policies continue to be directed towards the goal of establishing equivalent standards of living throughout Germany. German reunification took place nearly 27 years ago. The process of integration of east and west is well advanced; much has been achieved in the new federal states and for the people living there. At the same time, there is a fair way to go in order to tackle remaining differences, primarily economic in nature, between east and west, between regions with weaker and regions with stronger structures.

In accordance with the mandate from the Bundestag to the government, the Federal Government's Annual Report on the Status of German Unity must regularly depict "its policy measures to achieve equivalent social, economic, political and cultural living conditions throughout reunified Germany".<sup>1</sup>

Against this background, this year's report is focused both on the challenges on ongoing economic and social alignment and the related strengthening of social cohesion.

## Social cohesion

Social cohesion is the expression of a functioning, solidarity-based commonwealth, a yardstick for social interaction. It impacts on individuals and their satisfaction with their lives, and is thus an important dimension of quality of life.<sup>2</sup> There is a close interrelationship between the individual's subjective sense of satisfaction with life and perceived social cohesion.

Even if the process of German unity has involved highs and lows, it is a success story in overall terms which also meets with a high level of international recognition. The cohesion of the people in eastern Germany has been tested several

times over recent decades. Forty years of dictatorship and the euphoria of the peaceful revolution were followed by total upheaval affecting all areas of life.<sup>3</sup> The resulting changes went hand in hand with a fundamental sense of uncertainty<sup>4</sup> for the vast majority of people in eastern Germany. Familiar social structures disappeared, and in many cases not a single stone was left standing in social and occupational terms. The reorientation in a social system which was "foreign" to them posed an enormous challenge for many of them in the 1990s. The new beginning created long-desired opportunities and openings, but also entailed disappointments and painful experiences for many people. Overall, the people coped with it extremely well. All eastern Germans can be proud of this. This experience of dictatorship, peaceful revolution, social upheaval and self-empowerment affected the way people saw their lives and impacted the collective consciousness, and is still reflected in attitudes and orientations today.<sup>5</sup> This is also shown in the average subjective level of satisfaction with life, which hit a low point in the early 1990s in eastern Germany and marked the greatest discrepancy with western Germany over the course of time (see Figure 1).

Today, the level of subjective satisfaction with life in both eastern and western Germany is at its highest average level since reunification. It has seen a comparatively sharp rise in eastern Germany in the last 10 years in particular, and has largely caught up with the higher, western German level. This is largely due to the fact that the standards of living in the east and the west have come much closer together over the last 27 years.

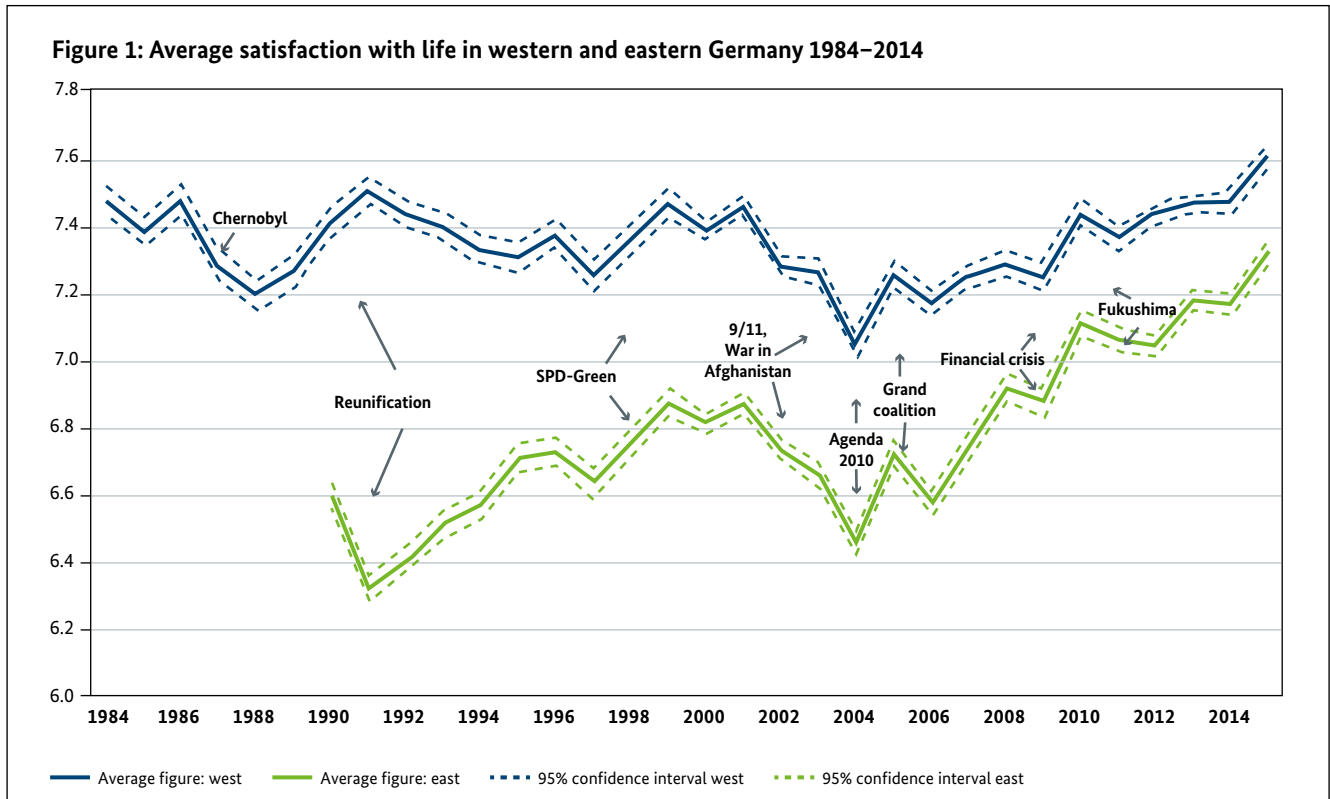
1 See Bundestag printed paper 13/3643.

2 See Federal Government Report on the Quality of Life in Germany, 2016.

3 Academics speak of a process of transformation.

4 See Deutschland 2014, 25 Jahre Friedliche Revolution und Deutsche Einheit, study on behalf of the Federal Government Commissioner for the New Federal States, February 2015, summary p. 14: "The high-flying expectations which filled the eve of reunification in eastern Germany did not last long. The primary crisis of economic transformation, which lasted from 1990 to 1992, left psychological marks." There was a "general shift in mood in eastern Germany". This "brief period of massive dissatisfaction" "is undoubtedly a psychological characteristic of the period of upheaval and, as shown by repeated slumps in the satisfaction curve, is also reflected in later phases of economic downturns". Deutschland 2014, brief summary, p. 15.

5 According to an evaluation by the Socio-Economic Panel (SOEP) of DIW Berlin on 17 March 2017, people in western and eastern Germany have been more satisfied on average since 2015 than at any other time since reunification. However, the level of satisfaction measured in eastern Germany is still below the western German level.



Source: DIW 2017

This has been possible due to the vigour and commitment displayed by the citizens in eastern Germany, to a freedom-based system which does not suppress this, but rather encourages it, and to unprecedented pan-German support for the reconstruction of the east.

The task of fostering and cementing the integration of east and west and thus the social cohesion in all its complex diversity will remain important in future.

### Establishing equivalent standards of living

Social cohesion makes a major contribution towards making a society worth living in and fit for the future. Our country will only have a good future if its citizens can lead a self-determined life and participate in society in all parts of the country. Cohesion cannot be ordained from above, but it can be fostered. It arises in daily interactions, in expressions of solidarity toward fellow human beings, and in mutual respect and consideration, and is thus the responsibility of all citizens. The task for the Federal Government, the federal states and the municipalities is to put the policy framework in place for a lasting climate in which cohesion can grow and flourish.

When it comes to strengthening social cohesion, the question arises as to how regional structural weaknesses can be tackled and equivalent standards of living fostered throughout Germany.

In parts of eastern Germany, the provision of public services has become challenging. This is related to the continuing demographic changes, which are resulting in some regions in a comparatively low settlement density, structural weaknesses in the economy, and a lack of finance for the municipalities.

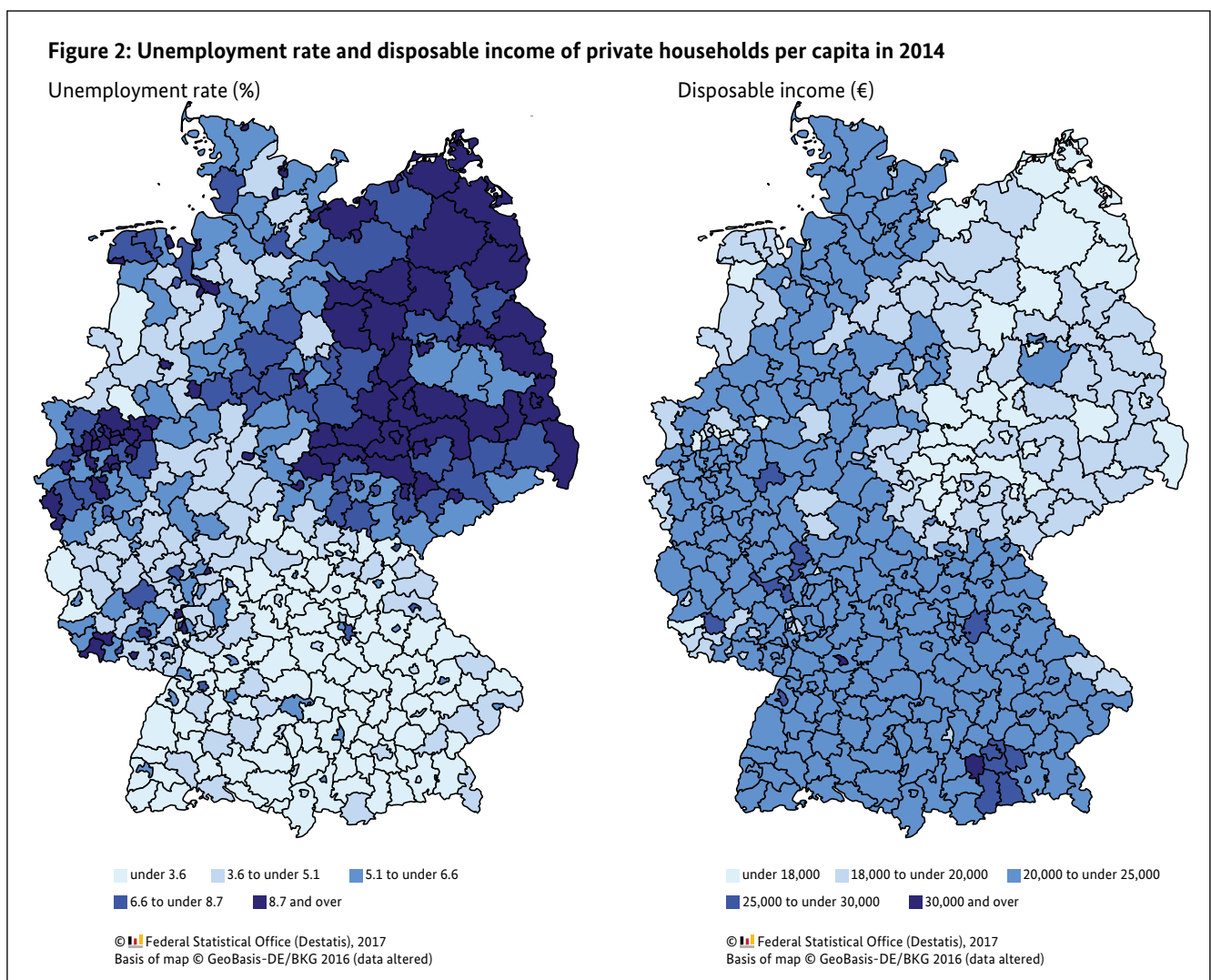
The decline in the population in many rural areas in eastern Germany in particular, and the increase in the proportion of older people have had some serious effects on the availability of public services close to people’s homes. Flexible forms of delivery and digital solutions are becoming increasingly important. If there is to be a good supply, and the funding is to be secure in the long term, the services need to be tailored to changing needs. It is very important for quality of life and social cohesion that this also functions in the structurally weak regions particularly hard-hit by demographic change. The Federal Government has put important policies in place for this during this legislative term. Examples include the agreement on the new fiscal equalisation system from 2020, the long-term federal support for local public transport in the form of regionalisation funding, and the federal funding for the broadband roll-out in rural areas.

## Major regional disparities

Germany has developed well over the last few years. Unemployment figures have fallen all across the country, and average incomes have risen. Employment and employment subject to the payment of social security contributions are at record levels. The economic upturn has had a positive impact on the lives of the vast majority of people. The eastern German regions have also benefited from this development. At the same time, there are still considerable regional differences in income, employment and economic strength.<sup>6</sup>

Unemployment has fallen sharply in all regions of Germany since its peak in 2005. Between 2005 and 2016, it more than halved, falling from 18.7% to 8.5% a year on average in eastern Germany, and has come close to the lower level in western Germany.

Nevertheless, there are still considerable regional differences in unemployment within Germany (Figure 2). The unemployment rate varies from 3.5% in Bavaria to over 9.7% in Mecklenburg-Western Pomerania and 10.5% in Bremen (annual average 2016). In the new federal states, the rate in 2016 was on average between 3 and 4 percentage points higher than in the old federal states. However, unemployment is still relatively high in some rural areas of western Germany as well, and especially in some regions with old industrial structures which have to cope with considerable structural change. This picture, i.e. a very favourable overall labour market development which still has large regional disparities, is also a feature special to Germany when seen in the European comparison. Germany has one of the lowest unemployment rates in the EU. Nevertheless, regional disparities in unemployment rates are still greater than in comparable EU countries such as France and the United Kingdom.



Source: Regional Atlas of Federal Statistical Office ([www-genesis.destatis.de](http://www-genesis.destatis.de))

<sup>6</sup> See "Aufgaben, Struktur und mögliche Ausgestaltung eines gesamtdeutschen Systems zur Förderung von strukturschwachen Regionen ab 2020", study on behalf of the Federal Government and the Länder, June 2016



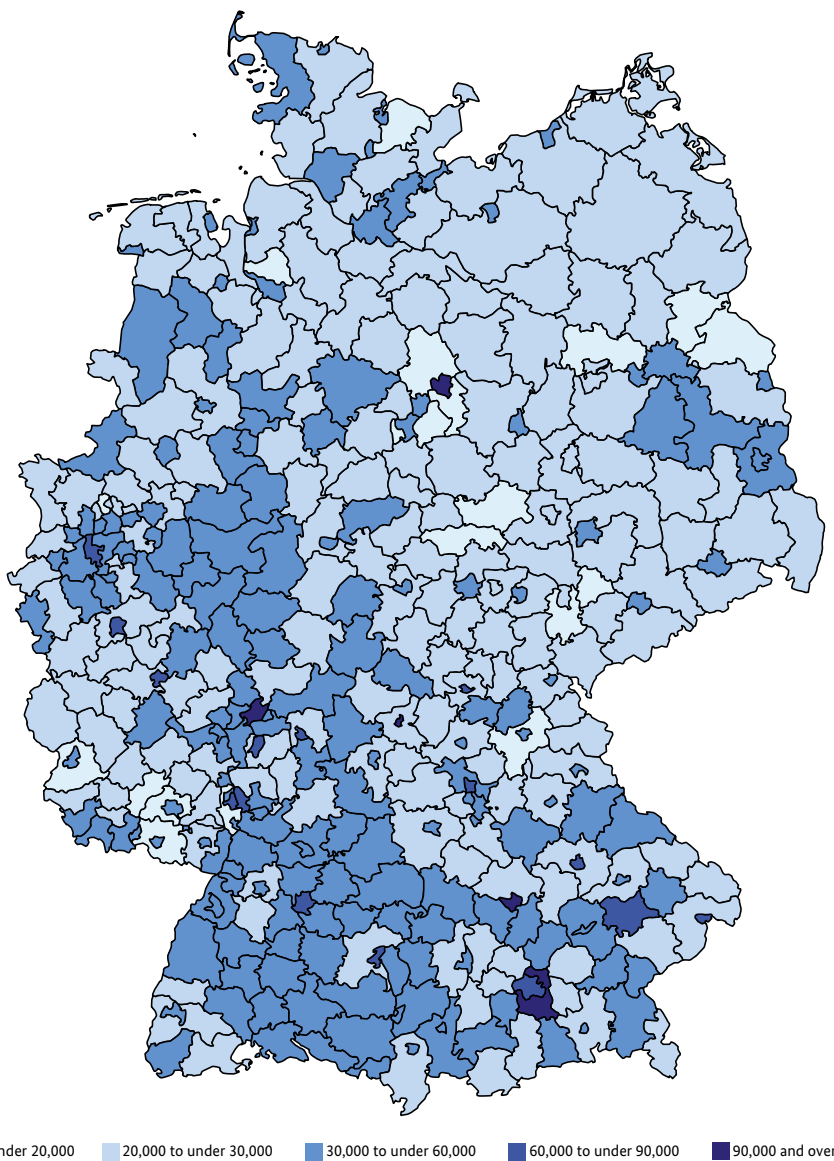
Regions with higher unemployment often have lower opportunities for earnings and a lower disposable income. Figure 2 shows that there are also considerable regional differences in disposable income per inhabitant. There is a special situation in some western German regions with old industrial structures, where average incomes are relatively high in view of the continuing comparatively strong presence of industrial structures. However, the structural changes of recent years have led to a particularly sharp rise in unemployment there.

Figure 3 shows that economic strength, measured in terms of gross domestic product per inhabitant, also differs between individual regions. Even though the strength of the economies in eastern and western Germany has continued to converge in recent years, the average gap in 2016 was still 27%. Excluding Berlin, the difference was 32%.<sup>7</sup> The closing of this gap has slowed down considerably in the last one and a half decades.

Globalisation and demographic change are likely to tend to exacerbate regional disparities.

**Figure 3: Gross domestic product per capita in current prices (2014)**

(in €)



© Federal Statistical Office (Destatis), 2017  
 Basis of map © GeoBasis-DE/BKG 2014 (data altered)

Source: Regional Atlas of Federal Statistical Office ([www-genesis.destatis.de](http://www-genesis.destatis.de))

<sup>7</sup> Since the population figures for 2016 are not expected to be available before the beginning of 2018, the GDP per inhabitant for 2016 is based on the population figures for 2015.

In particular, structurally strong regions with a modern industrial and service sector are benefiting from globalisation – including in eastern Germany. Demographic change is having a particularly strong impact on those regions that already have weaker economic structures. The decline in the population and, in particular, the decline and ageing of the labour force are reducing the potential for economic growth there. In addition, structural weaknesses that have arisen over time in the eastern German economy, such as the fragmentation of the economic structure, are having an effect.

Regional structural weaknesses can subsequently lead to problems for the internal cohesion of society. Particularly in the weakest regions, where people may feel “left behind”, social divisions and even radical attitudes can emerge. Achieving a balance between the regions therefore always contributes to social cohesion.

Regional economic weakness also presents special challenges for the federal states and the municipalities. Tax revenues in structurally weak regions are usually significantly lower, so that they make a below-average contribution towards the financing of public tasks. At the same time, therefore, these regions are much more dependent on public funds for a lengthy period of time. Only in this way can the effects of structural weakness on the population be mitigated by appropriate social policies and economic development be supported by economic policies.

The conclusion is clear: we need a smart regional structural policy. In order to limit regional disparities within Germany, structurally weak regions must be given adequate support for investments in physical capital, infrastructure, education, innovation and important public services.

## Equal opportunities in all regions

There is a broad social consensus in Germany that the living standards in the various federal states and regions must not differ too much.

The measures taken by the Federal Government to support regional development in Germany include harmonising the financial resources of the federal states, thus enabling them to fulfil their public tasks. The nationwide fiscal equalisation continues to provide the basis for attaining an equivalent standard of living across the country. The social security systems also have a significant balancing effect between the regions.

In addition, regional structural policy plays an important role. In order to limit regional disparities within Germany, the Federal Government supports structurally weak regions as they invest in physical capital, infrastructure, education, innovation and important public services. It helps the federal states to fulfil their responsibilities if these tasks are of significance for the whole country and the involvement of the Federal Government is necessary in order to improve standards of living. For example, it participates in the Joint Task “Improving the regional economic structure” (GRW) by providing half of the funds and helping to set a common framework. These explicit rights for the Federation to play a role in regional economic development are intended to help foster equivalent standards of living in the regions.

The aim of the regional economic promotion provided by the Federal Government is to enable the regions to maintain and develop their economic strength on their own. For this reason, the emphasis is on the promotion of regional forces for growth, not least with the aim of reducing or avoiding long-term dependencies on transfers as far as possible.

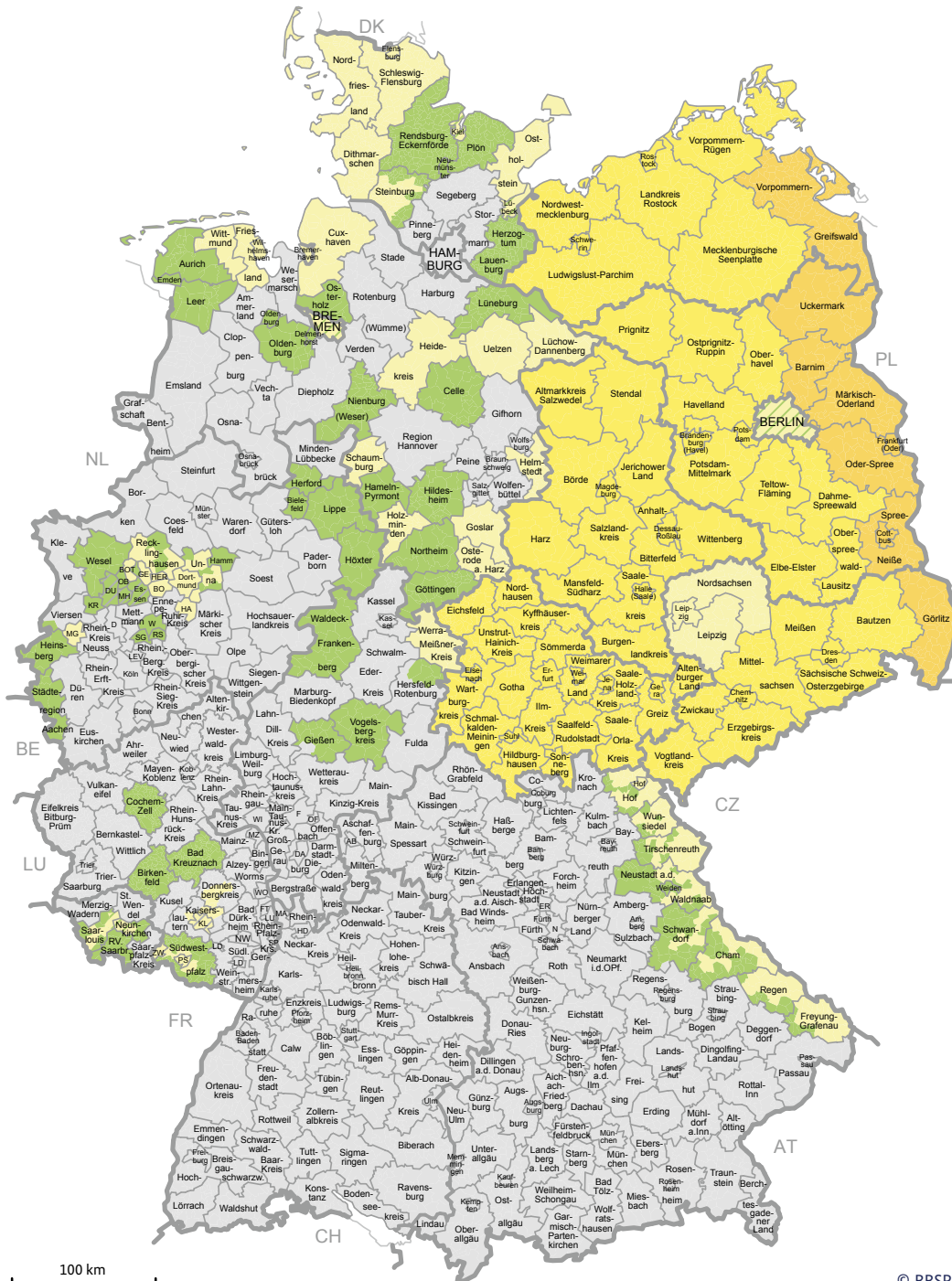
By enabling structurally weak regions to actively participate in the competition to attract investment, regional structural policy can develop potential for growth. Structurally weak regions in particular are especially dependent on being competitive in terms of price in order to establish and maintain sustainable, viable industrial and corporate structures.

## The foundations of regional economic promotion

The Joint Task “Improving the regional economic structure” (GRW) has been a central instrument of regional policy in Germany for many years. It aims to offset and reduce the disadvantages of structurally weak regions. The structural weakness is assessed on the basis of a pan-German regional indicator model which determines, in accordance with European guidelines, which regions in Germany are assisted areas and how much funding is allocated to each federal state. The funding available under the Joint Task is also disbursed in line with structural weakness and is not simply allocated to certain regions. Nevertheless, around 80% of the funding goes to regions in eastern Germany.

Figure 4 shows the areas currently assisted under the Joint Task. The highest rates of funding can be granted in the regions along the Oder River in order to alleviate the differences in assistance available there compared with the regions in Poland eligible for aid. Yellow and light yellow areas can offer reduced rates of assistance in line with EU state aid rules.

Figure 4: Assisted areas under the Joint Task, 2014–2020



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Assisted areas of the Joint Task  
 “Improving the Regional Economic Structure” (GRW)  
 By municipality

Data basis: BMWi  
 Geometrical basis: BKG, municipalities, 31 December 2011  
 Processed by: G. Lackmann

- |  |  |  |  |   |                                    |
|--|--|--|--|---|------------------------------------|
|  | Pre-defined “C” assisted area  |  | “D” assisted area  | <small>Name of rural district</small>                         |                                    |
|  | Pre-defined “C” assisted area with border premium in line with fig. 176 of the Regional Guidelines |  | “D” assisted area (of which cities/municipalities in part) | <small>Name of town/city (in some cases abbreviation)</small> |                                    |
|  | Non-pre-defined “C” assisted area  |  | In part non-pre-defined “C”, in part “D” assisted area     |   | Border of rural district/town/city |
|  | Non-pre-defined “C” assisted area (of which cities/municipalities in part)                         |  | Non-assisted area  |   | Border of federal state            |

In the green areas, Joint Task funding is available for infrastructure measures, for SMEs under the Block Exemption Regulation and under the De Minimis Regulation.<sup>8</sup>

As a consequence, the Joint Task is an important investment promotion instrument in the new federal states.

Higher funding from the Federal Government in the Joint Task is assigned to “Basket II” of Solidarity Pact II under the “Economy” field. In Basket II of Solidarity Pact II, the Federal Government had committed to support the reconstruction of eastern Germany in the 2005–2019 period by providing a total of approximately €51 billion in higher payments for certain policy fields coordinated with the federal states.<sup>9</sup>

In recent years, measures to promote innovation, networks and clusters have become established as a further important approach to promoting the economic development process in the new federal states. In 2015, almost half of the federal funding included in Basket II was used for the policy field entitled “Innovation, education, research and development.” In addition, Basket II of Solidarity Pact II also includes funds in the policy areas of “Housing and urban development”, “Transport”, “Legacy of pollution” and “Sports facility construction – top-class sport”.

## Prospects for regional funding

From the end of Solidarity Pact II at the latest, the question arises as to the future shape of regional support for the new federal states. At present, the economic strength of the new federal states is much weaker than that of the old federal states. Where serious structural weaknesses persist, support from the Federal Government will continue to be needed. The same goes for structurally weak areas in western Germany. They also need effective measures to establish equivalent living conditions. However, the possibilities under state aid law for subsidies in Germany have been significantly reduced. The rates of assistance have fallen and the promotion of large enterprises, i. e. enterprises with more than 250 employees, is only possible in very rare cases. In addition to the expiry of the Solidarity Pact, it is also necessary to respect the debt ceiling.

Also, funding from the European structural and growth funds, which will help countries finance numerous economic and innovation support programmes, is likely to decrease. In addition, with the departure of the United Kingdom, the gross domestic product per capita in the EU will fall, meaning that the EU is becoming statistically “poorer” on average, while Germany is becoming statistically “richer”. This, and in particular the good economic development of the German regions compared with the rest of the EU, could lead to the German regions benefiting to a lesser extent than before from European structural funds in the future. Depending on the classification in the European assisted area categories, the maximum aid rates could also fall further.

Against the backdrop of the expiry of Solidarity Pact II and new challenges, the Federal Government set itself the task in the Coalition Agreement of introducing a pan-German system for structurally weak regions from 2020. In 2015, the Federal Government presented the first principles for the further development of regional policy for the whole of Germany.<sup>10</sup> In these principles, all the ministries involved undertook to review what they are doing to achieve equivalent living conditions in Germany; this includes an integrated system of supplementary federal measures aimed at establishing equivalent living conditions in all structurally weak regions (in east and west) in accordance with uniform criteria. The integrated approach will ensure that the Federal Government’s support for structurally weak regions is highly effective.

The study “Aufgaben, Struktur und mögliche Ausgestaltung eines gesamtdeutschen Systems zur Förderung von strukturschwachen Regionen ab 2020” (see footnote 6), compiled on behalf of the Federal Government and the federal states, shows what a future integrated funding system for all structurally weak areas in Germany could look like. In order to help these areas to catch up, including under revised state aid rules and different fiscal situations, the authors of the study have drafted a “three-ring model” of future regional funding which takes up main features of the Federal Government’s principles. The first ring contains business-related programmes like the Joint Task, which are restricted to structurally weak regions. The second ring comprises nationwide programmes for SMEs and innovation

8 The total amount of de minimis aid granted per Member State to a single undertaking must not exceed €200,000 over any period of three financial years. For road haulage companies, the limit is €100,000.

9 In addition, the eastern German federal states will directly receive an additional amount of around €105 billion in Basket I as supplementary allocations from the Federal Government to cover special burdens caused by a divided Germany from the large infrastructure backlog and to compensate for the disproportionately low financial strength in the eastern federal states. Since the rules on the nationwide fiscal equalisation, including Solidarity Pact II, will expire at the end of 2019, the Federal Government and the federal states agreed on 14 October 2016 on principles for a reorganisation of the fiscal equalisation scheme as of 2020. The Bundestag (1 June 2017) and the Bundesrat (2 June 2017) have now approved the necessary legislation to restructure the fiscal relations between the Federation and the federal states.

10 Principles of the Federal Government for a pan-German funding system for structurally weak regions, BMWi, May 2015.



which can include regional funding preferences. The third ring supports regional development by promoting public services, e.g. through urban development and the Joint Task for the Improvement of Agricultural Structures and Coastal Protection.

The principles set out by the Federal Government for a pan-German funding system for structurally weak regions form the basis for the ongoing discussion with the federal states on how to shape a pan-German funding system. The study's detailed recommendations also provide some specific input for this discussion. Some of its suggestions, particularly regarding the adaptation of funding for infrastructure and innovation, were implemented in August 2016 in the form of changes to the coordination framework for the Joint Task. Further steps to adapt the rules of the Joint Task in order to boost the potential for growth and innovation are being worked on in the Federal Government/federal state bodies of the Joint Task.

In future, all structurally weak regions are to participate in the integrated regional funding system in line with similar principles. Tried-and-trusted funding programmes for the new federal states are being reviewed as to what extent they can contribute to a pan-German funding system and gradually also be offered in structurally weak areas of western Germany. Some aspects have already been implemented. For example, as of 1 January 2017, the INNO-KOM programme for supporting non-profit industrial research institutions, INNO-KOM, which had previously only been available for the new federal states, was increased in volume and extended to include structurally weak regions in western Germany. A pilot round of the programme "WIR! Change through innovation in the region", initially restricted to eastern Germany, is the first measure of a new funding concept entitled "Innovation and structural change", which supports innovation-based structural change in structurally weak regions throughout Germany (see Part B, Section 2.3).

There is also agreement that, even after the expiry of Solidarity Pact II and the changed European guidelines, there must still be effective regional support. Here, it must be borne in mind that globalisation and digitisation are creating new, profound challenges for the regions. Future regional funding must therefore be flexible, combine all the efforts, and be open to new ideas. In addition, it must go even further than it has done up to now and include not only business development, but also innovation promotion and public services. The aim is to improve the policy environment for investment, e. g. by further promoting urban neighbourhoods as part of urban development support. Ultimately, the decisive factor is what approach really helps the structurally weak regions in order to foster the convergence process and strengthen social cohesion throughout Germany.

The question of how to deal in future with structurally weak regions arises for Germany as a whole, whereby the special feature of eastern Germany is that, with a few exceptions, the structural weakness affects the entire area. After the expiry of Solidarity Pact II, however, it will be necessary to establish a funding system for the structurally weak regions in the east and the west in order to promote the urgently needed economic development there and, at the same time, to facilitate the provision of public services in these regions. People should have a good living environment throughout the country so that they can develop their lives, participate in society, work and live a healthy life.

The constitutional goal of establishing equal living conditions throughout Germany remains a joint task for the Federal Government and the federal states. It remains of central importance for the completion of German unity.



Part B

Report

# I. Improving economic strength, completing social unity

## 1. Economic development in eastern Germany

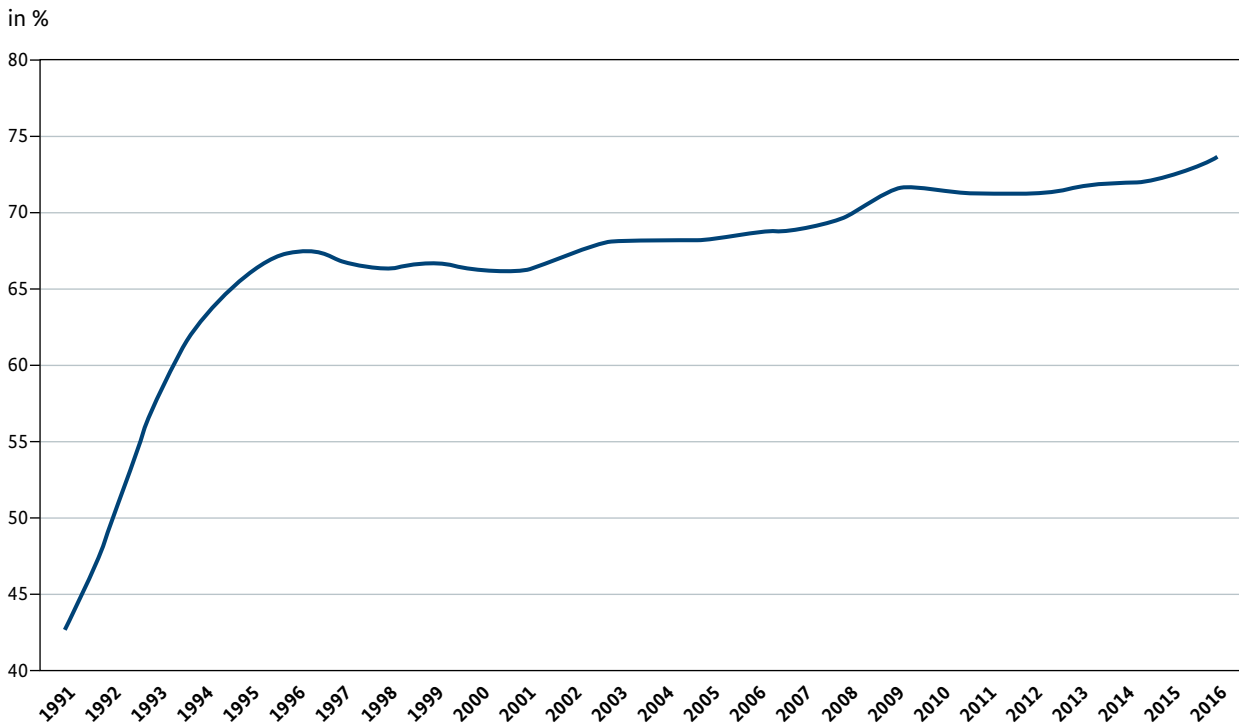
On the whole, the economy in eastern Germany has developed well and is capable of competing at international level. Today's share of industry in gross value added in the new federal states is higher than in the European Union.<sup>11</sup> Economic strength has almost reached the average for the European Union.<sup>12</sup> That is an impressive success. Some regions in eastern Germany, such as Jena and Leipzig, have already managed to overtake western German regions in terms of economic strength.

Overall, gross domestic product per capita in eastern Germany amounted to 73.2% of the comparable figure for western Germany in 2016. In the inner-German comparison, however, there are still differences in economic strength at regional level.

The fragmented economy in eastern Germany and the lack of headquarters of large companies are the main factors explaining the continuing disparities in economic strength. For example, not a single eastern German company is listed on the DAX-30, the leading stock exchange index. And only a few large companies are headquartered in eastern Germany. Furthermore, many eastern German businesses are part of western German groups, so that their possibilities for development are restricted.

Larger companies in particular often tend to invest heavily in research and development and in innovation in the vicinity of their headquarters. Also, large companies are geared more to supra-regional markets and can make better use of the advantage of the international division of labour, so that they are often more productive and have a higher wage level.

**Figure 5: Per capita gross domestic product: figure for eastern Germany as a percentage of the figure for western Germany**



Source: DIW 2017

11 Production sector share (excluding construction) in the economy as a whole in 2015: eastern Germany 19.9%, EU28 19.3%.

12 Per capita GDP in 2015: eastern Germany €28,702, EU28 €28,900. Source: Accounts of the new federal states, series 1, volume 1, status: March 2017.

The structure of smaller enterprises and the lack of corporate headquarters in eastern Germany are therefore also associated with a lower export quota<sup>13</sup> and less private-sector research and development activity.

In addition, other factors also play a role in determining the gap in economic strength between eastern and western German federal states. Industry in eastern Germany is more focused on upstream goods, which generate less added value. On top of these, there is a lower population density in the new federal states, a relatively weak economy in Berlin due to the city's history, as well as demographic development.

The existing structural weaknesses make it difficult to achieve higher economic growth, which would be necessary in order to bring the eastern German economy into line with the western German level more quickly. In view of the lack of large companies, eastern German SMEs are not only the backbone of the economy, but also the foundation for the ongoing alignment process. For the Federal Government, therefore, an SME policy designed to bolster the growth opportunities of the companies and thus the economic strength of the new federal states and other structurally weak regions in Germany remains a key objective.

In view of the continuing differences in economic strength between the east and the west, the Federal Government is continuing to deploy a variety of economic promotion measures to strengthen the economic development of the new federal states. On the one hand, the eastern German companies benefit from the measures that have been implemented throughout Germany, which can be divided into three main areas: the promotion of investment, innovation, and internationalisation. The funding programmes are primarily aimed at SMEs. This type of support is particularly suitable for companies in eastern Germany due to its fragmented economic structure.

There are also other programmes with special terms and conditions for projects in eastern Germany or in economically less developed regions. The latter programmes are particularly relevant in eastern Germany due to the structural weakness there.

## 2. Promoting investment, innovation and internationalisation

### 2.1. Promoting investment

Promoting investment is a central instrument used by the Federal Government to support economically less developed regions. Through various support programmes, companies are to be given easier access to finance. These programmes range from low-interest loans (borrowed capital) to the acquisition of shares in companies (equity). Table 1 provides an overview of the programmes<sup>14</sup> designed primarily to promote investment.

In Germany, external financing is traditionally carried out via commercial banks. The Federal Government offers support in those areas where financing is in short supply. This support often takes the form of public loans which Kreditanstalt für Wiederaufbau (KfW) manages on behalf of the Federal Government. These loans are subject to the commercial bank principle, i.e. the applications for public support can only be submitted to a bank which then provides the actual loan. Depending on the programme in question, the support provided comes in the form of a combination of low or fixed interest rates, longer terms and, in some cases, exemption from liability for the commercial bank. In addition to all-German programmes, there are also ERP regional development programmes<sup>15</sup> that are specifically available to companies in economically less developed regions. In 2015, around 870 projects with a volume of around €230 million were supported under the ERP regional development programme alone.

**Table 1: Support programmes geared to promote investment**

Borrowed capital promotion programme	Equity promotion programme	Subsidies
<ul style="list-style-type: none"> <li>• ERP regional development programme</li> <li>• KfW corporate loan</li> <li>• Guarantees and counter-guarantees by the Federal Government</li> </ul>	<ul style="list-style-type: none"> <li>• ERP investment programme</li> <li>• Mezzanine umbrella fund for Germany (MDD)</li> <li>• Micro-mezzanine Fund Germany</li> <li>• Counter-guarantees from the Federal Government</li> <li>• High-tech Founder Fund</li> <li>• Coparion</li> </ul>	<ul style="list-style-type: none"> <li>• Joint Task "Improving the Regional Economic Structure (joint federal/Länder programme)</li> </ul>

Source: In-house

<sup>13</sup> See Part C of this report.

<sup>14</sup> A very good search tool for all support programmes available for companies in Germany can be found on the homepage of the funding database of [www.foerderdatenbank.de](http://www.foerderdatenbank.de), and on the business portal of the Economic Affairs Ministry [www.bmwi-unternehmensportal.de](http://www.bmwi-unternehmensportal.de).

<sup>15</sup> The ERP regional development programme is financed with funds from the ERP Special Fund, which has been supporting economic development in Germany for more than 60 years. The money comes from the Marshall Plan funds (ERP = European Recovery Program).

Up to 80% of loan default risks can also be covered by guarantees from the Federal Government and the federal states. In this way, companies that would otherwise not have the collateral customarily required by banks now have access to loans via commercial banks. Small guarantees (up to €1.25 million) are taken on by the guarantee banks. The large-scale guarantee programme has been set up specifically for the new federal states for guarantee amounts of €10 million and more, to provide collateral for larger investment projects. The Federal Government and the new federal state bear the guarantee risk in cases like these at a ratio of 60:40. Since 1991, i.e. when the Federal Government/federal state guarantee programme was introduced, around 150 guarantees for projects related to the reconstruction of eastern Germany have been issued with a commitment totalling around €8.5 billion and a financing volume of around €11 billion. This volume of guarantees was used to (co-)finance an investment volume totalling €16 to €17 billion. Financing in the form of equity is also becoming increasingly important in eastern Germany. This financing is provided, on the one hand, by private equity investors, such as investment companies, venture capital funds or business angels and family offices. On the other hand, financing is also available through public support instruments, such as the High-tech Start-up Fund and the Coparion fund.<sup>16</sup> The investments of the SME investment companies, which are present throughout Germany and whose investments are backed by Federal Government and federal state guarantees, are also helping to strengthen the equity position of companies.

Non-repayable grants are also provided by the Federal Government and the federal states under the Joint Task “Improving the Regional Economic Structure” (GRW). Article 91a Basic Law<sup>17</sup> states that this Joint Task is the central regional policy instrument in Germany with which the disadvantages in economically less developed regions are to be offset and eliminated. Structural weakness is assessed here on the basis of a nationwide regional indicator model which, in accordance with European regulations, determines which region in Germany belongs to the assisted areas and the amount of support funds for which the respective federal state qualifies. The Federal Government and the federal states share the costs equally. For 2017 alone, this means a volume of more than €1.2 billion (including €24 million from the Federal Government’s

investment package which runs until 2018). Around 80% of the Joint Task funds are still earmarked for regions in eastern Germany, due to their structural weakness. The federal states decide on the specific projects based on the coordination framework agreed to with the Federal Government. Industrial investments, investments into municipal, business-related infrastructure and measures in conjunction with networking and cooperation are eligible for support.

The measures for economically less developed regions are not solely financed with German funds. Germany’s regions will receive a total of €28.8 billion from the European Structural and Investment Funds (ESI Funds)<sup>18</sup> in the 2014–2020 funding period. Of this figure, approximately €13.4 billion is going to the regions of eastern Germany.<sup>19</sup> The lion’s share is allocated to the federal state programmes where it will be used, among other things, to supplement the Joint Task funds.

## 2.2. Start-ups

New companies are an important precondition for economic development and convergence. Innovative start-ups, in particular, have considerable potential for growth. That is why start-ups are so essential for eastern Germany.

The Federal Government has various programmes available that are designed to meet the specific needs of newly founded companies and uses various measures to promote the opportunities of self-employment (see following table). Since founders often have little or no experience in company management, funding to promote the use of consultancy services or to teach entrepreneurial know-how is an important part of support for start-ups. Longer redemption periods are also interesting for people starting out in business. In light of ongoing demographic change, securing a company’s successor is another important aspect, particularly in eastern Germany.

Start-ups in particular tend to lack the collateral generally required by banks. Here, the 80% default guarantees of the guarantee banks serve as a replacement for collateral for bank loans. The guarantee banks provide guarantees for up to €1.25 million. Almost half of the approved guarantees are for start-ups and company hand-overs.

<sup>16</sup> See also section 2.3.

<sup>17</sup> Article 91a Basic Law states that the Federation can help the federal states to fulfil their responsibilities if these tasks are of significance for the whole country and the involvement of the Federation is necessary in order to improve standards of living.

<sup>18</sup> European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD).

<sup>19</sup> ERDF/ESF approx. €9 billion; EAFRD approx. €4.4 billion.

The take-up of the Federal Government's basic programmes for start-ups, which are financed by the ERP Special Fund<sup>20</sup>, is as follows in eastern Germany: in 2016, around €53 million, and hence around 20% of the commitment volume under the ERP Start-up Loan – Start Money programme, went to companies in eastern Germany; under the ERP Start-up Loan – Universal programme, around €352 million (around 11%); and under the ERP Capital for Start-ups programme, around €24 million (around 20%).

A total of 108 innovative companies from eastern Germany were assisted under the INVEST programme in 2016 alone, or just over 19% of the total funds approved under the INVEST programme that year. In addition, this subsidy programme was extended at the beginning of 2017, ("INVEST 2.0"), so that it now offers increased funding and an exit subsidy as a compensation for capital gains tax.

In contrast to the generally declining rate of start-ups in Germany, the EXIST Start-up Grant and EXIST Research Transfer programmes maintained and in some areas expanded the high level seen in the previous year. This is reflected both in the number of projects, with 348 in the EXIST Start-up Grant programme and 151 in the EXIST Research Transfer programme (programmes 1+2). In both the EXIST Start-up Grant (more than €22 million) and EXIST Research Transfer (more than €30 million), around 18% of the total volume of support was granted to start-up teams at universities in eastern Germany.

In 2016, the High-tech Start-up Fund (HTGF), a seed stage investor, provided first-time financing in 13 cases with a volume of around €6.25 million in the eastern federal states. This corresponds to a commitment volume of around 26% of HTGF's 44 overall first-time financing commitments in 2016.

Of the 2161 investments disbursed between the launch of the Micro-mezzanine Fund in autumn 2013 until the end of 2016, which amounted to approx. €89.9 million, 917 investments worth approx. €37.7 million (42% of the total) went to the new federal states.

The old Micro-loan Fund for Micro- and Small Enterprises disbursed 2,360 loans worth approximately €15.04 million in the period from 2010 until the end of 2015 in the new federal states (excluding Berlin). The new Micro-loan Fund for Micro- and Small Enterprises disbursed 353 loans worth approximately €3.06 million in the period from May 2015 until February 2017 in eastern Germany (excluding Berlin). That means that, in this period, 13% of the total micro-loans and around 16% of the total volume of micro-loans went to the new federal states.

### 2.3. Promoting innovation and research

#### Entrepreneurial Regions

The "Entrepreneurial Regions" innovation initiative has invested nearly €2 billion in providing specific support for research, development and innovation in eastern Germany, particularly in regions with higher education institutions and research establishments.

The range of support measures bundled under this initiative currently consists of five separate measures to establish and expand specific technological, scientific and business expertise in eastern Germany, and is geared to various points in the innovation process:

**Table 2: Support programmes with a focus on start-ups**

Financing	Knowledge and practical assistance	Other support
<b>Outside capital</b> <ul style="list-style-type: none"> <li>• ERP start-up loan (start money/universal)</li> <li>• ERP capital for start-ups</li> <li>• Micro-loans for Germany</li> </ul>	<ul style="list-style-type: none"> <li>• EXIST</li> <li>• Support for consultancy services for skilled crafts companies by chambers and trade associations</li> <li>• Promotion of entrepreneurial know-how</li> <li>• German Accelerator Programme</li> </ul>	<b>Strengthening entrepreneurial spirit</b> <ul style="list-style-type: none"> <li>• The 'Digital innovations' competition for business start-ups</li> <li>• Entrepreneurial spirit in schools initiative</li> <li>• German start-up week</li> </ul>
<b>Equity/investment capital</b> <ul style="list-style-type: none"> <li>• Coparion</li> <li>• ERP/EIF Fund of Funds</li> <li>• Micro-Mezzanine Fund</li> <li>• European Angels Fund (EAF)</li> <li>• High-tech Start-up Fund</li> <li>• INVEST – Grant for Venture Capital</li> </ul>		<b>Handing businesses on to the next generation</b> <ul style="list-style-type: none"> <li>• Nexxt initiative for company hand-overs with matchmaking service</li> </ul>
<b>Other</b> <ul style="list-style-type: none"> <li>• Guarantee banks</li> <li>• Start-up grant according to Social Code III</li> </ul>		

Source: In-house

20 The ERP Special Fund is financed by funds from the Marshall Plan, see also footnote 43.



The Innovative Regional Growth Cores programme, and the Growth Core Potential module, are intended to strengthen regional entrepreneurial alliances with shared technology or problem-solving platforms. Since 2001, 53 growth cores and 41 growth core potential associations have been supported with €431 million.

The Centres for Innovation Competence programme aims to establish international, efficient research centres that will set standards through excellent research, entrepreneurial strategy and innovative methods for fostering young talent (budget up to 2022: at least €355 million).

InnoProfile-Transfer is designed to strengthen technology transfer by supporting cooperation between young researchers and regional companies. Up until 2019, €137 million will be available to support 23 market-oriented collaborative projects, seven young research groups and 21 research groups that are headed by company-financed endowed chairs.

The Twenty20 Partnership for Innovation programme launched in 2012 promotes the establishment of new, cross-border innovation structures. The competence developed in the new federal states will be expanded and strengthened through interdisciplinary cooperation beyond the borders of eastern Germany. Up to €45 million will be available to each of the ten selected consortia to implement their strategies.

Since 2016, work has been underway to develop Entrepreneurial Regions into an all-German funding concept for innovation and structural change to boost the innovative capacities of regions facing particular challenges in their economic development. In the course of this, the effectiveness of different funding instruments has been studied since 2016 in the context of 16 collaborative R&D projects involving funding totalling more than €42 million.

In 2017, “WIR! – Change through innovation in the region” is the first new funding measure. “WIR!” funds the development of comprehensive regional innovation concepts and their implementation in selected projects over a period of several years. Here, the open funding approach makes it possible in particular for regions outside existing innovation centres to identify their specific strengths and to develop aspects such as high-grade medical treatment in shrinking regions, the energy transition, resource efficiency, food and agriculture, structural change in mining regions and the attractiveness of rural areas as places to live and work.

In a pilot phase, with funding totalling €150 million, WIR! is initially targeting eastern German initiatives. But at the latest when the Solidarity Pact II expires at the end of 2019, WIR! and the other “innovation and structural change” funding measures will be targeted equally at applicants from all of Germany’s structurally weak areas.

### “Think small first” ten-point programme

The “Think small first” ten-point programme was set up at the beginning of 2016. In four fields of action, it aims to encourage greater involvement of SMEs in the Federal Government’s thematic programmes, to promote networking with strong partners like companies, higher education institutions and research establishments, to ensure that the need for skilled workers is met, to improve the policy environment and to simplify funding procedures. One element of this programme is to further develop the successful SME Innovative model, which addresses eastern Germany’s particular industrial strengths in nine technology fields, such as electronics systems and photonics. Since it was launched in 2007, more than 1,500 individual and collaborative projects have been supported with funds totalling more than €1 billion and involving more than 2,500 small and medium-sized enterprises throughout Germany. Around a quarter of these funds went to the research community in the eastern federal states.

The “SME-NetC” funding measure, which was launched in August 2016, supports small and medium-sized enterprises under the ten-point programme as they develop new products, processes, services and business models in networks and clusters with a strong emphasis on research. The close interaction with other companies, higher education institutions and non-university research establishments pools experience and expertise, thus promoting innovation in small and medium-sized businesses. Of the approximately 30 collaborative projects starting in 2017 and early 2018, 13 are mainly located in eastern Germany, e.g. in the fields of biotechnology, maritime technology, energy and environmental technology, and information and communication technology. The grants towards eastern German projects are set to amount to approximately €18 million.

As part of the ten-point programme, the funding of “SME innovation forums” began in 2016, taking up a format that has been successfully implemented in eastern Germany and extending it to the whole country. Under this measure, creative spaces are set up for a wide variety of partners from business, science, policy-making, public administration and society to establish contacts across technologies and sectors, determine where they stand compared with their competitors, and initiate the transfer of knowledge.

With a share of approximately 40% of the number of project outlines submitted (May 2017: 181) and selected projects (May 2017: 45), demand for the programme from eastern Germany exceeds the average for the whole country; the success rate of eastern German applicants is the same as the overall German average.

### Institutional support for research

The non-university research institutes backed by the Federal Government and the federal states are a cornerstone of eastern Germany's research landscape. Support for five major Helmholtz centres, many Fraunhofer institutes, the Leibniz Association and the Max Planck Society accounts for a large part of the above-average payments made by the Federal Government. In total, the eastern German federal states receive almost a quarter – more than €2 billion – of federal funding from the joint Federal Government/federal state funding for science and research.

Some of the outstanding institutions located in eastern Germany include, for example, the Max Planck Institute for Plasma Physics in Greifswald, Berlin's Max Delbrück Centre for Molecular Medicine in the Helmholtz Association, the Fraunhofer Institute for Applied Optics and Precision Engineering (IOF) in Jena and the Potsdam Institute for Climate Impact Research in the Leibniz Association. The National Academy of Sciences, the Leopoldina in Halle (Saale), is also based in eastern Germany. Leading international research infrastructures have developed in Dresden and Berlin in particular, offering universities, companies and research establishments.

The Federal Government is using its Microelectronics Germany Research Factory to fund investment in equipment in commerce-related microelectronics research establishments in order to consolidate Germany's leading role and to build on the country's global competitive edge in microelectronics as a key enabling technology for digitalisation in the coming decades. These investments also benefit SMEs, giving them access to state-of-the-art digital technologies. In the context of this funding initiative, establishments in Berlin, Brandenburg, Saxony and Thuringia are receiving investment funding totalling €210 million, or around 60% of the total of approx. €350 million (2017–2020); in particular, this is because Dresden is one of the three largest and most important microelectronics bases in Europe.

### Research Campus initiative

As part of the "Research Campus Public-Private Partnership for Innovation" initiative (launched in 2011, funding for up to 15 years), support is being provided for nine partnerships in science and business in which at least one university along with non-university research institutes and private companies are working in the long-term on a jointly drafted research programme.<sup>21</sup> Four of the nine research campuses are at home in eastern Germany: MODAL – Mathematical Optimization and Data Analysis Laboratories for process optimisation, Mobility2Grid, which supports the development of energy and mobility by combining smart grids and electric mobility (both in Berlin), STIMULATE – Solution Centre for Image Guided Local Therapies (Magdeburg) for medical technology and InfectoGnostics (Jena) for new diagnosis methods for infections and pathogens. The research campuses are attractive for attracting thematically related start-ups or spin-offs and small firms. For example, the InfectoGnostics research campus already hosts three spin-offs, which are also partners of the research campus. Two companies have opened branch offices next to the STIMULATE research campus, and a start-up has also located there. As part of this initiative, some €43 million in funding (2013 to 2020) has been pledged to R&D projects in the new federal states and Berlin. All in all, the initiative is involved in at least 210 cooperation projects at nine research campuses and 96 of these are participating in the research campuses in eastern Germany.

### Collective Industrial Research programme

The Collective Industrial Research programme is tasked with facilitating access for companies, and especially SMEs, to practical research findings via support for precompetitive research projects. €33 million – almost a quarter – of the funding available went to the new federal states in 2016.

This includes the implementation of transnational research projects. In the 2006–2016 period, 66 CORNET (Collective Research Networking) projects were implemented involving research establishments in the new federal states (total funding: €18.2 million). The CORNET partner countries include Poland, the Czech Republic, Peru and the Canadian region of Quebec.

21 These research campuses are working on joint research topics that are extremely complex, bear a high research risk and have considerable potential for springboard innovation. Support is available here for a period of up to 15 years.

**Table 3: IGF (2016)**

	Total	Berlin	Brandenburg	Mecklenburg- Western Pomerania	Saxony	Saxony-Anhalt	Thuringia
Funding disbursed to research establishments in new federal states, according to 2016 financial statements	€ 32,849,436.66	€ 2,664,587.15	€ 1,303,761.48	€ 1,462,768.01	€ 21,832,854.32	€ 2,474,532.77	€ 3,110,932.93
<b>Share of total funding in 2016 going to new federal states</b>	<b>23.64 %</b>	<b>1.92 %</b>	<b>0.94 %</b>	<b>1.05 %</b>	<b>15.71 %</b>	<b>1.78 %</b>	<b>2.24 %</b>

Source: Evaluation by Confederation of Industrial Research Associations "Otto von Guericke"

### INNO-KOM-East

From its launch in January 2009 up to the end of 2016, the programme entitled "R&D funding for non-profit external industrial research establishments in eastern Germany" (INNO-KOM East) pledged to support 1,643 R&D projects with funds amounting to around €478.9 million.

The successor to this, "INNO-KOM", which was launched on 1 January 2017, extended the successful innovation funding to structurally weak areas throughout Germany. At the same time, the funding was boosted to €71 million, €65 million of which remains reserved for the new federal states. This means that INNO-KOM is initiating a reorienta-

tion of the funding for structurally weak regions, as is required by the expiry of the Solidarity Pact in 2019.

### go-Inno

The BMWi innovation vouchers (go-Inno) programme provides SMEs with a potential for technology with vouchers for targeted advisory services, thereby supporting them as they develop innovative products and processes. The focus is on innovation management with a view to improving the internal processes and capabilities for in-house R&D projects. More than half of the funding disbursed is going to SMEs in the new federal states.

**Table 4: INNO-KOM East (2016)**

	Total	Berlin	Brandenburg	Mecklenburg- Western Pomerania	Saxony	Saxony-Anhalt	Thuringia
Funding disbursed to research establishments in new federal states, according to 2016 financial statements	€ 58,332,274.00	€ 7,150,558.00	€ 1,069,352.00	€ 1,017,669.00	€ 23,320,011.00	€ 2,542,445.00	€ 23,232,239.00
<b>Total share of funding in 2016</b>		<b>12.3 %</b>	<b>1.8 %</b>	<b>1.7 %</b>	<b>40.0 %</b>	<b>4.4 %</b>	<b>39.8 %</b>

Source: Evaluation by EuroNorm, the project manager

**Table 5: go-Inno (2016)**

	Total	Berlin	Brandenburg	Mecklenburg- Western Pomerania	Saxony	Saxony-Anhalt	Thuringia
Funding disbursed to research establishments in new federal states, according to 2016 financial statements	€ 4,568,719.37	€ 281,600.00	€ 384,000.00	€ 645,650.00	€ 470,630.00	€ 366,050.00	€ 553,100.00
<b>Share of total funding in 2016 going to new federal states</b>	<b>59.11 %</b>	<b>6.16 %</b>	<b>8.4 %</b>	<b>14.13 %</b>	<b>10.3 %</b>	<b>8.01 %</b>	<b>12.11 %</b>

Source: Evaluation by German Aerospace Centre (DLR)

## go-cluster

As an excellence measure of cluster policy, the go-cluster programme that was initiated in mid-2012 brings together Germany's best 90 innovation clusters that are pioneers in innovation and reflect Germany's enormous expertise in numerous industries and fields of technology. Eighteen of these excellence clusters are currently eastern German cluster initiatives. In view of the great significance of the most efficient innovation cluster of the "go-cluster" programme for structural change in the eastern German economy, the Federal Government is funding its ongoing development and improvement via specific model funding. This funding aims to stimulate the development and implementation of novel cluster concepts and cluster services in the innovation clusters in eastern German federal states; the emphasis of the funding is on "strategic cluster partnerships to complete regional value chains", "digitalisation of the cluster stakeholders" and "safeguarding and qualification of skilled workers".

## go-digital

In the course of the implementation of the Federal Government's Digital Agenda, the "go-digital" model project was launched in the two model regions of Saxony (including the Halle area) and the Ruhr district. The model project was successfully concluded at the end of 2016 and is being recast as a nationwide funding programme this year. "go-digital" supports SMEs and skilled craft enterprises when developing and implementing comprehensive IT business concepts and organisational measures in various areas of ICT expertise so that they can keep pace with the technological and social developments when security requirements need to be raised due to an increase in digital networking, in online distribution and the growing digitalisation of day-to-day business. Individual SMEs and skilled craft companies are being advised by authorised consultants in the fields of IT security, digital market development and digitalised business processes, and are being helped with the implementation of the measures.

## SMEs Digital

The SMEs Digital programme has supported the digital transformation of the German economy since 2013 by making small and medium-sized enterprises, in particular, aware of the technological and economic potential and the challenges of digitisation, including Industrie 4.0. In view of the fragmented nature of the economy, eastern German firms can derive particular benefit from this programme. Ten SME 4.0 Centres of Excellence have been set up through-

out Germany as part of the SME 4.0 – Digital Production and Work Processes initiative, three of them in the new federal states (Berlin, Chemnitz, Ilmenau). These centres offer companies practice-oriented digitisation know-how as well as specific demonstration and testing opportunities. Up to the end of 2017, up to 13 additional centres are to open, including in Cottbus, Magdeburg and Rostock, as well as five centres covering nationwide horizontal issues. In the interest of the less industrial regions, the second call for tenders of the SME 4.0 Initiative was more focused on innovative networking solutions and a broad sectoral spectrum, and thus particularly on the new federal states.

## Central Innovation Programme for SMEs

Under the Central Innovation Programme for SMEs (ZIM), the Federal Government has been providing support for ambitious technological R&D projects by SMEs since July 2008, resulting in new products, processes and technical services.

ZIM is particularly important for the economic development of the eastern federal states because these states benefit disproportionately, receiving around 40% of funding under the ZIM programme. ZIM is a demand-oriented programme that is open to all technologies and sectors with very little red tape and swift procedures. The companies' projects are predominantly concentrated on forward-looking technologies: digitisation, energy and resource efficiency, health research and medical technology, smart mobility and renewable energy are areas where many SMEs see market opportunities. As a result, increased research activities not only boost the companies' competitiveness but also speed up the rate at which technological challenges are mastered. The ZIM innovation networks provided with funding aim to create competitive advantages for small firms in particular. In the network, the firms can develop innovations which they could not have accomplished on their own due to their limited resources. The cooperation between companies and research establishments generate centres of growth which create competitive advantages for the participating companies.

A higher level of support and targeted assistance for international R&D projects also boosts the internationalisation of SMEs.

Due to the positive experience with this programme and the increased R&D activities of the companies, the Federal Government has repeatedly increased its budget for ZIM in recent years, which reached €548 million in 2017.

## 2.4. Internationalisation

The economy in eastern Germany is less internationalised than in western Germany: it has fewer exports, and less of its production and supplies are destined for the international market. As a result, the economy in eastern Germany is unable to benefit to the same extent from the advantages of the international division of labour and the growth potential of foreign markets. This is why the international integration of the eastern German economy is a decisive step towards increasing eastern Germany's economic strength. The support available from the Federal Government for foreign trade and investment is therefore geared both to supporting exports, especially for SMEs, and to the international marketing of eastern Germany as a promising location for investment.

As the economic promotion company for the Federal Republic of Germany, Germany Trade & Invest GmbH (GTAI) is involved in promoting exports and in attracting investment to the new federal states. The company supports the internationalisation of the economy in Germany, and of eastern German firms in particular, by providing up-to-date information about foreign markets and, more importantly, by marketing clusters from eastern Germany. These clusters are presented at joint events held at foreign locations and target regions with the respective countries, companies and research institutes from the clusters, such as the "OptoNet – Photonics Network" cluster from Thuringia, which was presented in Japan last year. The "Silicon Saxony" cluster from Saxony was presented at two places in Taiwan to clusters from those regions, and the "BioEconomy" leading edge cluster from Halle in Saxony-Anhalt was brought together with equivalent Finnish clusters in Helsinki and Karelia.

The clusters from eastern Germany are marketed through location marketing, for instance, image-creating events or cooperation events for eastern German companies from the respective cluster. The specific regional advantages are highlighted through close cooperation between GTAI and the economic promotion companies of the new federal states. The strengths of the eastern Germany health sector/medical technology cluster are being promoted at a leading medical technology site in the United States, the "Cool Silicon" leading-edge cluster from Saxony is being promoted in Canada, and the Berlin-based cluster "ICT, Media and Creative Industries" is being featured at two sites in India.

Companies in eastern Germany also have access to the entire range of tried-and-tested foreign trade and investment promotion measures. The GTAI network collaborates closely with Germany's network of bilateral chambers of commerce. Other important measures include, for instance, the foreign trade show programme that facilitates a united appearance by German companies at international trade fairs, as well

as finance and security for foreign business transactions, especially the export credit insurance provided by the Federal Government (known as Hermes cover).

Despite its relatively low volume, the SME Market Development Programme has become extremely important for companies in eastern Germany; this programme promotes business missions to foster new business relations and cooperation. The findings of an evaluation of the programme show that SMEs from eastern Germany in particular make use of the programme to expand their foreign contacts and to make decisions on possible activities abroad.

### "Internationalisation of Leading-Edge Clusters, Forward-Looking Projects and Comparative Networks" funding programme

The "Internationalisation of Leading-Edge Clusters, Forward-Looking Projects and Comparative Networks" funding programme supports the development of internationalisation strategies and research cooperation between German clusters/networks and innovative regions and networks in other countries. The launch of the first round of the competition in 2016 saw the clusters "MERGE" in Chemnitz, "Organic Electronics Saxony" in Dresden and "OptoNet" in Jena develop their own internationalisation strategies and take up contact with international partners in order to engage in the ensuing implementation phase in joint R&D&I cooperation projects on an equal footing with their international partners. The launch of the funding in the second round of the competition in 2017 saw the leading-edge clusters "Cool Silicon" in Dresden and "BioEconomy" in Halle, as well as the Integrational Regional Growth Core WIGRATEC, start work on their internationalisation strategies. All of the clusters and similar networks are receiving funding under the programme, amounting to up to €4 million over a period of up to five years.

## 2.5. Business clusters

Berlin and the new federal states have become globally attractive locations for research and development. Innovative industrial clusters and networks are a central aspect in the development of eastern Germany as a base for business and ultimately as an internationally competitive base for industry and technology. Clusters and networks are important drivers in the respective economic sectors as they promote the development of innovations and products by sharing know-how and complementary resources. In recent years, numerous clusters and networks have developed in eastern Germany. The "Cool Silicon" Cluster in Dresden in the field of microelectronics, BioEconomy in Halle, which is exploring the topic of renewable raw materials, and Solarvalley Mitteldeutschland, which is working



on photovoltaics, all emerged from the Federal Government's excellence cluster competition. Some of the most well-known clusters include the cross-border clusters Automotive Cluster Ostdeutschland (ACOD), Central European Chemical Network (CeChemNet) and CLEANTECH Initiative Ostdeutschland.

As an excellence measure of cluster policy, the go-cluster programme that was initiated in mid-2012 currently brings together Germany's best 92 innovation clusters that are pioneers in innovation and reflect Germany's enormous expertise in numerous industries and fields of technology. Eighteen of these excellence clusters are eastern German cluster initiatives. In fact, every third new cluster included in the programme was from the new federal states. The clusters in eastern Germany are particularly active in biotechnology, medical technology and the health sector, as well as in production technology and optical technologies/ photonics, electrical engineering, measurement technology and sensor technology.

In view of the great significance of the most efficient innovation clusters of the "go-cluster" programme for structural change in the eastern German economy, the Federal Government is funding their ongoing development and improvement via specific model funding. This funding aims to stimulate the development and implementation of novel cluster concepts and cluster services in the innovation clusters in eastern German federal states; the emphasis of the funding is on "strategic cluster partnerships to complete regional value chains", "digitalisation of the cluster stakeholders" and "safeguarding and qualification of skilled workers". The SMEs involved in the innovative clusters will primarily benefit from these innovative cluster concepts. Further aims of the funding include a lasting and successful positioning in national and international competition, and the long-term improvement of various aspects of cluster management, such as networking and cooperation, enhancing the rate of innovation, and internationalisation.

## 2.6. Further activities

In addition to the support via funding programmes, the Federal Government has special programmes focusing on specific challenges.

For example, the 2050 Climate Action Plan envisages the deployment of a commission on "growth, structural change and regional development", starting work in 2018. It is intended to develop a toolbox for the regions and sectors particularly affected by the process of transformation in the energy sector, involving federal states, municipalities, trade unions and the relevant sectors; the tools are to create alignment between economic development, structural change, social compatibility and climate change mitigation. This particularly affects the eastern German lignite mining areas.

The Federal Government is also helping companies to utilise the opportunities deriving from global megatrends like climate change, scarcity of resources and environmental protection. This is particularly important for eastern Germany. One example is cleantech markets. Eastern Germany has quite a lot to offer in these fields. However, many of the companies are too small in order to be able to profit from the international development. In order to tackle this, the Cleantech Initiative for Eastern Germany (CIO)<sup>22</sup> was started up. It aims to support the cleantech sector as it networks, works together to develop markets, and grows as a result. It is a cross-sectoral alliance with partners from all the eastern German federal states.

In order to make even better use of the potential for growth in eastern Germany, the Federal Government has set up the Company Growth Dialogue initiative to promote growth and competitiveness. The aim of this dialogue is to generate momentum for entrepreneurial activities with a high level of value added and the expertise to solve problems. Entrepreneurs come together to discuss solutions and new ideas for more growth at entrepreneurial level.



### 3. Labour market and securing skilled workers

#### 3.1. Situation on the labour and training market in eastern Germany, employment development

##### Development of the labour market

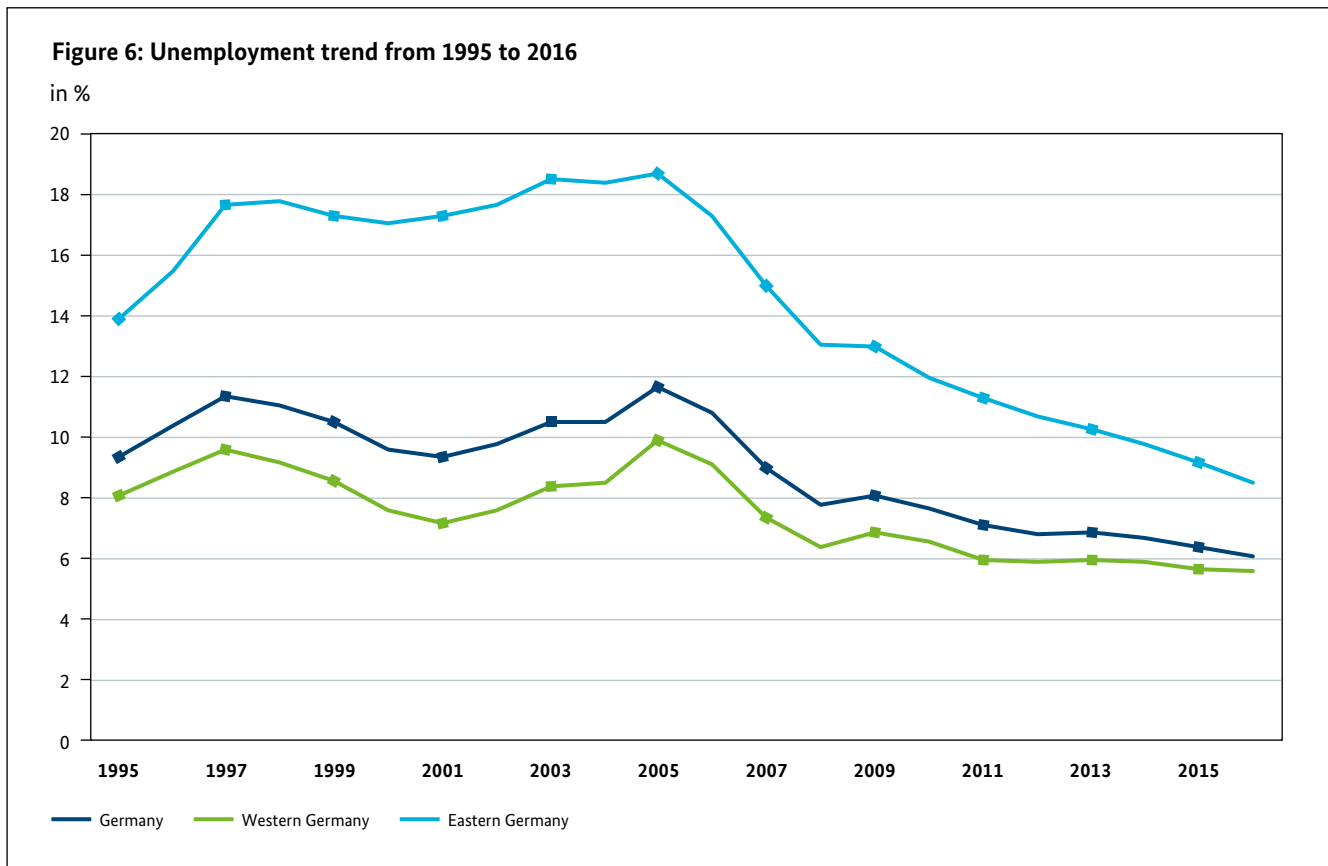
The underlying trend on the labour market remains positive. The number of people in jobs has continued to rise. According to provisional calculations by the Federal Statistical Office, it reached the highest level since reunification at 43.6 million people in work in 2016. Employment subject to the payment of social security contributions expanded more strongly than gainful activity in general.

Last year, as in previous years, the annual unemployment rate for the year declined once again. In 2016, eastern Germany recorded a rate of 8.5% and western Germany 5.6%. This figure was 10.2 percentage points down in eastern Germany compared to the high point in 2005. At the beginning of the 2000s, the gap between the unemployment rates in eastern and western Germany was more than 10 percentage points. It stood at 2.2 percentage points in June 2017.

The year-on-year unemployment figures are clearly down, and underemployment is currently rising. Here, the migration of refugees is clearly reflected. The number of asylum seekers from the eight leading non-European countries of origin receiving unemployment benefit or assistance under Social Code II rose in comparison with the preceding year, although employment of such people is increasing from a low level.

The unemployment rate among women in terms of the total civilian workforce totals 7.9% in eastern Germany and 5.3% in western Germany, and is hence lower than the rate of 9.0% (east) and 5.8% (west) for men.

When it comes to younger people (between 15 and under 25) and older people (between 55 and under 65), more people are registered as unemployed in eastern Germany than in western Germany (see Table 6). The unemployment rate of younger people in eastern Germany rose slightly in year-on-year terms, from 8.2 to 8.6% (+0.4 percentage points); the nationwide figure is 5.3% and the figure for western Germany stands at 4.8%.



Source: In-house diagram based on statistics from the Federal Employment Agency

**Table 6: Unemployment rate as a percentage of the civilian labour force**

	2015	2016
<b>Total</b>	6.4	6.1
Western Germany	5.7	5.6
Eastern Germany	9.2	8.5
<b>Men</b>		
Total	6.6	6.4
Western Germany	5.8	5.8
Eastern Germany	9.6	9.0
<b>Women</b>		
Total	6.2	5.8
Western Germany	5.6	5.3
Eastern Germany	8.7	7.9
<b>Younger people (from 15 to 25)</b>		
Total	5.3	5.3
Western Germany	4.8	4.8
Eastern Germany	8.2	8.6
<b>Older people (from 55 to 65)</b>		
Total	7.3	6.8
Western Germany	6.5	6.1
Eastern Germany	10.6	9.4

Source: Federal Employment Agency

Long-term unemployment has dropped to below one million across the country for the first time (annual average for 2016). The number of long-term unemployed also fell in eastern Germany, by around 19,000 to 267,000.

The number of unemployed people entitled to basic benefits for job-seekers and receiving unemployment benefit II declined throughout Germany by around 3.5% against the previous year. In eastern Germany, this figure actually declined by 7.5%.

**Table 7: Number of unemployed according to length of unemployment in eastern and western Germany**

	2015	2016
<b>Unemployed</b>		
Total	2,794,664	2,690,975
Western Germany	2,020,503	1,978,672
Eastern Germany	774,162	712,303
<b>Long-term unemployed</b>		
Total	1,039,281	993,073
Western Germany	754,130	726,552
Eastern Germany	285,151	266,520
<b>Unemployed in eastern and western Germany</b>		
<b>Social Code III</b>		
Total	858,610	821,824
Western Germany	662,369	644,053
Eastern Germany	196,241	177,771
<b>Social Code III</b>		
Total	1,936,055	1,869,151
Western Germany	1,358,134	1,334,619
Eastern Germany	577,921	534,532

Source: Federal Employment Agency

## Employment trend

The number of people in jobs in Germany in 2016 totalled 41.3 million people, the highest level since reunification.<sup>23</sup> The eastern federal states (including Berlin) accounted for 7.8 million or 19% of this figure.

Eastern Germany recorded the highest level since reunification.<sup>24</sup> Between 1991 and 1992, employment in the eastern federal states declined significantly as a result of the deindustrialisation. The subsequent rise in employment was weaker than in western Germany due to demographic developments and great progress in productivity, and was insufficient to offset the job losses in the early 1990s.

The number of people in jobs requiring social insurance contributions in relation to the overall population<sup>25</sup> rose again slightly (see Table 8), as did the employment rate.

23 According to analyses of the microcensus.

24 From 2011, the statistics are based on a different definition of "in work"; the data are extrapolated on the basis of the 2011 census. This makes it difficult to compare the figures from 2011 on with those from before 2011.

25 This takes into account a working age of between 15 and up to 65 according to place of residence.

Between 2015 and 2016 (figures for 30 June), the number of people in jobs requiring social insurance contributions in eastern Germany rose by 1.9% to almost 5.9 million. More women (increase of 2.3%) than men (increase of 1.4%) benefited from this development. Women account for almost half of the working population in eastern Germany (49.5%).

The percentage of people working in part-time jobs requiring social insurance contributions in eastern Germany is higher than the average for all of Germany (total: 27.2%; east: 29.2%).

**Table 8: Number of people in jobs requiring social insurance contributions (as of 30 June)**

	2015	2016
<b>Total</b>	30,771,297	31,373,691
Men	16,504,172	16,829,010
Women	14,267,125	14,544,681
<b>Eastern Germany</b>	5,763,768	5,870,507
Men	2,896,958	2,962,639
Women	2,866,810	2,907,868
<b>Full-time</b>		
Total	22,577,749	22,825,336
Eastern Germany	4,133,931	4,156,754
<b>Part-time</b>		
Total	8,186,415	8,547,630
Eastern Germany	1,627,293	1,713,595

Source: Federal Employment Agency; data for June 2016 slightly underestimated

The proportion of women in jobs in eastern Germany is still higher than in western Germany, but these figures are converging due in part to the trend towards more women working in western Germany. In 2015, the employment rate (15 up to 65 years of age) among women in eastern Germany totalled 70.8% (west: 69.6%, overall rate: 69.8%) and among men 74.8% (west: 78.4%, overall rate: 77.7%).

There is still a big difference in the level of employment of parents in particular between eastern and western Germany. In the new federal states, it is much more common for both parents to work than in the old federal states.<sup>26</sup>

The majority of working single mothers in eastern Germany work almost or completely full-time (56%) while the majority of single mothers in western Germany work between 15 and 32 hours a week. However, single mothers are more frequently not in work in the new federal states (35% compared to 31% in the old federal states).<sup>27</sup>

In total, 70% of mothers are employed in eastern Germany compared to 66% in western Germany. In the new federal states, 56% of working mothers work at least 32 hours, but this is the case for only 27% of working mothers in the old federal states. In eastern Germany, working mothers work an average of 33 hours a week, much more than mothers in western Germany (25 hours a week). This is particularly the case for mothers with small children: 44% of mothers in eastern Germany with the youngest child under the age of three have a job (west: 34%). In eastern Germany, 54% of working mothers with the youngest child under the age of three work at least 32 hours a week (west: 24%) and 41% work between 15 and 32 hours a week in part-time jobs (West: 53%).<sup>28</sup>

In view of the key function of skilled workers, the compatibility of family life and work is of great significance for social stability and economic success in eastern Germany. The Federal Government is hence aiming to modernise the way women and men approach their in different phases of life and to create greater options for the working population when it comes to shaping how they work and live. It is continuing to support child-care services which foster good child development and make it easier for parents to combine family life and work. Academic studies into the impact of public investment in child care services show that these contribute to inclusive growth and pay off in macroeconomic terms.<sup>29</sup>

The focus of a modern culture of work is on improving partnership-based reconciliation of family and work for women and men, for instance, through flexible work models and a family-friendly working environment. The Federal Government agreed on these goals in 2015 together with the umbrella associations of German business (BDA, DIHK, ZDH) and the German Trade Union Federation in the memorandum entitled “Family and Work – the NEW compatibility”; the follow-up process with an emphasis on implementing a family-friendly business culture is taking place in the context of the “Success Factor Family” corporate programme.

26 In 34% of two-parent families with children under the age of 18 in eastern Germany, both parents work more than 32 hours a week (west: 12%). Also, the sole male breadwinner model is much less prevalent in eastern Germany than in western Germany (22% compared to 32%). While almost half of all two-parent families in the old federal states have fathers who work more than 32 hours a week and mothers who work less than 32 hours, this is the case for only a third of families in the new federal states.

27 Microcensus special evaluation s16199. Calculation by Prognos AG.

28 *ibid.*

29 See Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) (2017): *Investitionen in Infrastruktur in Familien – ein Motor für inklusives Wachstum. Motor Familienforschung*, issue 36, Berlin.

Further specific measures introduced by the Federal Government aim to boost the share of women in employment and shape working hours in a manner which fits better with the course of people's lives. By promoting partnership-based compatibility, and particularly a higher labour force participation rate of mothers, by stepping up the expansion of child-care infrastructure for children of kindergarten age – programmes in which the Federal Government is supporting the Länder – the state is investing in families, and this is intended to impact positively on business and public finances.<sup>30</sup> A family policy which boosts the existing trends of greater labour force participation rates for mothers and partnership-based compatibility for mothers and fathers could strengthen the economic position of families and reduce the risk of poverty for families. Furthermore, a study by Prognos concludes that GDP could be €28 billion higher in 2030 if the positive trends continue than if the development of labour force participation of mothers stagnates at the current level. If the policies prove able to reinforce the existing positive trends, an increase as high as €69 billion is possible.<sup>31</sup>

### Developments on the training market

In statistical terms, the training market, and particularly the relationship between applicants and training places, is now close-to-balance. This applies equally to western and eastern Germany. In comparison with the preceding year, more training places were on offer in both the east and the west.

All in all, there were 547,000 registered apprenticeships in the 2015/2016 reporting year (key date: 30 September 2015), 17% of which were in eastern Germany (see Table 9). The number of registered applicants for vocational training places rose further in year-on-year terms in eastern Germany.

However, in comparison with the preceding year, there is a slight rise in the number of vacant training places and roughly the same high number of applicants without training places.

In September 2016, a total of around 43,000 apprenticeships were left vacant, 18% of them in eastern Germany. However, the rise in the number of vacant training places is roughly parallel to the rise in the number of reported training places, so that the proportion of vacant places to reported places has only seen a marginal change. It is clear that there are mismatches of qualifications and specialisations and regional imbalances which impede a fully balanced training market.

In September 2016, there were almost 21,000 applicants unable to find vocational training, with eastern Germany accounting for 21% of this figure.

The prospects that trainees in eastern Germany will be kept on following their apprenticeships have improved. At 68%, the retention rate of those completing their initial vocational training in eastern Germany again matched the western German level (67%).<sup>32</sup>

**Table 9: Training market**

	2014/15	2015/16
<b>Registered applicants for apprenticeships since the start of the respective reporting year</b>		
Total	549,099	547,728
Western Germany	456,592	454,688
Eastern Germany	89,260	90,552
<b>Registered applicants for apprenticeships without a place since the start of the respective reporting year</b>		
Total	20,712	20,550
Western Germany	16,341	16,245
Eastern Germany	4,341	4,259
<b>Registered apprenticeships since the start of the respective reporting year</b>		
Total	520,010	546,947
Western Germany	435,178	456,533
Eastern Germany	84,594	90,280
<b>Registered vacant apprenticeships since the start of the respective reporting year</b>		
Total	40,960	43,478
Western Germany	33,411	35,532
Eastern Germany	7,482	7,932

Source: Federal Employment Agency

30 See e.g. Prognos AG (2016), Zukunftsreport Familie 2030, or Krebs, T. (2016), "Quantifizierung der gesamtwirtschaftlichen und fiskalischen Effekte ausgewählter Infrastruktur- und Bildungsinvestitionen in Deutschland".

31 See e.g. Prognos AG (2016), Zukunftsreport Familie 2030, or Krebs, T. (2016), "Quantifizierung der gesamtwirtschaftlichen und fiskalischen Effekte ausgewählter Infrastruktur- und Bildungsinvestitionen in Deutschland".

32 IAB Establishment Panel, Eastern Germany 2016, results of 21st wave, June 2017.

### 3.2. Measures to integrate refugees into the labour market and to secure skilled labour

Well-trained skilled workers are a precondition for growth, prosperity and quality of life in Germany. In view of the demographic development, global challenges and technological advances, securing a sufficient supply of skilled labour will be one of the most important tasks. Many companies are facing a lack of skilled workers, particularly with vocational qualifications, and there are more and more vacant training places, particularly in the east of Germany. Across Germany, more than half of jobs advertised are for occupations where there is a skills shortage. However, the skills shortage does not affect all regions and occupations equally.

Most of the skills shortages are in the south of the country. The greatest increase in skills shortages was seen in eastern Germany. In roughly two-thirds of all occupations, the situation has worsened in the last five years; this is particularly true of eastern Germany.<sup>33</sup>

The problem particularly affects

- **Professions requiring a degree:** Medical practitioners, mechanical and automotive engineers, electrical engineers, supply and waste-management engineers, IT experts/software developers/programmers, STEM disciplines (science, technology, engineering, mathematics).
- **Skilled craft professions/skilled workers:** electricians/electrical installers, milling-machine operators, plumbers, lathe-operators, toolmakers, plastics process workers, pipe fitters, welders, mechanical technicians.
- **Nurses and geriatric nurses**

Small and medium-sized enterprises and structurally weak regions face particular difficulties in the competition to recruit skilled workers. This is particularly true of the eastern German federal states, which are characterised by a very fragmented corporate situation and in which the decline in the economically active population is taking place earlier and more strongly.

For this reason, the Federal Government is deploying various measures to secure the skills Germany needs. The Federal Government's concept for securing an adequate supply of skilled labour and its regular progress reports present these measures, highlight achievements and identify further need for action.

Further to this, the Federal Government is taking various initiatives to promote dialogue and advice on matters related to securing skilled workers. These initiatives include the "Skilled Workers for the Region Innovation Office" and its wide-ranging advisory services, and the KOFA "Securing Skills Centre of Excellence", which provides practical information to SMEs particularly affected by the skills shortage on how to secure skilled workers and on what support is available, and which has become established via its website and various events as a central point of contact for SMEs regarding the recruitment of skilled workers. The New Quality of Work Initiative (INQA) also provides companies and administrations with specific advisory services on improving the working culture.

An effective policy to safeguard the supply of skilled labour must also cover various fields and labour market groups.

#### Vocational training

Creating ways in which, if possible, all young people are able to work towards their desired occupations is a key objective of labour market policy and is of great importance for securing the skills that Germany needs both today and in the future. Several Federal Government programmes aim to bring school leavers, young adults and skilled workers together with companies (see Table 10). The provision of training within one's own company is an important element of ensuring that the skills sets of future workers will meet the company's needs.

The Federal Government, the Federal Employment Agency, commerce, the trade unions and the federal states signed the **2015–2018 Alliance for Initial and Further Training** at the end of 2014. There is a shared aim to strengthen dual vocational training and to promote the equal value of vocational and academic education. The partners in the Alliance are offering specific measures to equip more young people for vocational training and to offer all young people – from within Germany and refugees – an opportunity to receive training in companies. In this context, the Federal Government launched a new funding instrument called "Assisted Training" in mid-2015 (running until 2018). This instrument helped around 11,600 lower-achieving young people and the companies providing their training in 2016.

In mid-2016, the partners agreed on further "Alliance" measures targeted at young people living in Germany and young refugees (e.g. to provide more than 500,000 training places in companies in 2017, to improve the data available on the education and skills of the refugees, to encourage more of them to take up vocational training, to support vocational schools as a place to learn German).

The Alliance partners reconfirmed their shared commitment to vocational training at their high-level meeting on 23 March 2017.

The “Graduation and Continuation – Education Chains up to Vocational Qualification” initiative dovetails career guidance services with successful funding instruments to form a holistic, regionally coordinated funding system. Agreements are to be made with all the federal states to anchor the coordinated approach in the federal states. By spring 2017, eight agreements had been concluded – with Baden-Württemberg, Brandenburg, Hamburg, Hesse, Mecklenburg-Western Pomerania, North Rhine-Westphalia, Rhineland-Palatinate and Thuringia.

The ESF programme of the Federal Government “Perfect Fit for the Job” aims at alleviating problems in finding good matches on the training market. The programme finances consultants who assist SMEs in recruiting suitable young people (without refugee status) – whether in Germany or from abroad – for training positions at their companies. In 2017, 41 of the 157 consultants in total working at chambers and other organisations in industry and commerce worked in eastern Germany. In comparison to 2016, the number of active advisers in eastern Germany remained unchanged.

Across the whole of Germany, they were able to place around 5,500 young people in “dual” vocational training and introductory training, roughly 1,200 of them living in eastern Germany.

In the “Eastern Germany School Commerce Network”, successful approaches to cooperation between schools and companies are being intensified, and worthwhile ideas and tried-and-tested methods developed for broad use.

The geographic focus of the Federal Government’s Support for Disadvantaged Young People in the Neighbourhood programme is on the areas assisted under the Social Cities urban development programme and other disadvantaged areas where the situation for young people is particularly difficult.

### Advanced vocational training

A key aspect of the efforts to secure the availability of skilled labour is the provision of advanced vocational training after the completion of initial vocational training or graduation. Continuing learning must become a natural part of life – for everyone of every age. Further training is a key element enabling employees to continue to dispose of the skills in demand on the labour market.

**Table 10: Measures to acquire vocational qualifications**

“Graduation and Continuation – Education Chains up to Vocational Qualification”	“2015 - 2018 Alliance for Initial and Further Training”	ESF programme of the Federal Government “Jobstarter plus”
<ul style="list-style-type: none"> <li>• 2014–2018 approx. €1.3 million in total</li> <li>• ESF Federal programme “Career-start counselling”: approx. 27,000 places for participants in the new federal states; in Berlin approx. 4,500 places at around 90 schools</li> <li>• VerA initiative: support from volunteers for young people having difficulties with training. Approx. 4,500 measures between 2009 and 2014, 845 of these in eastern Germany (336 in Berlin)</li> <li>• BOP: analysis of potential and practical work in a workshop. Since 2008 970,000 school students nationwide, approx. 220,000 in the new federal states</li> <li>• <a href="http://www.bildungsketten.de">www.bildungsketten.de</a></li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening dual vocational training</li> <li>• Paving the way into training for young people with and without a migrant background and young refugees (in 2016, approx. 11,600 young people helped via the new support instrument “Assisted training”)</li> <li>• <a href="http://www.aus-und-weiterbildungsallianz.de">www.aus-und-weiterbildungsallianz.de</a></li> </ul>	<ul style="list-style-type: none"> <li>• Regional projects to safeguard availability of skills for SMEs</li> <li>• Establishment of new regional networks, e.g. Schwerin’s JOBSTARTER forum and JOBSTARTER plastics alliance</li> <li>• JOBSTARTER regional office east coordinates initiatives for school leavers going into vocational training for the eastern German federal states</li> <li>• <a href="http://www.jobstarter.de">www.jobstarter.de</a></li> </ul>
Federal ESF programme “Tailored placement”	“Welcome Guides” support programme	“Support for Disadvantaged Young People in the Neighbourhood”
<ul style="list-style-type: none"> <li>• Help for SMEs with filling training places with German and foreign young people not classified as refugees</li> <li>• Integration of foreign trainees and foreign skilled workers, as well as migrants already living in Germany, into companies</li> </ul>	<ul style="list-style-type: none"> <li>• Support for SMEs with filling training places and jobs with refugees</li> <li>• Motivating SMEs to integrate refugees into the company</li> <li>• Support for SMEs with the development of a culture of welcome</li> </ul>	<ul style="list-style-type: none"> <li>• Stabilising and strengthening young people at an individual or social disadvantage</li> <li>• Four building blocks for municipalities: individual social support, outreaching youth social work, easily accessible advice, and local microprojects</li> <li>• Coordination and guidance of measures by local youth welfare providers</li> <li>• Strengthening of local structures for cooperation</li> <li>• <a href="http://www.jugend-staerken.de">www.jugend-staerken.de</a></li> </ul>

Source: In-house



The skills and advanced training strategy of the Work 4.0 White Paper aims to improve employment prospects for workers without a vocational qualification and to promote opportunities for development and promotion. The Act to Strengthen Advanced Vocational Training and Insurance Coverage in unemployment insurance of August 2016 expanded the instruments to promote advanced vocational training in Social Code III (and Social Code II) with a view to improving opportunities for low-skilled workers and the long-term unemployed to take part in advanced training leading to a qualification. This involves, for example, help with the acquisition of basic skills, the introduction of an advanced training bonus when intermediate and final examinations are passed, and the granting of assistance to support retraining measures. The support available for advanced training for employees of SMEs is being made even more flexible. In order to increase the incentives for advanced training measures in micro-enterprises, in cases where funding is provided for employees by the Federal Employment Agency in companies with fewer than ten employees, the requirement that the employer cofinance the advanced training costs is dropped (amendment via the Flexi-Pension Act as of 1 January 2017.)

The Federal Employment Agency has operated the Advanced training for low-skilled and older workers employed in companies programme (WeGebAU) since 2006 in order to

promote advanced training, primarily of older and/or low-skilled workers in SMEs.

The goals of the Act to Strengthen Advanced Vocational Training and Insurance Coverage are supported via the further development of the “Future Starters - Initial Vocational Training for Young Adults” initiative (previously “Late Starters”). The aim is to give 120,000 young people a second chance to obtain a vocational qualification by 2020. Since the launch of the “Future Starters” initiative on 1 August 2016, roughly a quarter of the total number of people making use of the initiative by October 2016 came from eastern Germany.

The Federal Employment Agency has an “Initiative to Accompany Structural Change” (IFlaS) in order to increase the availability of skilled workers in forward-looking occupations in structurally weak regions.

### Inclusion

The group of people with disabilities is not homogeneous and exhibits as much variation as the population as a whole. The principle of integration that was prominent in policies for disabled persons for many years has been replaced by the principle of inclusion.<sup>34</sup>

**Table 11: Measures and initiatives of advanced vocational training funded by the Federal Employment Agency**

Promoting advanced vocational training	WeGebAU Programme	IFlaS	Future starters
<p>The promotion of advanced training pursuant to Social Code III is a traditional instrument of labour market policy to improve employment opportunities via vocational training.</p> <p>Rules on the promotion of advanced training can also apply to basic security benefits for jobseekers via the reference in Section 16 subsection 1 of Social Code II.</p> <p>Funding can go towards not only the participation of unemployed people or workers at risk of unemployment; employees in work can also receive assistance in particular if they lack a vocational qualification.</p>	<p>Advanced training for the low skilled and older workers in companies</p> <p>Job agencies can provide partial or full funding for training for employees in SMEs employing fewer than 250 people.</p> <p>The second-chance training of employees who lack a useful vocational qualification is also eligible for funding. If people are given time off work for the training, a grant can be paid to the employer towards the wages.</p>	<p>Initiatives to accompany structural change</p> <p>Funding goes to longer-term training measures to obtain recognised vocational qualifications or certified partial qualifications.</p> <p>The target group is unemployed people, people at risk of unemployment and people re-entering the labour market who lack vocational training or have not worked in the occupation for which they have a qualification for more than four years.</p> <p>Periods of unemployment, child-raising and long-term care are included in this.</p>	<p>The joint initiative launched in 2013 by the Labour Ministry and the Federal Employment Agency, initially set up for three years, to provide initial vocational training to young adults (entitled “AusBILDUNG wird was - Spätstarter gesucht”) was developed into the Future Starters initiative.</p> <p>The main focus of the initiative is still on the funding of qualification-oriented vocational training (full-time and part-time training in a recognised occupation, examination of external candidates, modular partial qualifications).</p>

Source: In-house

34 Whilst integration focuses more on having disabled people adapt, inclusion intends from the outset to achieve a common system for all people without ostracising or stigmatising anyone.

The driving force behind this was primarily the entry into force in Germany of the UN Convention of the Rights of Persons with Disabilities on 26 March 2009 and the plans of action and plans of measures adopted to implement the UN Convention at federal level (National Action Plan to Implement the UN Convention on the Rights of Persons with Disabilities and NAP 2.0) and in all of the federal states.

On this basis, the federal states have set themselves the aim of ensuring equal participation rights for young people with disabilities in the field of education and to emphasise the responsibility borne by general-education schools for all children and adolescents with and without disabilities.

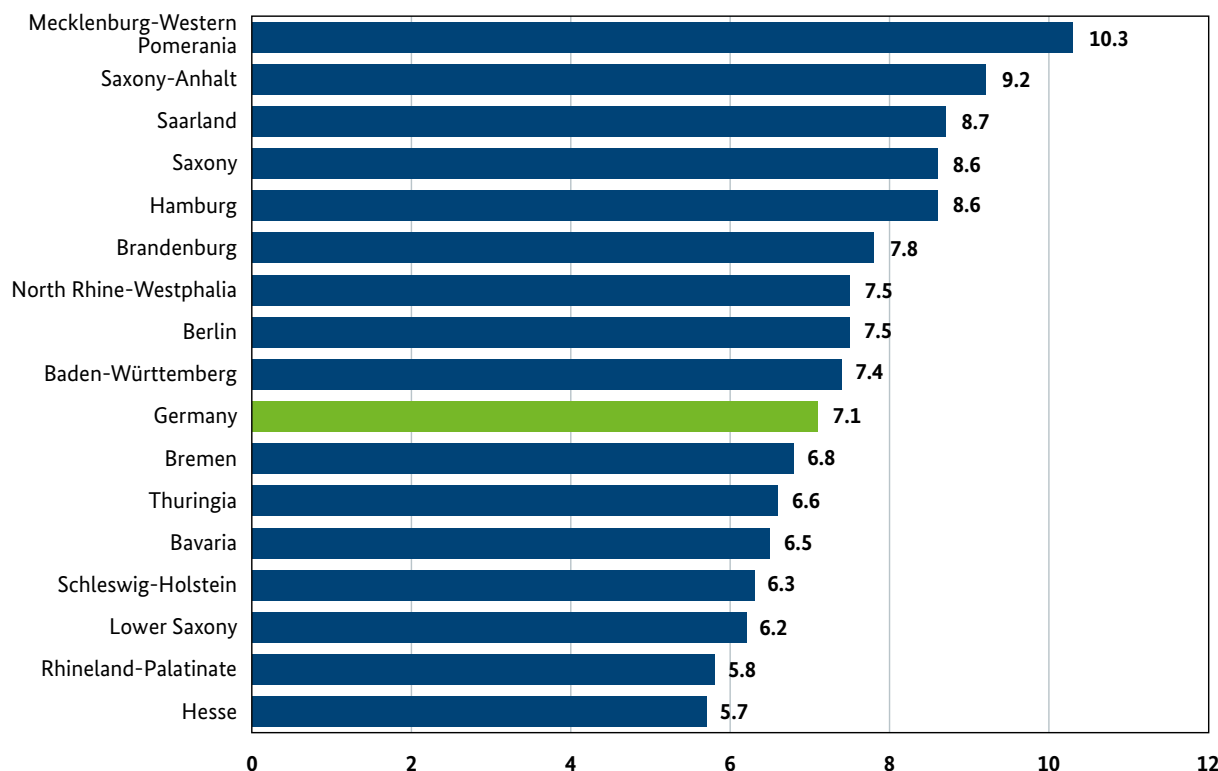
In the new federal states, the support rate for school pupils with special learning needs ranges from 6.6 to 10.3%. As a nationwide average, 7.1% of pupils of an age in which full-time attendance at school is required received support for special learning needs in the 2015-6 school year. The percentage of pupils at schools for pupils with special learning needs dropped slightly between 2014 and 2015 in almost all the federal states. At the same time, the proportion of

pupils taught on an inclusive basis at general-education schools rose in all the federal states. Both the number and the proportion of pupils with special learning needs in inclusive education services at general-education schools who do not visit special schools have more than doubled nationwide since the 2000/01 school year: in 2015/16 around every third child (37.7%) with special learning needs was taught at other general education facilities.

The inclusion of people with disabilities in working life also calls for additional efforts nationwide because the statutory employment rate<sup>35</sup> of 5% has not yet been reached. In 2015, this rate stood at 4.7% and was generally spread almost equally across the old and new federal states (including Berlin). Significant shifts did occur, however, in terms of the percentage of people with disabilities employed in the private sector. While public-sector employers in both eastern and western Germany lived up to their employment obligation, the employment rate among private-sector employers in the new federal states was just 3.6% compared to 4.2% in the old federal states.

**Figure 7: Pupils with special learning needs as a percentage of all pupils of compulsory school age (support rate) by federal state in 2015/2016 school year**

in %



Source: KMK statistics on special educational needs in schools in 2015

35 Private and public-sector employers with an annual average of at least 20 jobs in each month are required to give at least 5% of their jobs to people with a severe disability.

## Reducing long-term unemployment

The Federal Government supports both integration into the labour market and social participation as ways to further reduce and prevent long-term unemployment. In addition to the general support measures, the Federal ESF programme to integrate long-term unemployed persons claiming benefits under Social Code II with funding amounting to €770 million up to the year 2020 is helping to integrate long-term unemployed persons into the regular labour market. In the current ESF funding period, this programme especially benefits the federal states in eastern Germany, where 62 job centres are implementing the programme. The eastern federal states are planning to integrate 4,720 long-term unemployed persons into the general labour market. By January 2017, around 15,100 long-term unemployed people had received support under this programme, 4,000 of them in the eastern German federal states (excluding Berlin).<sup>36</sup>

In order to improve social participation for people who are furthest removed from the labour market<sup>37</sup>, the Federal Government is operating the Social Participation in the Labour Market programme to create additional jobs which are in the public interest. In 2015, 105 job centres offering around 10,000 assisted places were selected for participation in the programme. As of 2017, another 90 job centres were included in the programme, and 51 job centres have increased the number of places on offer. This means that a total of 20,000 publicly assisted jobs, approximately 7,400 of these in eastern Germany, are available in the course of the programme.

The “networks to activate, advise and offer opportunities” initiative aims to improve the support given to and the activation of the long-term unemployed persons by the job centres. This is to be achieved via an increased intensity of support and the combining of all the necessary support services. These networks have been rolled out in the job centres on a voluntary basis since January 2016 in the context of general Social Code II business.

The ESF programme of the Federal Government entitled “Education, Economy, Work in the Neighbourhood” (BIWAQ) supports municipalities with a view to boosting the work and training opportunities for long-term unemployed residents in particular, aged 27 and over and both with and without a migrant background, in structurally weak, disadvantaged neighbourhoods, and to strengthening the local economy. The focus is on assisted areas of the “Social City” urban development programme. The link-up between the assisted labour market projects and the activities of integrated urban development and investments in urban development,

e.g. measures to improve the residential environment, strengthens the neighbourhoods and social cohesion in the neighbourhoods. In the current round of funding (2015–2018), 75 projects are being funded around the country, 20 of them in the new federal states. An added value initiated by the programme for the neighbourhoods can particularly be seen in the field of integration. For example, activities for and with asylum seekers and refugees are being implemented in 17 of the 20 projects in the new federal states. The broad range of services stretch from indirect activities like reading to children in kindergartens to services of occupation-related language development, advice on the recognition of qualifications or the obtaining of (follow-up) qualifications, and the coordination of voluntary work for refugees and asylum seekers with good prospects on the labour market.

The Federal ESF Integration Directive supports people with special difficulties in accessing work or training, including long-term unemployed people and those with specific difficulties in accessing work or training due to their uncertain residency status (asylum seekers and refugees) via gradual and sustainable integration into the labour market. Measures of the integration directive are implemented in cooperative associations with the active participation of companies and/or public administrations in cooperation with the regional employment administrations (job centres/employment agencies) in the three main fields of action: integration not exclusion (IsA), integration via dialogue (IdA) and integration of asylum seekers and refugees (IvAF). This facilitates access for the target groups to the labour market in structural terms and on a lasting basis. In the current round of funding (2015–2019), 128 projects are being funded around the country, 30 of them in the new federal states.

## Integration of refugees into the labour market

Whereas in 2015 and 2016 many people came to Germany seeking protection from war, persecution and poverty, the figures for 2017 are much lower.

In 2016, a total of 745,545 applications for asylum were submitted to the Federal Office for Migration and Refugees (BAMF). During that same period, a total of 695,733 cases were decided by BAMF. A total of 433,920 people received a positive decision; of these, 256,136 people were recognised as refugees. Over the course of 2016, the number of people seeking asylum declined considerably: while almost 890,000 were registered in Germany in 2015, the number of asylum seekers dropped significantly to around 280,000 people in 2016.

36 Source: Statistics from the Federal Employment Agency; preliminary data, extrapolated.

37 One focus of support is on beneficiaries who need special support due to illness and on households with children.

Integrating those who find permanent or long-term protection in our country into the labour market continues to be a key challenge that was tackled in 2016 in particular via new concepts in commerce and on the labour market.

The asylum application processes and labour market integration have been closely dovetailed following the legislative initiatives of the last few years so that the required integration measures can be initiated as early as possible.

The new residency rule states that recognised refugees must normally stay in the federal state they were first registered in for three years. This means that recognised refugees cannot simply move away to other federal states, so that the integration process is now rooted in a particular place.

The Integration Act, which for the most part came into effect on 6 August 2016, links the state-assisted integration of those who are likely to be able to remain in Germany into society and the labour market with the expectation that they will make efforts towards this themselves. New possibilities for combinations of German classes – both general language classes and occupation-related classes – with the labour market policy instruments of the employment agencies and job centres are also improving the environment for successful labour market integration. Better support is also being given to the start and completion of vocational training, as certain instruments to promote training, depending on residence status and prior duration of stay, have been temporarily opened up and, combined with a new rule on temporary suspension of deportation, provide greater legal certainty for trainees and companies both during and after successful qualification.

Subsidised community work is being created as a way to provide more low-threshold job opportunities during ongoing asylum procedures via the labour market programme running until the end of 2020 entitled “refugee integration measures”, funded with federal money.

As part of the Federal ESF Integration Directive, 41 combined projects are being supported, containing approximately 300 sub-projects, in the Integration of Asylum Seekers and Refugees (IvAF) priority area. Nine of the 41 combined projects are being implemented in the new federal states. The aim of the IvAF is to support the target group with regard to integration into the labour market, training and the obtaining of a school leaving certificate. The activities at the level of the participants are many and varied, and include advice, training, coaching, job placement and recruitment.

The services offered by the agencies administering the basic income for job seekers are bolstered by these additional services. At the structural level, these services are supplemented by uniform nationwide training courses, particularly for job centres and employment agencies, regarding the situation of refugees in terms of residency rules and legislation on the employment of foreigners.

The “Companies integrate refugees” network is geared towards companies which support, or wish to support, refugees. The aim is to get refugees into training and jobs. The network offers the possibility for a dialogue between what are already more than 1,300 member companies, practical information about the employment of refugees, various events, and an internal online platform. Examples of good practice and practical hints are intended to encourage companies to support refugees.

The “welcome guides” support SMEs as they fill vacancies and training places with refugees. Since the programme was launched in 2016, the number of active welcome guides around the country has risen from 150 in 2016 to 170 in 2017. Thirty-three welcome guides are active in eastern Germany in 2017. Of the approximately 3,400 placements in internships, job shadowing, introductory training, training and employment achieved by the welcome guides in 2016, some 600 of the placements were in eastern German SMEs.

### Migration of international skilled labour

Another aspect of the targeted efforts to close the skills gap is the recruitment of skilled workers from other countries. Key measures to open up the labour market for skilled workers with certain qualifications from non-EU countries included the introduction of the Blue EU Card and the job-seeker’s visa in August 2012, as well as the acceptance of immigrants with vocational qualifications in occupations where there is a shortage of skilled workers, which was introduced in July 2013. The Blue EU Card has become a successful method of attracting highly qualified professionals to Germany. The so-called positive list of bottleneck occupations below academic level qualifications contains more than 90 occupations, many of them in health and nursing as well as the field of mechatronics and electronics.

The official portal “Make it in Germany” ([www.make-it-in-germany.com](http://www.make-it-in-germany.com)) aims to attract qualified professionals from around the world for a life and career in Germany. It targets both qualified professionals and companies, and provides comprehensive information about entry and visa procedures, finding jobs and life in Germany.

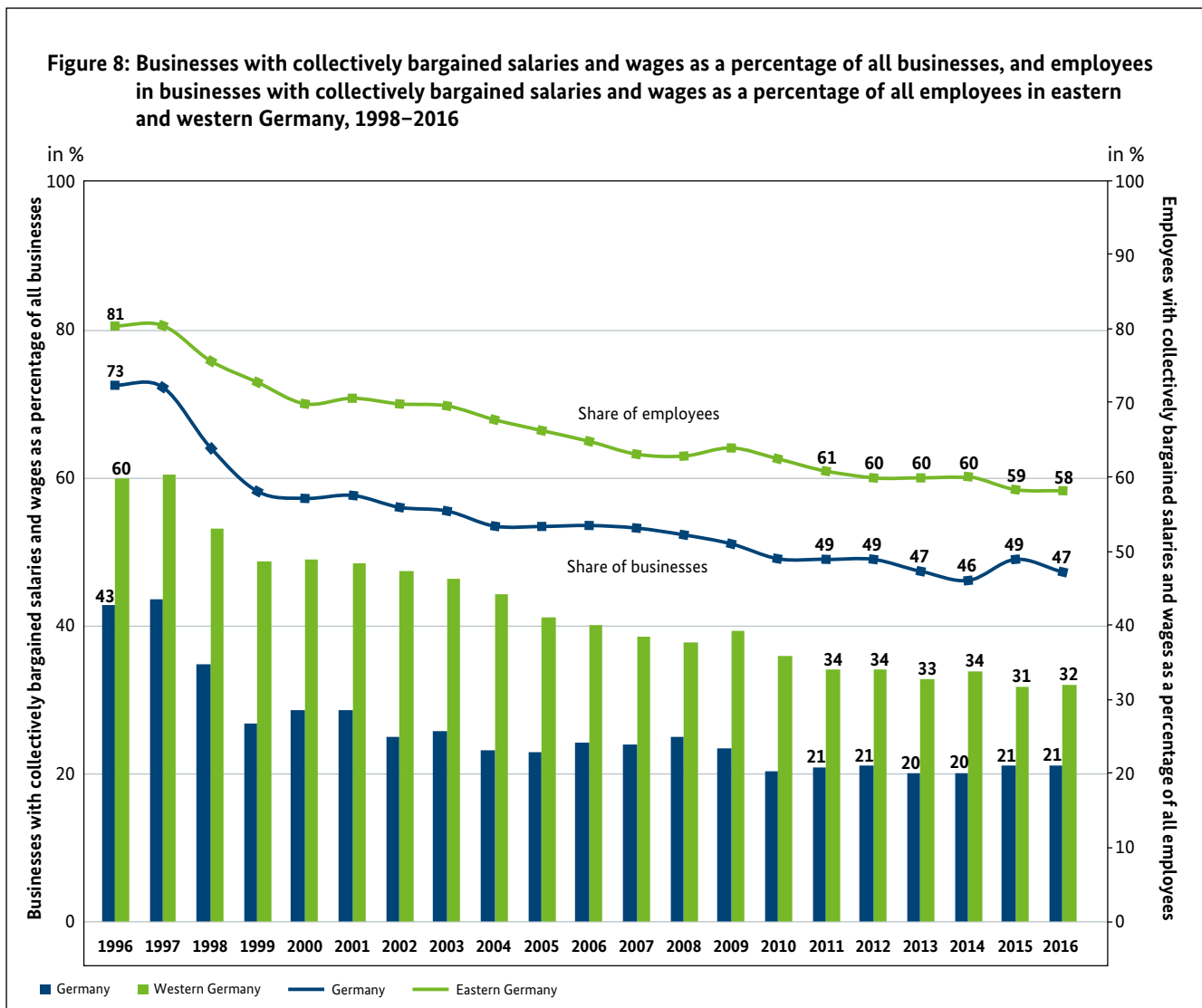
It is also possible to download information about the various federal states in Germany. This gives the federal states the possibility to highlight their strengths, in order to counteract the skills shortage in this way. Since the launch in 2012, more than 12 million people have visited the portal. Apart from Germany, most visits to the website were from India, the United States, Mexico and the United Kingdom.

The “Study & Work” initiative launched together with the Donors’ Association for the Promotion of Sciences and Humanities in Germany supports ten regional networks as they aim to make better use of the potential of international students at German higher education institutions, helping them to graduate successfully and move on to the regional labour market (and particularly to SMEs). A major focus of this support is placed on the new federal states.

## 4. Companies covered by collective bargaining, wage trends, pension provision

### 4.1. Collective bargaining coverage

The proportion of companies covered by collective bargaining in the new federal states is lower than in western Germany. 21% of companies and 47% of employees were covered by collective agreements in 2016. In western Germany, the figures were 32% the companies and 58% of employees.<sup>38</sup> That being said, companies in eastern Germany that are not covered by collective bargaining, which account for 23% of employees, follow the applicable collective bargaining agreements (approximately 21% in western Germany). The alignment of collectively agreed wages and salaries with those in western Germany has reached a level of around 98%. In those areas where collective bargaining takes effect, collective wages and salaries are almost equal in east and west.



Source: IAB Establishment Panel, Eastern Germany 2016, results of 21st wave, June 2017.

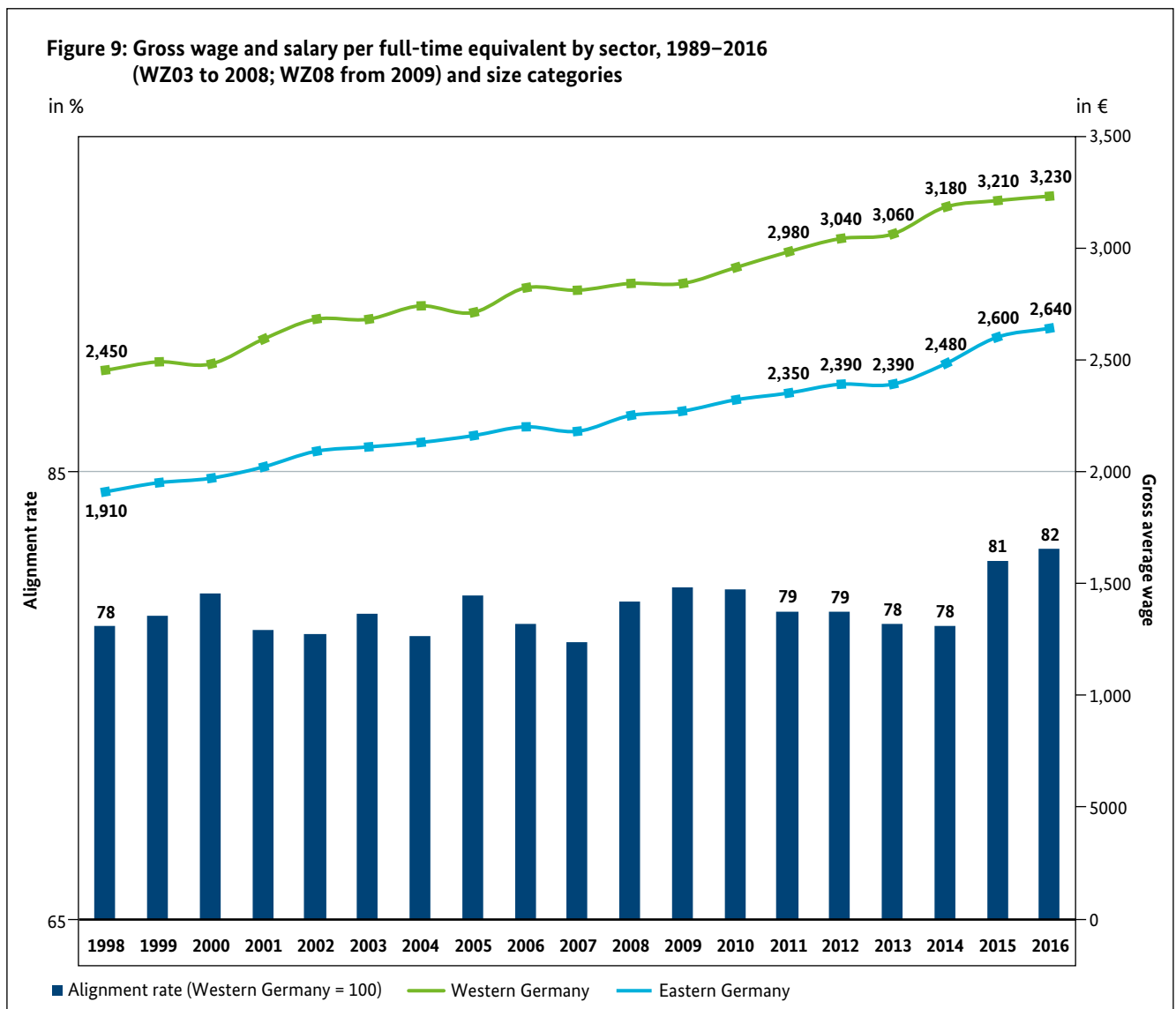
Outside the collective agreements, however, the gross average wages in eastern Germany are considerably lower than those in western Germany: the ratio is 82% of the western German level. This marks a slight improvement in the ratio compared with the preceding year (81%). In eastern Germany, the gross average wages of employees rose by €40 to €2,640; in western Germany, the increase was €20 to €3,230.<sup>39</sup>

#### 4.2. Minimum wage

On 1 January 2015, a general statutory minimum wage of €8.50 came into effect as required under the Minimum Wage Act. With effect from 1 January 2017, the minimum wage was increased to €8.84.

According to the Minimum Wage Act, a Minimum Wage Commission made up of employers and workers must decide every two years on an adjustment of the minimum wage.

When the Minimum Wage Act entered into force, more than 22% of all employment contracts were affected by its introduction.<sup>40</sup> In April 2016, 1.75 million jobs were paid at the rate of the minimum wage in Germany. Of these, 0.4 million were in eastern Germany, or 8% of all the jobs in eastern Germany. The figures for western Germany were 1.35 million jobs, or 4% of all jobs.<sup>41</sup>



Source: IAB Establishment Panel, Eastern Germany 2016, results of 21st wave, May 2017.

39 IAB Establishment Panel, Eastern Germany 2016, 21st wave, June 2017. The figures for gross average wages refer to full-time equivalents. This is a temporal value which specifies the number of employees converted into full collectively bargained working time.

40 Federal Statistical Office, 2016

41 Federal Statistical Office, earnings survey 2016, June 2017



**Table 12: Minimum collectively bargained wages under the Posted Workers Act, the Collective Agreements Act and the Temporary Employment Act in € per hour**

Sector	Employees/salary group	1 June 2017	Next level
<b>Construction industry</b>			
West	Worker	11.30	
	Skilled worker	14.70	
		Berlin: 14.55	
East	Minimum wage	11.30	
<b>Training and further education</b>	Educational employee	14.60	
<b>Roofing trade</b>	Minimum wage	12.25	
<b>Meat industry</b>	Minimum pay	8.75	
<b>Industrial cleaning</b>			
West (with Berlin)	Inside and upkeep cleaning	10.00	
	Glass and facade cleaning	13.25	
East	Inside and upkeep cleaning	9.05	
	Glass and facade cleaning	11.53	
<b>Scaffolding trade</b>	Minimum pay	11.00	
<b>Agriculture and forestry, horticulture</b>	Minimum pay	8.60	from 11/2017 9.10
<b>Painting and decorating trade</b>			from 05/2018
Nationwide	Unskilled worker	10.35	10.60
West (with Berlin)	Journeyman	13.10	13.30
East	Journeyman	11.85	12.40
<b>Nursing care sector</b>			
West (with Berlin)		10.20	
East		9.50	
<b>Laundry services for contract clients</b>	Minimum wage	8.75	
<b>Textiles and clothing industry</b>	Minimum pay	8.84	
<b>Brick and stone mason trade</b>	Minimum pay		From 05/2018
West (with Berlin)		11.40	11.40
East		11.20	11.40
<b>Electrical crafts</b>			From 01/2018
West		10.65	10.95
East (with Berlin)		10.40	10.95
<b>Chimney sweeps</b>		12.95	
<b>Temporary agency workers</b>	Minimum hourly pay		From 04/2018
West		9.23	9.49
East (with Berlin)		8.91	9.27

Source: In-house

Since the proportion of jobs covered by collective agreements is lower in eastern Germany than western Germany, and the low-wage sector is larger, the minimum wage is much more prevalent in the eastern German federal states. At a conference on the effects of the minimum wage in eastern Germany at the end of 2016, some 100 representatives of commerce, academia, government and the social

partners discussed their experience with the implementation of and compliance with the minimum wage and its impact on commerce and the labour market in eastern Germany. In hard-hit sectors in particular, the companies have made major adjustments and coped well with the introduction of the minimum wage. Total employment has continued to increase since the introduction of the minimum wage.

Even two years following the introduction of the minimum wage, and despite fears that some people had at the time, there are no signs yet of significant negative macroeconomic employment effects. Employment rose at very similar rates in the new federal states in the years from 2014 to 2016. The Minimum Wage Act has scheduled a comprehensive review of the effects of the general minimum wage for 2020.

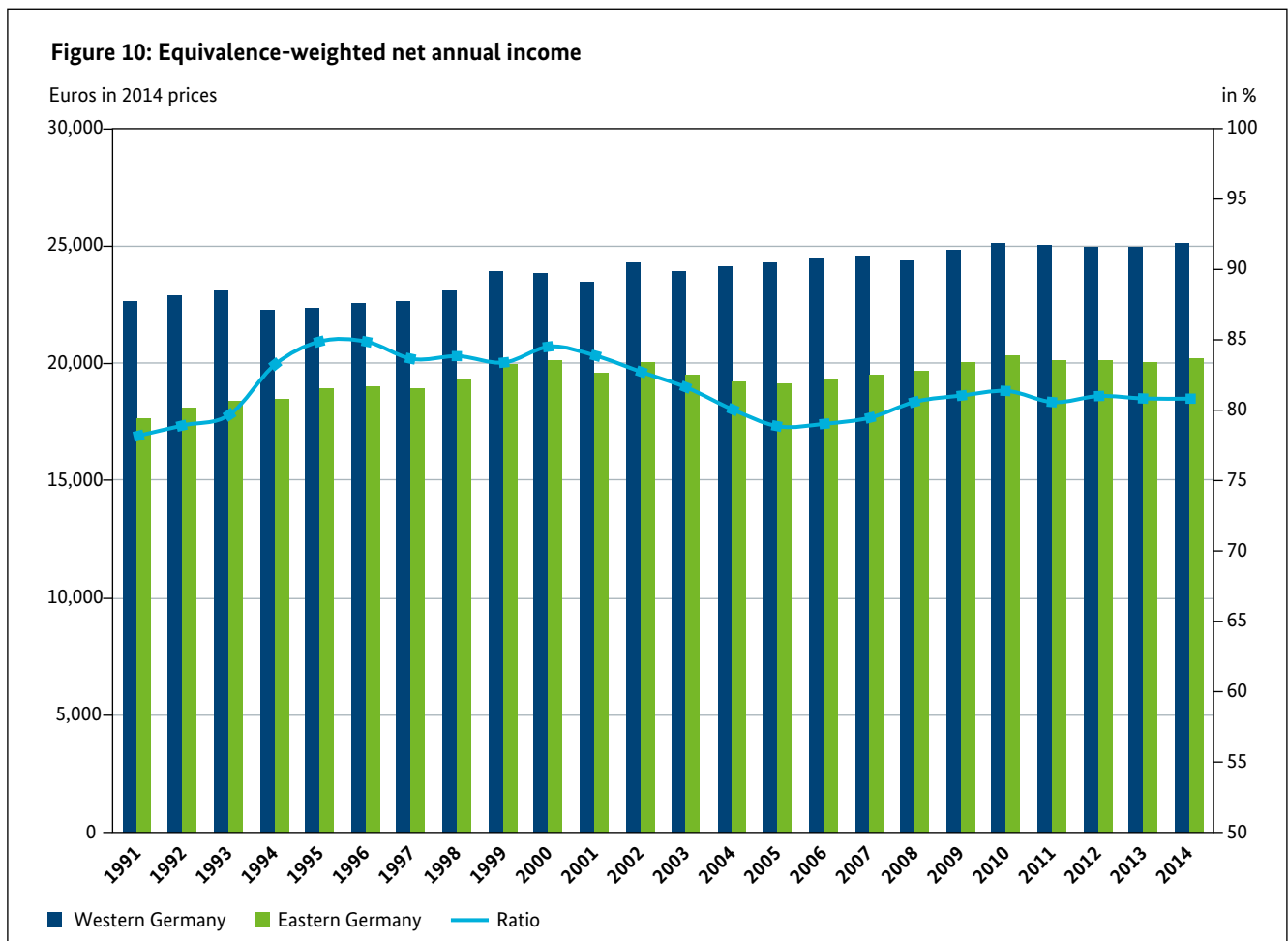
Further to this, in June 2017 15 sectors had sector-specific minimum wages negotiated by the collective bargaining parties; these were declared to be generally binding under the Posted Workers Act, the Collective Bargaining Act and the Temporary Employment Act, and are thus binding for all employers in those sectors. These sector-specific minimum wages are usually higher than the statutory minimum wage. During the transition period up to 31 December 2017 specified under the Minimum Wage Act, the collective bargaining partners are able to agree to minimum wages that are lower than the general minimum wage and to have this applied to the Posted Workers Act and/or the Temporary Employment Act.

However, only very little use is being made of this possibility (three sectors, see Table 12). The table shows the sector-specific, collectively agreed minimum wages on 1 June 2017. There are now considerable differences in sectoral minimum wages in less than half of the sectors listed. Increases were recorded in most sectors compared to the previous year.

#### 4.3. Income situation of private households

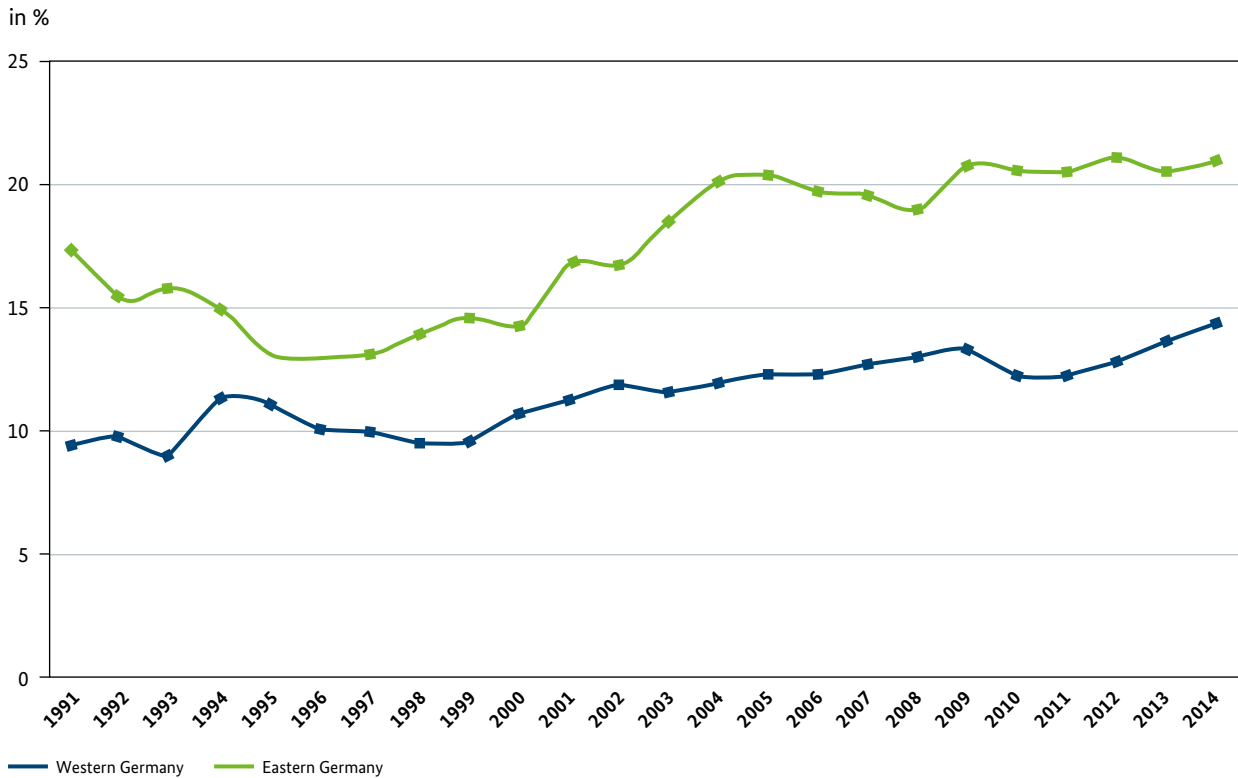
The income situation of private households continues to differ between western and eastern Germany.

Following the initial strong convergence of the average equivalence-weighted annual net income in the first years after reunification (see also Figure 10), the convergence process came to standstill in the mid-nineties. Following an increase in the income disparities in the first half of the 2000s, a slight narrowing of the gap has taken place since 2005.



Source: Institute for Applied Economic Research on basis of Socio-economic Panel v32

**Figure 11: Development of poverty risk ratios in eastern and western Germany with respect to an all-German poverty risk threshold**



Source: Institute for Applied Economic Research on basis of Socio-economic Panel v32

During the weak economic period affecting the whole of the country in the first half of the 2000s, the at-risk-of-poverty rate<sup>42</sup> rose much more significantly in the new federal states than in western Germany. Since 2005 it has been more or less constant, with a slightly increasing trend, in both eastern and western Germany.

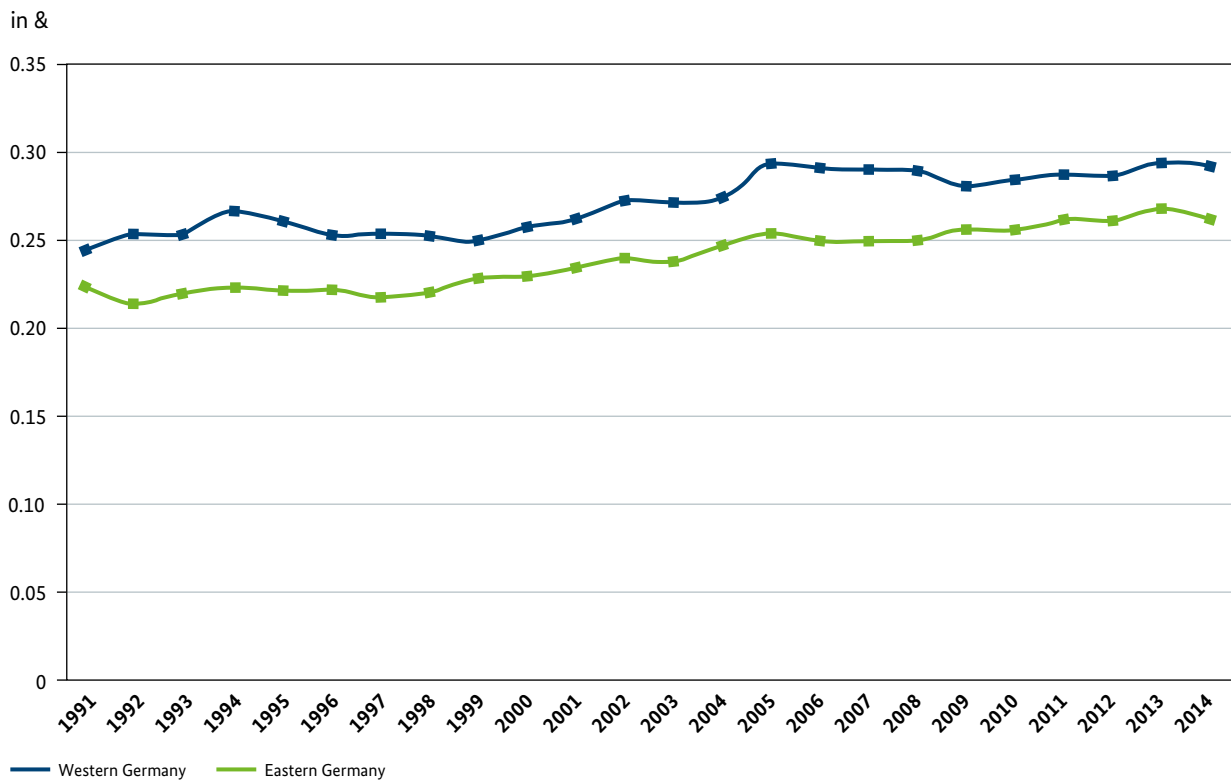
A look at the different at-risk-of-poverty thresholds in eastern Germany and western Germany shows that the risk of poverty in eastern Germany is lower than in western Germany, since net income in the new federal states is less unequally distributed than in the old federal states. This is illustrated by the Gini coefficient which describes the inequality of distribution on a scale of zero to one. The higher the value, the more unequal the distribution.

#### 4.4. Pensions and pension alignment

Some 30 years after German reunification, the different pension calculation for the new federal states is no longer appropriate. The alignment of the pensions in east and west is a significant step towards the completion of German unity, the recognition of lifetimes of work, and equal treatment for all citizens in Germany. This boosts social cohesion. Equal pensions in east and west make Germany strong.

On 1 June 2017, the Bundestag adopted the amended draft of an Act on the Conclusion of the Pension Transition. The Bundesrat approved the Act on 7 July 2017. The Act implements the full alignment of pension values in east and west, as anchored in the Coalition Agreement.

<sup>42</sup> It is an indicator of a relatively low position in income distribution. In order to be able to compare the disposable income of individuals in households of different sizes and types, household incomes are needs-weighted and converted to equivalence incomes. The at-risk-of-poverty rate does not provide any information on the actual degree of individual need. It measures the share of people whose equivalence-weighted net income is less than 60% of the average income ("at-risk-of-poverty threshold"). The effects of material benefits and services are not considered even if they lastingly improve the life of the persons affected. A frequent criticism of the at-risk-of-poverty rate is that it only reacts to relative changes and does not take gains in well-being into consideration at all.

**Figure 12: Unequal distribution of net income in east and west (Gini coefficient)**

Source: Institute for Applied Economic Research on basis of Socio-economic Panel v32

The Act on the Conclusion of the Pension Transition provides for the full alignment of pension values in seven steps linked to the annual adjustment of pensions. The first alignment step will take place on 1 July 2018. In it, the current pension value (east) will be raised to 95.8% of the western level, irrespective of the wage development in eastern Germany. The next alignment steps will be of 0.7 percentage points each, as of 1 July in the years from 2019 to 2024, until 100% of the western value is reached.

The upvalued earnings for the pension calculation up to 31 December 2024 will not be altered. The earnings points (east) which have already been calculated, e.g. for ongoing pensions or the adjustment of pension rights in case of divorce, will be replaced by earnings points on 1 July 2024 and assessed in line with the nationwide pension value at the time. The contribution assessment ceiling and the basic formula applied in the east will also be increased in seven steps as of 1 January of each year in the annual ordinance on the pension calculation. The extrapolation factor will correspondingly be reduced in stages. From 1 January 2025, uniform values will apply to the calculation of pensions in east and west.

The pension adjustment effective from 1 July 2017 marks a great step forward in the alignment; the current pension value (east) increased as of 1 July 2017 from 94.1% to 95.7% of the western value. The Act on the Conclusion of the Pension Transition provides for an alignment to 95.8% on 1 July 2018 as a first step. This means that only 0.1 percentage points still remain for the first alignment step in 2018.

For this reason, the amended Act which was adopted ensures that the actual wage development in the east will continue to be included in the pension adjustments in the new federal states, even if this means that the stipulated alignment steps are exceeded. On the other hand, the principle that pensions should be aligned in stages is retained, because this ensures that the full alignment of pension values will be attained by 2024 and uniform calculation formulas will apply to pensions in Germany from 2025.

The alignment will also cover statutory accident insurance and pensions for farmers. The alignment of the current pension value (east) increases the expenditure of the statutory pension insurance funds. The costs relating to the alignment will be covered from contributions and taxes.

## II. Performance of the eastern German federal states and municipalities, quality of life in urban and rural areas

### 1. Performance of the federal states and municipalities

The development of federal-state and municipal tax revenues, just as for the Federal Government, has been positive in Germany and, according to a recent tax estimate from May 2017, will remain so in the years to come.

That being said, tax revenues in the eastern federal states are still significantly lower than in the western federal states. At the same time, revenues from Solidarity Pact II will be reduced considerably over the coming years as planned. The restructuring of financial relationships between the Federal Government and the federal states as from 2020 will help to secure the long-term performance of the eastern federal states and municipalities.

#### 1.1. Financial situation of the eastern federal states and municipalities

##### Tax revenue and income situation in the federal states

In 2016, primary tax revenues in the eastern German non-city states<sup>43</sup> amounted to €1,144 per capita.<sup>44</sup>

In the same year, this figure was €2,105 per capita in the western non-city states and €1,790 per capita in the financially weak western non-city states.<sup>45</sup> The eastern non-city states thus achieved 64% of the level of the financially weak western non-city states in 2016.

Federal fiscal equalisation and the additional shares in the context of the horizontal distribution of the federal states' share in VAT are essential for the ability of the eastern federal states and municipalities to act. If further allocations especially from the federal budget (see below) that are not part of the fiscal equalisation are also taken into account, a different picture emerges: total revenues of the non-city

states and municipalities in eastern Germany amounted to €5,837 per capita in 2016 and were thus higher than those in the financially weak non-city states and municipalities in western Germany (€5,714 per capita).<sup>46</sup>

This is largely due to Federal Government allocations. It is primarily thanks to Solidarity Pact II that the eastern non-city states currently have even higher per capita income which is intended to fund infrastructure measures and to compensate for the disproportionately low financial strength of the municipalities. Funds, however, will be successively reduced: from €4.3 billion in 2016 to €3.6 billion in 2017 and €2.1 billion in 2019.

Higher per capita allocations from the EU structural funds also contribute to the eastern federal states' higher revenues. These funds are also being tapered off. In the current funding period (2014 to 2020), almost €9 billion is available for the new federal states; this corresponds to around 64% of funding in the previous period.

##### Financial situation of the municipalities

At €756, municipal tax revenues<sup>47</sup> per capita in the eastern non-city states reach around 60% of the revenues in the western non-city states (€1,261).

Transfers by the federal states to the municipalities for investment and other programmes are thus much higher in the eastern German municipalities; they are currently around a third higher than in the western German municipalities.

At around €2,700 per capita in 2016, the total revenue of municipalities in the eastern non-city states reached around 86% of the level in the western non-city states. This also demonstrates the importance of the support provided by fiscal equalisation and Solidarity Pact II especially for the eastern non-city states and municipalities, which in

43 Federal-state tax revenues pursuant to the preliminary 2016 annual statement of accounts before distribution of turnover tax and fiscal equalisation, i.e. from income tax, corporation tax, trade tax apportionment and from federal state taxes (in delineation to the Fiscal Equalisation Act) and without VAT and primary VAT equalisation.

44 All 2016 per capita financial figures are based on the population figures as from 31 December 2015 and are preliminary.

45 In 2016, these were Lower Saxony, North Rhine-Westphalia, Rhineland-Palatinate, Saarland and Schleswig-Holstein.

46 It should be noted that, on average, municipalities in eastern Germany are financially very weak so that they are much more dependent on financial allocations from the federal states than are municipalities in western Germany.

47 Municipal tax revenues include, in particular: trade tax, municipal share in income tax, municipal share in VAT as well as property taxes A and B.

2016 received €1,320 per capita (western non-city states and municipalities: €199 per capita).

The Federal Government has also launched a series of measures within the scope of its constitutional abilities to lessen the burden on the municipalities, especially where spending on social services is concerned, and to strengthen investment by these municipalities. Due to their weak financial position, these benefits are particularly important for municipalities in eastern Germany.

These measures include complete relief for municipalities from basic security benefits in old age and in cases of reduced earning capacity<sup>48</sup>, participation by the Federal Government in the operating costs of expanding children's day care for children under the age of three<sup>49</sup> as well as stepped-up support for the cost of accommodation and heating under Social Code II<sup>50</sup>.

With the Act to Promote Investment by Municipalities with Inadequate Financial Resources, which came into effect on 30 June 2015, the Federal Government is helping to counteract weak investment by municipalities in a weak financial position.<sup>51</sup> For this purpose, the Federal Government is to make an additional €5 billion available between 2015 and 2020 to strengthen investments by municipalities, €3.5 billion thereof in the context of the Municipal Investment Promotion Fund. In the supplementary budget for 2016, the Federal Government earmarked an additional €3.5 billion for the Municipal Investment Promotion Fund. These funds are to be made available as from mid-2017 for the modernisation, modification and expansion of school buildings in financially weak municipalities.

When it comes to receiving and accommodating refugees and asylum seekers, the Federal Government also supports the federal states and municipalities in a number of different ways.<sup>52</sup>

The Fund for European Aid to the Most Deprived (FEAD) has been established for the 2014–2020 funding period. The FEAD is an important instrument to help the municipalities concerned tackle the challenges resulting from the growing influx of EU citizens from other EU countries.

FEAD funding in Germany totals around €92.8 million, €78.9 million thereof being made available by the FEAD. It is implemented by the Federal Ministry of Labour and Social Affairs (BMAS). The FEAD in Germany provides assistance to poor people who have no or only insufficient access to the advice and support services of the regular support system. These include in particular the most deprived migrants from other EU countries and their children, the homeless, and people threatened with homelessness.

In addition, the relief for municipalities will amount to €5 billion annually as from 2018.<sup>53</sup>

## 1.2. Restructuring of the financial relationships between Federal Government and the federal states

The statutory provisions for federal fiscal equalisation – the Standards Act and the Fiscal Equalisation Act – and Solidarity Pact II and other financial regulations between the Federal Government and the federal states<sup>54</sup> expire in 2019.

48 In the period from 2012 to 2017 alone, the relief totals more than €30 billion (more than €5 billion of which is likely to go to the eastern federal states). By 2017, annual relief by the Federal Government is likely to rise to more than €7 billion, reaching almost four times more than the amount in 2012.

49 The share of funding has been successively increased and since 2015 has totalled an annual €845 million. From 2016 to 2020, an additional €1,676 million will be granted for investments. The Federal Government will also contribute to operating costs in 2017 and 2018, each year with an additional €100 million. All in all, payments by the Federal Government up to the end of 2020 will total around €12.4 billion.

50 Since 2014, the Federal Government's all-German average participation rate has totalled 28.3%. Furthermore, the Federal Government's share in the cost of accommodation has been increased several times (see also footnotes 51 and 52). The Federal Government is also currently contributing to spending on education and participation with a special all-German average participation rate of 4.3%. Based on the information currently available, the Federal Government relief for municipalities totals to €17.1 billion in the period 2015 to 2017 alone.

51 Between 2015 and 2020, the Federal Government will grant financial aid to the federal states under the Municipal Investment Promotion Fund' that was set up with special funds in 2015 amounting to €3.5 billion. Under this scheme, support rates for investments by financially weak municipalities will be as high as 90%. Furthermore, the Federal Government will make another €1.5 billion available in 2017 to enable municipalities to invest more. This relief will be achieved through an increase of €500 million in the Federal Government's contribution to the cost of accommodation and heating under Social Code II and an increase of €1 billion in the municipal share in VAT.

52 Since 1 January 2016, the Federal Government has thus provided relief to the federal states and municipalities as regards benefits for asylum seekers pursuant to the Asylum Seekers Benefits Act. In 2016, the federal states received a total of €5.5 billion. In 2017, the advance payment amounted to €1.16 billion. Other Federal Government payments include a flat-rate payment for integration (€2 billion per year from 2016 to 2018), complete payment of the costs of accommodation and heating for recognised asylum and protection seekers (probably €2.6 billion between 2016 and 2018), for unaccompanied under-age refugees (€350 million per year for the period 2016–2019) and the improvement of child care (a total of around €2.0 billion between 2016 and 2018).

53 This relief is due to the increase in the shares of the federal states and the municipalities in VAT, and the permanent rise of the Federal Government's participation in the cost of accommodation under Social Code II by 10.2 percentage points as from 2019 (2018: rise of 7.9 percentage points with higher shares in VAT).

54 For instance, unbundling resources, local transport funding and financial assistance for sea ports.



At the end of 2016, the Federal Government and the federal states agreed on the principles of the restructuring of the financial relationships between the Federal Government and the federal states. They have been incorporated in the Act Amending the Basic Law and the Act on the Restructuring of the National Fiscal Equalisation System as from 2020 and on the Modification of Budgetary Provisions. These Acts provide for annual relief of the federal states by the Federal Government as from 2020, initially by around €9.7 billion. The restructuring includes abolishing the advance equalisation of turnover tax and replacing the fiscal equalisation with an improved financial capacity equalisation as regards the distribution of VAT and other rules. Due to the introduction of new allocations, financially weak federal states will continue to benefit disproportionately from assistance provided by the Federal Government. In 2020, they will receive around €1.8 billion owing to the supplementary federal grants to improve the municipal tax strength and to compensate for what is, based on the average of the federal states, underfunding of research (average-based research funding equalisation).

Apart from the revision of the fiscal equalisation, the Acts contain a number of stipulations to improve the fulfilment of tasks in the federal states. These include:

- establishing an infrastructure company for federal motorways and other federal trunk roads,
- establishing a mandatory, overarching association of portals for online access by all users to the administrative services provided by the Federal Government and the federal states,
- the possibility to grant Federal Government financial support for important investment by financially weak municipalities in the field of municipal education infrastructure,
- more rights of the Federal Government in the field of tax administration,
- strengthening the Stability Council, and
- improved steering and control rights of the Federal Government as regards financial assistance

## 2. Infrastructures: energy, communications, transport

### 2.1. Infrastructures as basis for economic growth

When it comes to quality of life and the success of a company, infrastructures are essential in the fields of energy, communications and transport. Public infrastructures, in particular, are decisive for citizens and companies. In light of the disastrous condition of public infrastructures, considerable efforts were made after the fall of the Berlin Wall to bring these infrastructures in line with the standard in western Germany. This goal can now be considered to be largely achieved. However, there are still regional differences and certain eastern German peculiarities that influence possibilities for economic development.

### 2.2. Energy infrastructure

The energy transition is one of the central projects being pursued by the Federal Government. It will enable electricity generation using nuclear energy to be phased out by 2022 and help Germany to achieve its climate protection goals. The efficient and sparing use of energy and the continued expansion of renewable energy sources are the two core strategies that are to drive Germany's energy transition. The energy supply is to be affordable, secure and environmentally friendly: the three goals that form the pillar of Germany's energy policy.

Eastern Germany has already done much to support the energy transition: through extensive investments in electricity and heat supply as part of reconstructing eastern Germany, the energy system has been thoroughly modernised since reunification. Thanks to this, eastern Germany has helped to reduce greenhouse gas emissions in Germany. Furthermore, the energy sector in many regions of the eastern federal states is an important source of employment, value added and innovation.

Just how important the new federal states are for the energy transition can be seen in the energy produced there: it has a high share of renewable energy compared to the rest of Germany. A high level of renewable electricity is generated by wind turbines, many of which are to be found in Mecklenburg-Western Pomerania, Brandenburg and Saxony-Anhalt. Lignite also continues to be another important part of energy generation in eastern Germany, especially in Saxony and Brandenburg where it accounts for a large part of the electricity generated there.

The sharp expansion of renewable energy also poses challenges for grid expansion. Firstly, the expansion and volatility of electricity generation using wind and solar energy increase demand for sufficiently large distribution and transmission networks. Secondly, eastern Germany exports electricity to western Germany, particularly to the electricity consumption centres in southern Germany. As a result, the transmission system needs to be further expanded.

The network charges are often relatively higher in eastern Germany. The Act on the Modernisation of the Grid Fee Structure, which was adopted in summer 2017, aims to gradually reduce the regional differences in grid fees by gradually aligning the transmission grid fees by 1 January 2023, and by gradually abolishing the 'avoided grid fees' for volatile electricity generation by 2020.

The expansion of the transmission networks in the new federal states is progressing well. Of the current 65 network projects in Germany, 15 projects with three-phase systems are fully or partially planned in the new federal states. These include projects that are particularly important for transporting electricity to southern Germany, such as the Thuringia electricity bridge that was completed in December 2015 and has been operated in trial mode since then. Residual work and the changeover to continuous operation are planned for 2017. As part of the so-called south-west interconnection from Halle to Schweinfurt together with the line from Redwitz to Grafenrheinfeld, the Thuringia electricity bridge closes the historical gap between the networks in the old and new federal states. The starting point for one of the planned high-voltage DC transmission lines with primarily underground cables, SuedOstLink, is located in Saxony-Anhalt. The routes of these lines have not yet been decided upon. All in all, around 1,300 kilometres of lines will be installed for network expansion and upgrading projects in the new federal states. Thuringia electricity bridge, just like SuedOstLink, has been given European status as a Project of Common Interest.

### 2.3. Digital infrastructure

Now that the transport infrastructure in eastern Germany has been brought up to an all-German level, other areas of infrastructure are becoming increasingly important. Broadband coverage is one of these areas. It is the basis that enables business and society in both east and west to participate fairly in the digital transformation. It is often not feasible to expand networks, especially in rural areas of eastern Germany with a relatively low population density, so that satisfactory broadband supply is not always provided.

This problem, however, was not something that developed from Germany's division. Rural regions in western Germany face a similar situation.

With its programme to promote the development of the broadband network, the Federal Government is making funds amounting to €4.4 billion available for regions where no network installation or expansion will be carried out by the private sector in the next three years. This programme has got off to a very successful start. A disproportionately high share of the funds already applied for and approved went to the new federal states. Not just here, but also throughout Germany, this support programme will have a very positive impact, triggering heavy investment, especially by private network operators.

Other approaches to improve broadband infrastructure in economically less developed rural areas are being tried and tested in the pilot project entitled 'MORO digital – Digital infrastructure as a factor of regional development'. The pilot project, which will expire in mid-2018, aims to enable seven economically less developed rural regions (including the Altmark region, Calau/Luckau inter-municipal cooperation) to improve their weak broadband infrastructure through their own initiatives.

### 2.4. Transport infrastructure

Between 1991 and 2016, just under €296 billion from the federal budget was invested in the German railway network, the federal trunk roads and waterways and as part of the Municipal Transport Funding Act. Of this sum, €97 billion was invested in the new federal states.

#### German Unity Transport Projects

German Unity Transport Projects (VDEs) account for the lion's share of investments in the new federal states. This programme, which has funding of around €41 billion, includes nine railway and seven motorway projects as well as one waterway project. By the end of 2016, around €36.1 billion was invested in these projects. The majority of the projects have already been completed. When it comes to investments in rail, the focus is on building and expanding the link between Nuremberg and Erfurt (VDE 8.1) and in extending the route from Leipzig to Dresden (VDE 9). As regards VDE 9, the route from Coswig to Dresden-Neustadt including the Dresden-Neustadt railway station was basically completed in 2016. The new line between Ebensfeld and Erfurt is to go into operation with the change of the timetable at the end of 2017, as will certain sections of the upgraded line in the VDE 8.1 project.

Of the VDE road projects, a total of around 1,930km of new or upgraded roads were built by the end of 2016, and another 50km are currently under construction. This means that roughly 98% of projects have been completed or are currently underway. In April 2016, work began on

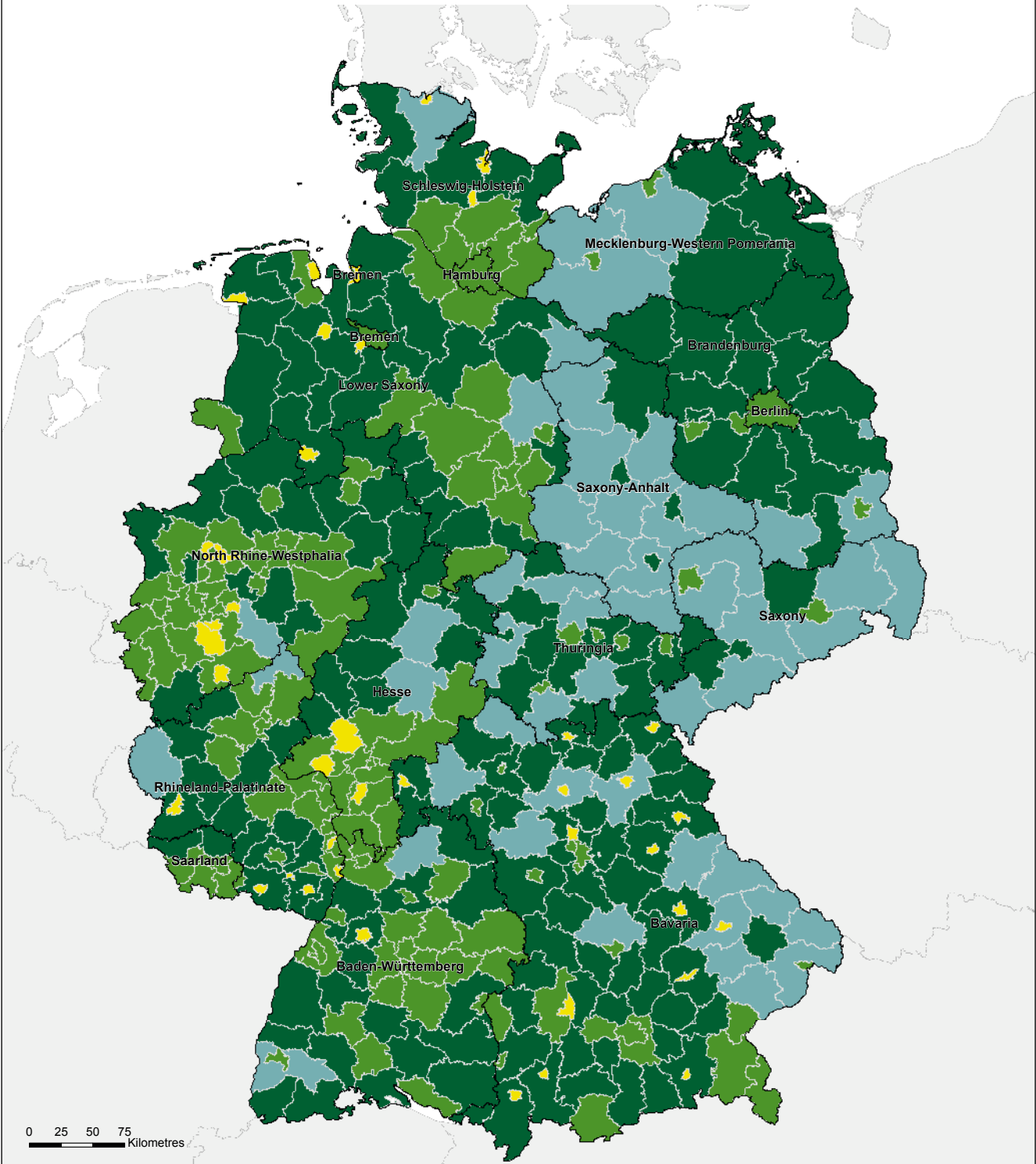
Figure 13: Broadband availability in municipalities  $\geq 50$  Mbit/s all technologies

Availability (in % households)

	> 95 – 100 %		> 10 – 50 %
	> 75 – 95 %		0 – 10 %
	> 50 – 75 %		

Status: end of 2016

Mbit/s refers to the download speed



the eight-lane expansion of a section of the A 10 (VDE 11). This section is to be completed by the end of 2020. The link from the Rhine/Main and Rhine/Ruhr centres to Thuringia, Saxony and Poland was significantly improved in VDE project 15. The A 4 has now been transformed into an efficient west-east road link and has been fully open for traffic since 2014. Work is well underway on a new section of the A 44 between Kassel and Eisenach.

In the VDE 17 project, i.e. the waterway link between Hanoi and Berlin, the section between Brandenburg and Berlin will be opened early for traffic with a reduced loaded draught (2.50m) in 2017 until the project is completed. When the various construction measures on the Mittelland canal and the Elbe-Havel canal have been completed, Magdeburg and Brandenburg will be already fully accessible (2.80m). The section west of the river Elbe (from Hanoi to Magdeburg) is also to be completed by the end of 2017.

In addition to the VDE projects, closing the gap on the A 14 between Magdeburg and Schwerin is one of the most important road construction projects currently underway in the new federal states. Furthermore, the A 72 that connects the supra-regional centres of Chemnitz and Leipzig is to be completed by 2019. The completion of the Trans-European Transport Networks (TEN-T) through eastern Germany will do much to boost the integration of the new federal states into the European transport area.

Not only eastern Germany but also Germany as a whole has benefited from the creation of more efficient transport connections between east and west.

### 2030 Federal Transport Infrastructure Plan

On 3 August 2016, the Federal Cabinet adopted the 2030 Federal Transport Infrastructure Plan (BVWP). It forms the basis for the development and expansion of the transport infrastructure of the Federal Government, with investment totalling around €270 billion. The rules to implement the expansion and construction projects of the 2030 Federal Transport Infrastructure Plan are contained in the Expansion Acts for federal trunk roads, federal railways and federal waterways, which entered into force at the end of December 2016.

The shares of the federal states of Berlin, Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia in the priority federal trunk roads projects amount to around 12 percent. These include the completion of the federal motorway A 10 from motorway junction AD Havelland to AD Pankow and the construction of A 14 / A 72. The priority projects in the railway sector include the completion of the eastern corridor north, i.e. the Uelzen–Stendal–Magdeburg–Halle rail connection.

## 3. Demography and urban and rural quality of life

### 3.1. Demographic parameters

In the coming years, the decline and the ageing of the population will continue to take place much faster in eastern Germany than in the old federal states. Furthermore, the growing regional disparities will further intensify the impact of demographic change.

#### Population development

In the 1990-2015 period, the population in the eastern German non-city states declined by around 15% – from about 14.8 to 12.6 million inhabitants. At around 22%, Saxony-Anhalt accounted for the largest decline. In the former territory of the Federal Republic (excluding Berlin), the number of inhabitants rose by more than 7% in the same period. Berlin registered an increase in population during almost the entire period. In Berlin, the number of inhabitants has increased by 2.5% since 1990, with a rise of 5.8% in the period 2011–2015<sup>55</sup>.

Since 2014, all eastern federal states have recorded a slight rise in population for the first time since German reunification. In 2015, the number of inhabitants increased by 0.7% in the eastern non-city states and by no less than 1.4%<sup>56</sup> in Berlin compared with the preceding year. The positive figures in the years 2014 and 2015 are primarily due to the great influx from abroad. However, an impact on the long-term population development in the eastern non-city states, especially a demographic turnaround, are not expected as a result of this influx.

55 Source: Federal Statistical Office, Fachserie 1 Reihe 1.3 – 2015 (population and employment, extrapolation of the population on the basis of the 2011 census); table 3.1.

56 Source: *ibid.*

According to the results of the 13<sup>th</sup> coordinated population projection<sup>57</sup> as updated in 2015, the population in the eastern non-city states will fall by around 0.8 million people (7%) by 2030. In the same period, the number of inhabitants in the western non-city states is expected to slightly rise by about 1 million (2%), with a perceptible increase of 9% in the city states.<sup>58</sup>

### Settlement density

At the end of 2015, the population density in the eastern federal states (excluding Berlin) (117 inhabitants/km<sup>2</sup>) is much lower than in the western federal states (266 inhabitants/km<sup>2</sup>). The federal states with the lowest settlement density are Mecklenburg-Western Pomerania (69 inhabitants/km<sup>2</sup>) and Brandenburg (84 inhabitants/km<sup>2</sup>).<sup>59</sup>

There are also great differences between eastern and western Germany with regard to the settlement structure, including the degree of urbanisation.<sup>60</sup>

In the eastern non-city states, more than one third of the population live in sparsely populated regions, with the corresponding rate in western Germany being only just over one in four. Almost half of the population in the western

non-city states live in regions with a medium settlement density, with the corresponding figure in eastern Germany being only one in three.

### Population age structure

The shift in ratios of age groups in the coming years will be much greater in eastern Germany than in the west. The proportion of people of working age<sup>63</sup> will be much smaller while the proportion of people over the age of 65 will rise steeply.

At the end of 2015, around 16% of the population in the new federal states was under the age of 20, and 59% of the population was aged between 20 and under 65. Up to the year 2030, there will be very little change in the number of people under the age of 20. However, the number of working-age people aged 20 to under 65 will fall considerably, to around 52% of the population. In the same period, the number of people over the age of 65 in the non-city states in eastern Germany will increase from today's 24% to around 32%. In the rest of Germany, the number of older people will increase much more slowly and is not likely to reach a comparable level of more than 30% of people aged over 65 until 2060. The ageing of the population will thus take place much faster in eastern Germany than in western Germany.

**Table 13: Settlement density in the non-city states<sup>61</sup>**

Settlement density <sup>62</sup>	New federal states (excluding Berlin)		Old federal states (excluding Hamburg, Bremen and Berlin)	
	Territory (%)	Population (%)	Territory (%)	Population (%)
Densely populated	3.3	27.6	4.9	31.2
Medium settlement density	18.8	37.9	33.0	46.1
Sparsely populated	77.9	34.5	62.0	22.7

Source: Federal Statistical Office 2017 (on behalf of the Statistical Offices of the Federal Government and the federal states), data from the List of Municipalities (territory status: 31 December 2015) and in-house calculations

57 This population projection is a statistical roll-forward method that quantifies future changes in population size and age structure. Since the actual development of major variables, such as fertility behaviour, mortality rates and migration, over the mostly longer term projection period is not known, several assumptions are made regarding the trend for the individual components. The projection results must therefore always be interpreted with the underlying assumptions in mind.

58 Results of the 13<sup>th</sup> coordinated population projection by the Federal Statistical Office and the statistical offices of the federal states, updated on the basis: 31 December 2015 – variant 2-A: continued trend based on higher immigration.

59 Source: Federal Statistical Office and state statistical offices, [http://www.statistik-portal.de/Statistik-Portal/de\\_jb01\\_jahrtab1.asp](http://www.statistik-portal.de/Statistik-Portal/de_jb01_jahrtab1.asp).

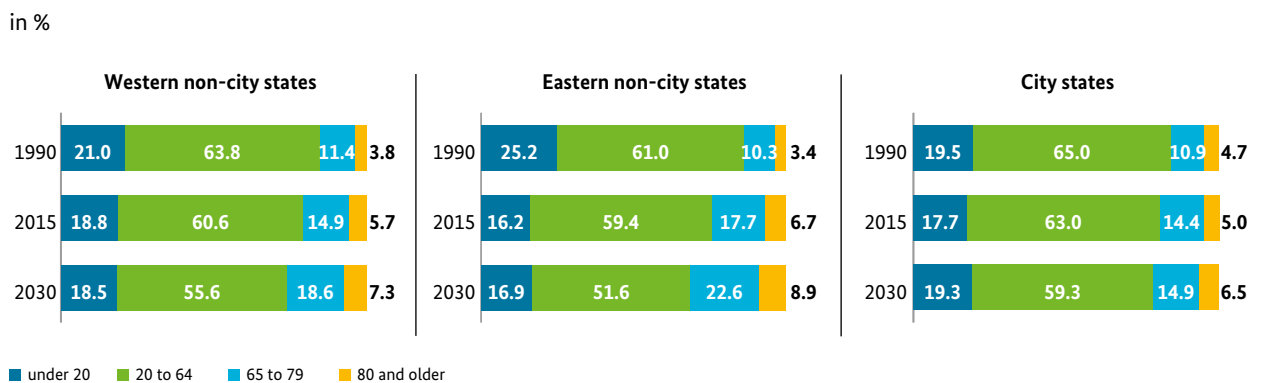
60 The urbanisation degree describes the population density of a municipality in relation to the population density of the surrounding municipalities.

61 Source: Federal Statistical Office and state statistical offices, List of Municipalities, urbanisation degree in terms of territory and population, territory status: 31 December 2015), [www.destatis.de/DE/ZahlenFakten/LaenderRegionen/Regionales/Gemeindeverzeichnis/NichtAdministrativ/Aktuell/33STL.html](http://www.destatis.de/DE/ZahlenFakten/LaenderRegionen/Regionales/Gemeindeverzeichnis/NichtAdministrativ/Aktuell/33STL.html) and in-house calculations.

62 The urbanisation degree classifies the municipalities as follows: densely populated regions are defined as cities and metropolitan areas in which 50% or more of the population live in very dense clusters. Regions with a medium settlement density are defined as cities, suburbs and towns in which less than 50% of the population live in rural areas and less than 50% of the population live in very dense clusters. Sparsely populated regions are defined as rural areas in which more than 50% of the population live in rural areas. (See 2016 Statistical Yearbook, p. 29)

63 An age of between 20 and 64 is chosen here to define the working age because it is during this phase in life that most people work.



**Figure 14: Population age structure in 1990, 2015 and 2030\* by federal states groups**

\* For 2030: Results of the 13th coordinated population projection, updated calculation on the basis 31 December 2015, variant 2-A; source: Federal Statistical Office

### Fertility trend and mortality

In 2015, the birth rate in the whole of Germany amounted to 1.50 children per female, thus rising for the fourth time in succession. At an average of 1.56 children per female, this figure was higher in the eastern federal states than in western Germany (1.50). Saxony (1.59) and Thuringia (1.56) recorded the highest birth rates. Mecklenburg-Western Pomerania registered the largest increase compared with the preceding year (from 1.49 to 1.55 children per female).<sup>64</sup>

However, the current rise in the birth rate is not sufficient to stop the long-term decline in the number of births. Furthermore, the expected falling number of potential mothers and the rise in the average age of women when they give birth to their children also impact on the birth rate.

The trend to give birth later in life is continuing both in eastern and western Germany. In 2015, women giving birth to their first child were on average 29.8 years old in western Germany and 28.6 years old in eastern Germany.<sup>65</sup> In 1970, the corresponding figures were about 24 years old in western Germany and on average 22-23 years old in the former GDR.<sup>66</sup>

According to the results of the latest population projection, the number of births is expected to decline by approx. 21% in the new federal states and approx. 4% in the old federal states between 2015 and 2030.<sup>67</sup>

At the same time, the relatively larger birth cohorts will reach an age in which mortality risks are greater. This means that, despite rising life expectancy<sup>68</sup>, the mortality rate is expected to increase. There were, for instance, 63,000 more deaths than births in the new federal states in 2015, and this deficit is likely to rise to around 96,000 persons per year by 2030

### Domestic migration

In 2015, the eastern non-city states for the second time in succession registered a surplus in terms of influx and migration between all federal states. Brandenburg and Saxony recorded a surplus, while Saxony-Anhalt and Thuringia continued to register a domestic migration deficit. In 2014, Mecklenburg-Western Pomerania registered a small migration surplus, but the migration balance was slightly negative in 2015.

It is mainly attractive urban centres that are the winners when it comes to domestic migration. While big, economically strong cities in the east are likely to become magnets in the years to come, more and more people are moving away from rural, peripheral areas.

64 See press release by the Federal Statistical Office of 17 October 2016.

65 See Federal Statistical Office, 2017 <https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/Bevoelkerung/Geburten/Tabellen/GeburtenMutterBiologischesAlter.html>.

66 BMFSFJ (2015): Familienreport 2014, p. 29.

67 Results of the 13th coordinated population projection by the Federal Statistical Office and the statistical offices of the federal states, updated on the basis of 31 December 2015 – variant 2-A: continued trend based on higher immigration.

68 See section 3.8. Health and long-term care.



## Foreign migration

Many foreigners came to Germany in 2015 and also in 2016.<sup>69</sup> On the whole, Germany recorded a positive foreign migration balance of around 1.1 million persons in 2015 and an estimated 750,000 persons in 2016<sup>70</sup>.

In the last few years, the migration of those seeking protection has risen perceptibly worldwide. While the influx of refugees to Germany had fallen considerably as from the mid-nineties, around 442,000 applications for asylum were submitted in 2015 and roughly 722,000 in 2016.

The high level of migration from abroad has led to a rise in population in Germany. This has also had an impact on the new federal states. In 2015, they registered a migration surplus from abroad totalling 147,000 persons. As a consequence, the eastern federal states in 2015 more than compensated for their deficits in terms of the difference between births and deaths and registered population gains.

However, there is still a considerable east-west gap when it comes to the share of foreigners in the population. The proportion of foreigners in 2015 totalled around 12% in the old federal states and was almost three times higher than the figure of around 4% in the new federal states.<sup>71</sup> In rural regions, the percentage of foreigners is even much lower than in urban areas. The influx from abroad of persons in search of protection also has no great impact on this east-west gap. The distribution of asylum seekers is based on the 'Königstein formula'. On the basis of tax income and number of inhabitants, the formula stipulates the number of asylum seekers to be received by the individual federal states. Consequently, the eastern federal states currently receive 20.7% of the asylum seekers; this share roughly corresponds to eastern Germany's share in the total population.

It is difficult to predict how the foreign migration balance will develop in the long term. However, even the continuation of annual net immigration from abroad into the eastern federal states at the same high level will presumably not be able to prevent the population from declining and in particular the age of the population from rising in the long term.<sup>72</sup>

## The Federal Government's demographic strategy

At the beginning of February 2017, the Federal Government submitted a report taking stock of its demographic policy at the end of the 18th legislative term. In this report, it describes important changes and measures taken by the Federal Government during the legislative term to shape the demographic change. They relate to the fields of children and young people, education, integration, reconciliation of family and work, health and long-term care, securing skilled workers, self-determined life in old age, quality of life in urban and rural areas and securing sound public finances. The report is based on the Federal Government's demographic strategy that was adopted in 2012 and developed in 2015 under the motto 'Every Age Counts – Greater Prosperity and Better Quality of Life for all Generations'.

The Federal Government's demographic strategy has been complemented by discussions and working groups. Since 2012, ten working groups consisting of representatives of all state levels, the business community, the social partners, associations, academia and civil society have been discussing the challenges of demographic change and elaborating solutions in all fields that are affected by demographic change. The results of the working groups were presented at the demography summit on 16 March 2017.

### 3.2. Family, living arrangements and children

Family and children are very important for the population in east and west.<sup>73</sup> At present, more than 8 million families with under-age children live in Germany. However, there are still differences in the way families live together in eastern and western Germany. Although married couples with children continue to be the most frequently found family arrangement in both eastern and western Germany, there are in fact far more cohabiting couples and single parents in eastern Germany than in western Germany.<sup>74</sup>

69 See also I.3.2., Measures to integrate refugees into the labour market, and I.3.3., Migration of international skilled labour.

70 See Federal Statistical Office, press release No. 033 dated 27 January 2017.

71 See also percentage of foreigners by federal state as of 31 December 2015, 2015 Migration Report of the Federal Government, Appendix, page 314.

72 High migration gains can also slow down the ageing of the population, see results of the 13th coordinated population projection.

73 This applies in particular to the population aged 16 and older in eastern and western Germany; in 2016, 79% of the respondents said that family was the most important aspect of their lives, followed by work, hobby and friends, IfD-Umfrage 11058, in Prognos AG (2016), Zukunftsreport Familie 2030.

74 Source: 2015 microcensus.

In this description, all families are defined as parents with children, with at least one under-age child living with the parents. Children also include – apart from biological children – stepchildren, foster children and adopted children.

**Table 14: Families with under-age children broken down by family arrangements (shares in %)\***

	Germany (total)	Old federal states	New federal states incl. Berlin
Married couples	69.5	73.6	51.8
Cohabiting couples	10.7	8.0	22.4
Single parents	19.8	18.4	25.7

\* Source: Federal Statistical Office, 2016 Microcensus, Fachserie 1, Reihe 3., Tab. 5.5.0

For young women and men, children are equally important in east and west.<sup>75</sup> But families are on average somewhat smaller in the eastern federal states. In eastern Germany, the share of families with one child under the age of 18 amounts to 57.3%, 33.1% of the families in the eastern federal states have two children and 9.7% have three or more children. In western Germany, 50.9% of the families have one child, 37.5% have two children and 11.6% have three children or more.

Although families in the east are on average smaller than in the west, there are more women without children in western Germany. In 2016, the proportion of women without children among all women aged 40 to 44<sup>76</sup> amounted to 22% in the territory of the former Federal Republic and 15% in the new federal states.<sup>77</sup>

Egalitarian attitudes to the distribution of roles between women and men and to working mothers are more deeply rooted in the east than in the west (see chapter 1.3.1), but this has been increasingly changing since 1991.<sup>78</sup> This is reflected by claims for parental benefits (parental allowance and parental allowance 'plus'), for instance, and how people view their work-life balance.

Thanks to the parental allowance concept, the proportion of fathers taking parental leave has increased in both eastern and western Germany. The introduction of the parental allowance in 2007 was a paradigm shift as regards the participation of fathers. More than one third of all fathers now take parental leave (fathers benefited from parental allowance for 34.2% of the children who were born in Germany in 2014 and for 35.7% of the children who were born in the second quarter of 2015).

In the second quarter of 2015, Saxony (46.7%) continued to lead in terms of the participation of fathers, followed by Bavaria (43.4%) and Thuringia (42.7%).<sup>79</sup> Mothers today return to work earlier than in the past, working more hours. The employment rate of mothers with the youngest child aged two to three rose from 41% in 2006 to 58% in 2015. The increase amounts to 17 percentage points in both eastern and western Germany, albeit from different starting levels – from 38% to 55% in the west and from 52% to 69% in the east.

In the first quarter of 2017, 25.6% of parents throughout Germany applied for or claimed parental allowance 'plus', which was introduced for births after 1 July 2015 to support early return to work part-time. At 37.2%, Thuringia is the leader. The partnership bonus, which was introduced with the parental allowance 'plus' to promote employment of both parents at the same time for 25 to 30 hours per week, reached an all-German rate totalling 6.0% of all recipients of the parental allowance 'plus' in the first quarter of 2017. In the eastern federal states, 8.6% of parents have applied for or received the partnership bonus while the share in the western federal states is 5.4%. In the eastern federal states particularly many recipients of the parental allowance 'plus' also apply for the partnership bonus; these include Berlin (16.9%), Brandenburg (9.7%), and Mecklenburg-Western Pomerania and Saxony (6.7% each). The corresponding figures are 14.9% in Hamburg, 6.1% in Bavaria, and 5.9% in both Baden-Württemberg and Schleswig-Holstein. 6,1 %, in Baden-Württemberg und in Schleswig-Holstein bei 5,9 %.

75 94% of eastern Germans and 93% of western Germans between the age of 18 and 30 without children hope to have children. On average, young people in eastern Germany without children hope to have 2.0 children while young people in western Germany hope to have 2.2 children. WZB/Federal Statistical Office (2016): Datenreport 2016 p. 76.

The majority of young people between 20 and 39 in eastern and western Germany also believe that people have children simply because children are part of life (95% and 94% agree in east and west, respectively) and that they make life more colourful and diverse (93% of the 20 to 39-year-olds polled in the east and 90% in the west agree). Federal Institute for Population Research (2013): Familienleitbilder in Deutschland, p. 14.

76 The proportion of women without children aged 40 to 44 in 2016 is decisive when it comes to describing the current situation regarding the proportion of women of childbearing age without children. Statistically, the number of women over the age of 44 giving birth has practically no impact on the childlessness rate. (See Federal Statistical Office, Geburtstrends und Familiensituation in Deutschland 2012, p. 31 ff.)

77 Source: Federal Statistical Office, "Kinderlosigkeit, Geburten und Familien, Ergebnisse des Mikrozensus 2016", table 1.3.

78 In 2012, 86% of the population in eastern Germany and 76% in western Germany supported egalitarian attitudes in which the roles of men and women converge. The corresponding figures in 1991 were only 56% in western Germany and 67% in eastern Germany; WZB/Federal Statistical Office (2016): Datenreport 2016 *ibid.*, p. 428. Three quarters of people polled in western Germany and 92% in eastern Germany agreed that working mothers do not have negative consequences for children's development, Federal Institute for Population Research (2013): Familienleitbilder in Deutschland, p. 19.

79 See Federal Statistical Office, press release dated 15 February 2017.

Better reconciliation of family and work is the most important family policy issue for 74% of parents (for 72% of all parents in western Germany and 79% in eastern Germany).<sup>80</sup> The perception of the work-life balance has improved considerably in both eastern and western Germany. 55% of the population in eastern Germany and 45% in western Germany state that on the whole it is difficult to reconcile family and work in Germany, compared with 75% and 64% respectively in the preceding year.<sup>81</sup>

The expansion of childcare services in all federal states has already helped considerably to improve the reconciliation of family and work for parents and to create good opportunities for education and participation for all children. The expansion must, however, be continued. In eastern Germany, the childcare infrastructure still covers small children and primary school children under the age of 11.

In western Germany, the day-care ratio for children under age three amounted to 28.1% on 1 March 2016. At 51.8%, it was almost twice as high in eastern Germany.<sup>82</sup> In eastern Germany, more parents (59.1%) than in western Germany (46.0%) said that they wanted day-care for their children. On 1 March 2016, the child care ratio for children between three and five was almost the same in western and eastern Germany (93.2% and 95.2%), and the number of parents who wanted day-care for their children also differed only slightly (west: 97.5%, east: 96.2%).

After-school care centres for children up to the age of 11 are very common in the eastern federal states. On 1 March 2016, the care ratio amounted to 50.2% in eastern Germany (incl. Berlin), compared with 8.3% in the western federal states, partly due to the availability of additional care services such as all-day schools in the west.<sup>83</sup>

Both a place in a day-care centre and the number of hours available are important for parents in western and eastern Germany. About half of the parents of children between three and five actually need at least an additional 5 hours per week. There is a clear difference between western and eastern Germany in terms of the demand for extended opening hours (48.1% and 64.5%). There is also a need for extended care among parents with school children under the age of 11. The demand is greatest both in western and eastern Germany among parents with children aged 7 to under 8 (western Germany 24.7%, eastern Germany 16.3%).

To meet the need for childcare, the services must thus be further expanded for all age groups both in western and eastern Germany.

### 3.3. Urban development and urban development assistance

The Federal Government's National Urban Development Policy is an effective, flexible and reliable instrument to help municipalities implement a social and sustainable urban policy. Cities contribute to social progress and economic growth. They can fulfil this task only if they succeed in maintaining the social balance within cities and between them. Several objectives, which are promoted by providing assistance to municipalities, derive from this guiding principle of urban development policy. The aim is to strengthen social cohesion, prevent polarisation tendencies in cities, improve the economic, social and ecological performance of municipalities and guarantee cultural diversity. The towns and cities in the new federal states are also benefiting from the Federal Government's urban development policy.

As a joint task borne by the Federal Government, the federal states and municipalities, urban development assistance is an important part of urban development policy. For all urban development assistance programmes from 1991 right up to 2016, the new federal states received financial support amounting to around €7.2 billion. This is commensurate with a share of approximately 61% of total funds. The special problems faced by the new federal states have been and still are being taken into account through a greater commitment of funds per capita in absolute terms compared with the old federal states. Even if more Federal Government funds for urban development assistance have been flowing to western federal states than to eastern federal states since 2010, the eastern German share is still disproportionately high measured in terms of population (see figure 15).

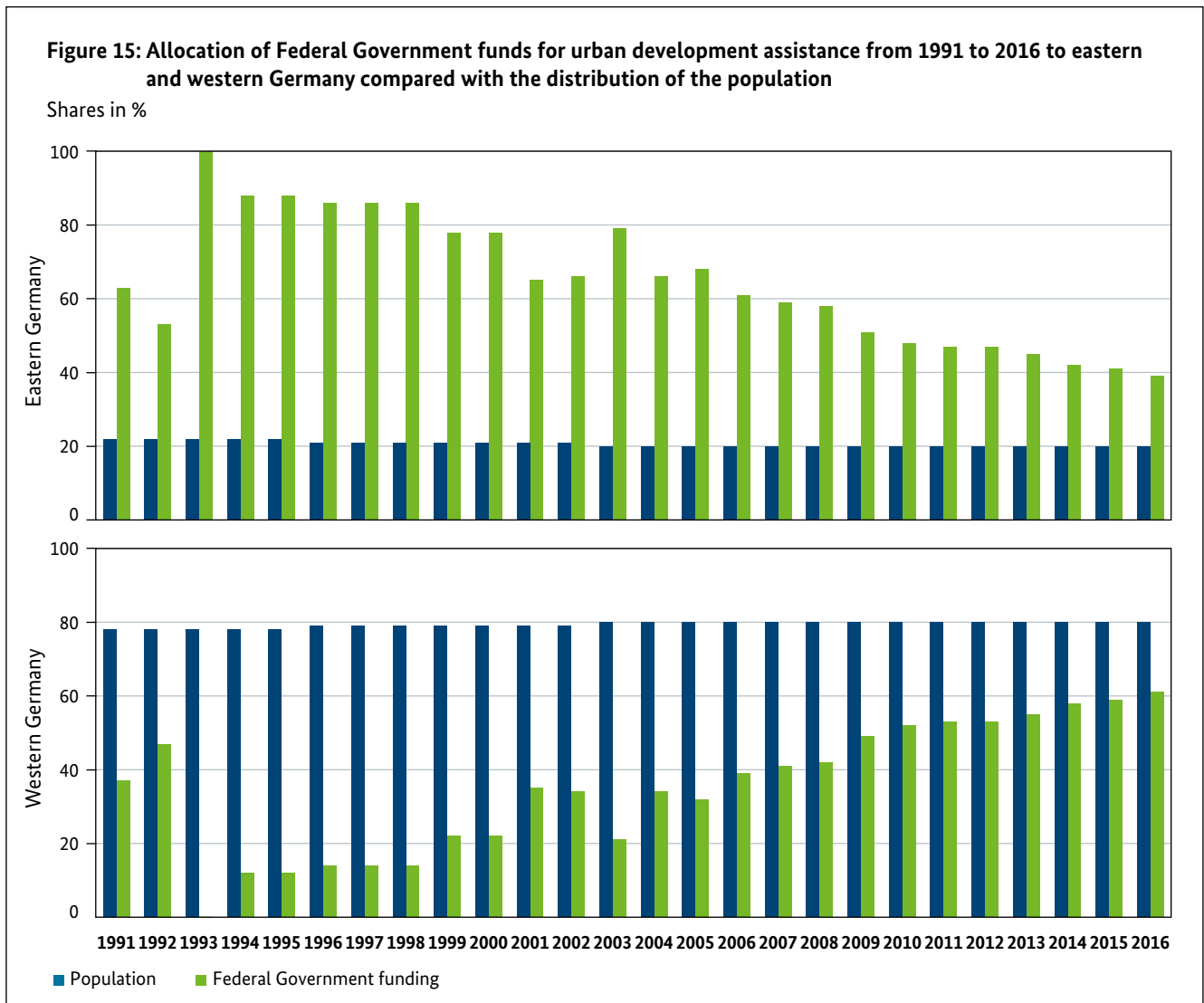
This made it possible to considerably improve the quality of life and to make eastern German cities and municipalities more attractive for the population, and to promote business in the cities.

80 Allensbacher Archiv, IfD-Umfrage 11056, May 2016.

81 See 2016 Annual Report of the Federal Government on the Status of German Unity, p. 106 Allensbacher Archiv, IfD-Umfrage 11055, April 2016.

82 Source: Federal Statistical Office, "Kindertagesbetreuung regional 2016", p. 7.

83 Source: Federal Ministry for Family Affairs, Senior Citizens, Women and Youth "Kindertagesbetreuung Kompakt. Ausbaustand und Bedarf 2016", January 2017.



Source: urban development funding database of the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR)

In 2017, the Federal Government is continuing to provide record levels of urban development assistance. €790 million has been earmarked in the federal budget for the programme. This means that municipalities in Germany will continue to have at their disposal a sound basis for shaping demographic, social, economic and ecological change, as well as their sustainable development.

Under the Protection of Urban Architectural Heritage programme<sup>84</sup>, measures were implemented in 244 municipalities of the eastern federal states in the period from 1991 to 2016. Federal Government funding totalling some €2.3 billion was available for this purpose until 2016. The programme is being continued in 2017 with funding amounting to €110 million. €70 million alone is used for measures in the new federal states. The funds are used here in urban centres of high historical, architectural and cultural value,

in particular, in an effort to revive the historical areas and to strengthen them as vital locations for living, working, trading, cultural and leisure activities.

Under the Urban Restructuring in the New Federal States programme<sup>85</sup>, Federal Government funds totalling around €1.7 billion were made available in the period 2002 to 2016. 490 municipalities in eastern federal states benefited from the programme. In 2017, the Federal Government merged and upgraded the Urban Restructuring in the New Federal States and the Old Federal States programmes in line with the coalition agreement, taking account of the Solidarity Pact, Basket II. An additional €50 million annually has been earmarked for the new Urban Restructuring Programme. This means that €260 million will be available for urban restructuring in 2017. €120 million thereof has been earmarked for the new federal states. The merger will be

<sup>84</sup> The programme was launched in 1991 by the Federal Government to stop the decay of historic urban centres.

<sup>85</sup> At the heart of the programme are efforts to make city centres and neighbourhoods meriting preservation more attractive in a targeted manner while stabilising urban structures by tearing down vacant residential buildings for which there will be no demand in the future.

implemented in 2017 in the administrative agreement on urban development assistance.

This is based on a joint evaluation of the Urban Restructuring in the New Federal States and the Old Federal States programmes. As the vacancy rates will continue to be high in most eastern German towns and cities, the terms for support will remain the same. On the other hand, support must be provided to towns and cities when it comes to integration processes in urban restructuring areas. This applies to many cities in western Germany. Now more municipalities in western Germany can also benefit from the programme due to the increase of funds. As a result of the evaluation of the urban restructuring programmes, a successful instrument to secure old buildings and buildings that are characteristic of cities will be introduced for all urban development assistance programmes with a smaller contribution of the municipalities. The new urban restructuring programme will effectively contribute to a better quality of urban life and social stability in municipalities throughout Germany.

The “Social City” programme<sup>86</sup> was and continues to be of great importance for eastern German cities and municipalities due to the structural weakness that still exists in many socially and economically disadvantaged neighbourhoods. From 1999 to 2016, the Federal Government provided funding for the programme totalling some €1.4 billion. The share of the eastern federal states (including Berlin) was around €333 million. 92 municipalities in the new federal states benefited from the Federal Government funding. Federal Government funding of some €190 million is available for 2017.

With the urban development assistance programme entitled “Smaller Towns and Municipalities – Regional Cooperation and Networks”<sup>87</sup>, the Federal Government also helps towns and municipalities to master complex social, economic and demographic challenges. The aim is to strengthen small and medium-sized towns as centres for public services. From 2010 to 2016, the Federal Government provided funding totalling some €287 billion. The share of the eastern federal states was around €75 million. 126 measures in the new federal states benefited from Federal Government funding. The Federal Government has earmarked around €70 million for the programme in 2017.

The consequences of demographic change and economic structural change are particularly visible in the centres. In many municipalities, the lack of public services is reflected by a high commercial vacancy rate. The ‘Active City and Neighbourhood Centres’ programme serves to prepare and implement overarching measures to maintain and develop these areas as centres for commercial and cultural activities, and to live and work. The Federal Government provided funding totalling around €775 million in the period from 2008 to 2016. The share of the eastern federal states was about €152 million. 166 measures in the new federal states benefited from Federal Government funding. In 2017, the Federal Government makes available around €110 million for the programme.

In 2016, a total of around €41 million was available for the Federal Government’s programme ‘Funding of Investments in National Urban Development Projects’.<sup>88</sup> Six out of the total of 16 programmes supported with funding amounting to some €9 million are located in the new federal states.<sup>89</sup> The Federal Government has earmarked around €75 million for the programme in 2017.

### 3.4. Housing market and rented accommodation market

The eastern German housing market is characterised by high, still rising vacancy rates and a great urban-rural divide.

In May 2011 (2011 census), a total of 4.45% of all dwellings in Germany were vacant. At 8.1%, the vacancy rate was higher in the eastern federal states (excluding Berlin) than in the western federal states (3.8%). In 2015, the vacancy rate in eastern Germany (excluding Berlin) rose to 9.1% (BBSR estimate of the vacancy rate based on the vacancy figures of the 2011 census). The number of households, which has still been growing until now, is expected to fall in the coming years, just like the number of inhabitants. This will result in a further rise in the vacancy rate across large parts of eastern Germany. The vacancy rate is expected to almost double by 2030. This trend will affect in particular rural areas and regions on the periphery.

More and more people both from Germany and from abroad are moving to urban regions in view of the advancing urbanisation and the growing attractiveness of eastern German cities and university towns.

86 The ‘Social City’ programme provides municipalities with assistance for urban development investments in residential environments, infrastructure and housing quality. The aim is to stabilise disadvantaged, structurally weak neighbourhoods with programme funds and to improve the quality of life. Key aims include more intergenerational equity and more family-friendly neighbourhoods, an improvement in integration and participation and social interaction between neighbourhoods.

87 Under this programme, the Federal Government primarily supports municipalities entering into cooperative ventures with neighbouring municipalities and implementing joint strategies to secure the provision of vital services and quality of life. Overall urban development measures to maintain and develop local infrastructure are funded.

88 Funding goes towards projects with special national reach and quality, e.g. the conversion of military areas, inter-municipal cooperation in urban development, and accessible restructuring of cities and municipalities guaranteeing intergenerational equity.

89 The projects are located in Cottbus, Berlin, Wismar, Quedlinburg, Amt Wachsenburg and Weimar.



As a consequence, the total demand for accommodation in eastern Germany rose in 2016. Compared with the preceding year, the number of building permits increased by nearly 16% to well over 71,000 dwelling units in 2016. New buildings are primarily being constructed in towns and cities.

In the last few years, the growing demand for dwellings has resulted in a sharp rise in rent requested by a landlord by around 5% annually in Berlin and its urban fringe, in Potsdam and in Leipzig. In all other eastern German towns, cities and districts, the rise in rents has been moderate. Altogether, average rents in 2016 totalled €6.64/m<sup>2</sup> when a new tenancy agreement was entered into or an existing agreement was extended in eastern Germany, with Berlin having a great impact on this figure due to its large stock of rented dwellings. Excluding Berlin, the average rent requested by a landlord totalled €5.63/m<sup>2</sup>, i.e. much less than the German average of €7.65/m<sup>2</sup>.

The housing policy of the Federal Government is based primarily on strengthening investment activity, supporting social housing construction and flanking this with rent legislation and social policy. The results of the implementation of the house-building campaign on the basis of the recommendations of the Alliance for Affordable Housing and Building have considerably contributed to improving the environment for investment in new housing development. In spite of the positive trend regarding new construction activity, there will still be challenges on the housing markets in the coming years.

In eastern Germany too, housing assistance has been an essential element of socially responsible housing policy. Backed by social housing assistance, local housing companies, housing co-operatives and private investors in particular provide rental homes for households with difficulties accessing the housing market (e.g. single parents and people with disabilities). In growing regions, the construction of favourably priced homes is primarily assisted. The adaptation of dwellings to contemporary standards is being supported in all regions of Germany, for instance through energy-efficient upgrades and conversion to meet the needs of the elderly. Further to this, social housing assistance targets home ownership, particularly for families with children.

Since 2007, legislation and funding in the field of social housing assistance have been the exclusive responsibility of the federal states. To compensate for the elimination of earlier Federal Government funding, the Federal Government is granting compensation to the federal states from the federal budget until 31 December 2019. Up to the end of 2015,

this compensation totalled €518.2 million annually. Of this figure, some €196.9 million/year went to eastern Germany (including Berlin). As part of the Act to Expedite Asylum Procedures, the Federal Government has increased annual compensation by €500 million to 1.0182 billion for the years 2016 to 2019. The share of eastern Germany (including Berlin) totals €386.9 million annually. On the basis of the Act on Federal Participation in the Costs of Integration and on Further Relief for the Federal States and Municipalities, the Federal Government will make available an additional €500 million annually in 2017 and 2018, i.e. a total of more than €1.5 billion annually for these two years.

The rapid demographic change clearly shows that it is necessary to quickly improve the offer of age-appropriate homes (barrier free/low-barrier living space).

The demand for dwellings adapted to the needs of the elderly is particularly great in eastern Germany where the ageing of the population is already well advanced. In eastern Germany, only 4.4% of a dwellings with at least one person aged over 65 are virtually barrier-free, while the corresponding figure in western Germany is 9.3%.<sup>90</sup>

On 1 October 2014, the Federal Government therefore reintroduced the funding in the KfW programme Age-appropriate Conversions. In November 2015, the possibility was created to support measures to improve protection against burglary in residential buildings independent of age-appropriate conversion measures in order to take account of the greater security needs of elderly people in particular.

Since 2009, the Federal Government and KfW together have financed the adaptation of around 410,000 dwellings to the needs of the elderly (status: 31 May 2017). For this purpose, the Federal Government has made available a total of some €250 million. Age-appropriate conversion of residential buildings and neighbourhoods allows the elderly and people with disabilities to pursue a largely independent life in a familiar setting as long as possible. All generations are benefiting from it, and especially families with children. It is thus one of the elements of good cohabitation in cities.

Housing benefit payments have been improved to help low-income households with their housing costs. When the housing benefits reform came into force on 1 January 2016, the housing benefit was adjusted to the rent and income trend. The new federal states in particular benefit from this reform, as the recipient rate, in terms of all households in the new federal states, is around 60% higher than that of the old federal states.

90 Ifo Dresden et al. (2017). Endbericht zum Forschungsvorhaben „Auswirkungen der demografischen Entwicklung auf den ostdeutschen Wohnungsmarkt“, p. 88, [www.beauftragte-neue-laender.de/BNL/Redaktion/DE/Downloads/Publikationen/ifo-auswirkungen-demografische-entwicklung-ost-deutscher-wohnungsmarkt.html](http://www.beauftragte-neue-laender.de/BNL/Redaktion/DE/Downloads/Publikationen/ifo-auswirkungen-demografische-entwicklung-ost-deutscher-wohnungsmarkt.html).



### 3.5. Rural development

Rural regions in Germany vary in terms of their settlement structure, economic strength and supply situation as well as their land use, natural resources and the age structure of their population. Whether it be villages or small towns - no matter whether they focus on commerce, industry, agriculture or tourism - life and work in rural regions has many facets. There are considerable differences within Germany's polycentric settlement and economic structure that has evolved over hundreds of years and in the level of development in rural areas. Demographic change and migration are continuing in various regions, particularly in eastern Germany. This has an impact in many fields and raises the issue of how to ensure the provision of public municipal services and infrastructure. It further poses the challenge of how to provide minimum standards of basic public services, and of how to secure skilled labour and offer cultural activities for the people living in these regions.

On the one hand, there are rural regions and localities that are economically prosperous and which offer a sufficient number of high-quality jobs and access to basic public services as well as good transport links to urban centres. These regions are characterised by inward migration or a largely stable population size. On the other hand, there are regions and localities that grapple with outward migration and an ageing population, a lack of jobs, vacant buildings, strained municipal finances, deficits in the provision of basic public services and the disadvantages associated with their peripheral location. In rural areas in particular, it is to be expected that the number of households will decline, in some cases significantly. In contrast, it is expected that the number of households in many rural areas of western Germany will decline slightly or stagnate. In this context, the quantity and quality of the housing stock is regarded as a key aspect of the quality of life in rural areas. Detached owner-occupied homes with their own plot of land are usually the dominant form of building in rural areas. Single-family and two-family homes account for around two-thirds of the housing stock in the western federal states, while in eastern Germany there are still more multi-family dwellings that were built in GDR times.

In order to make rural areas attractive and to improve the quality of life in villages and in small and medium-sized towns, it is essential to strengthen their independent economic development and to build a local infrastructure for public services. The Federal Government is providing targeted support for rural regions to help them cope with the enormous demographic and economic challenges they are facing. To promote rural areas, EU funds as well as funds from the Federal Government and federal states are available.

### ELER

Under the European Agricultural Fund for Rural Development (EAFRD), Germany is currently to receive EAFRD funds amounting to €9.44 billion for the 2014 to 2020 funding period. The eastern federal states will receive around €4.4 billion, i.e. a good 47%, of EAFRD funds. Together with the required co-financing from the Federal Government, the federal states and municipalities, along with other national funds, a total of €16.9 billion will be available for the funding period, i.e. a good €2.4 billion each year.

#### Joint Task "Improving the Agricultural Structure and Coastal Protection" (GAK)

The Joint Task "Improving the Agricultural Structure and Coastal Protection" was revised last year, not least to maintain basic services in rural areas where special efforts are required to ensure the provision of public services. The amendment to the GAK entered into force on 11 October 2016.

By amending the law, the Federal Government is helping to strengthen structurally weak regions by means of the GAK. The GAK will in future enable infrastructure measures to be funded under the Common Agricultural Policy of the European Union in rural areas where considerable efforts are needed to maintain basic public services. The new funding measures include, in particular, investments in non-agricultural micro-enterprises with fewer than ten employees, in small infrastructures and basic services (such as the local supply of goods and services), as well as investments to promote rural tourism and to reuse village buildings.

The measures are aimed at maintaining or strengthening the local supply of goods or services that meet short-term or urgent needs. Support is also available for providers of mobile and combined services, including for providers who offer their services in local supply centres. The aim is to ensure and improve the local supply and thus the quality of life of the people living in rural areas.

For the year 2016, the federal funding available for the GAK was increased to €750 million and for the year 2017 to €765 million. €40 million of the funding to be provided in 2017 will be earmarked exclusively for new measures.

#### Federal Rural Development Programme (BULE)

In 2015, the Federal Rural Development Programme (BULE) was set up to promote and test innovative approaches to rural development in order to implement the coalition's mandate to place a focus on "Rural areas, demographic trends and basic public services". The programme helps to preserve rural areas as attractive places to live in, and to

support non-agricultural projects and initiatives that are important for village life and whose findings can be used throughout Germany. The amount of funding provided under the programme in the 2017 budget year is €55 million.

In accordance with its constitutional competences and financial possibilities, the Federal Government is pursuing various pilot and demonstration projects to support rural areas and gain insights for future regular support measures. For example, to maintain local supply and services in rural areas, funding is provided to support regional products and services and to help build a local supply infrastructure, including local supply centres. A key feature of these local supply centres is that they allow for flexible and varied services, which, combined, offer an added value compared to single-use facilities that are used only for one specific purpose. The development of local supply initiatives, regional purchasing and sales initiatives and regional stakeholder networks also makes an important contribution towards strengthening value creation in the regions. In promoting projects focusing on social village development, citizens in rural communities are given the opportunity to bring their interests to bear in their immediate vicinity. Village development initiatives are aimed at increasing awareness of village life and culture, preserving the character of rural communities and their culture, and at strengthening the social, economic, ecological and cultural potential of rural areas.

The **“Land(auf)Schwung” (rural recovery) pilot project** is designed to support economically less developed rural regions by generating new momentum to improve the regional economic situation, the employment situation and the local provision of basic services, and to actively shape demographic change. Of the total of 13 model regions, the districts of Elbe-Elster, Greiz, Mittelsachsen, Stendal and Vorpommern-Rügen in eastern Germany will also receive €1.5 million each.

The objective of the 2017 **“Kerniges Dorf!” (vibrant village) competition**, which will be held for the third time after 2013 and 2015, is to honour villages that are working on shaping their village centres in a creative and dedicated manner. The competition aims to ensure that open spaces are used effectively and that old buildings are modernised and modified for new uses. In this way, it helps ensure that village centres remain attractive and that the spaces available are managed effectively. The competition is held every two years.

### “Demographiewerkstatt Kommunen” (workshop on demographic change in municipalities)

The “Demographiewerkstatt Kommunen” project run by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth supports three municipalities in the new federal states (of a total of eight) in coping with the effects of demographic change. It provides funding for setting up advisory services and enhancing citizens’ participation. The aim is to develop a toolbox by the end of the project in 2020 which will also be helpful for other municipalities (districts, towns and municipalities).

### 3.6. Agriculture and privatisation of agricultural land

Agricultural and forestry enterprises play an important role in the many rural regions of eastern Germany. Following a massive restructuring process in the 1990s, the agricultural sector has successfully established itself in these regions. When compared on an all-German or European level, companies in eastern Germany exhibit high productivity and competitiveness. In eastern Germany, half of the agricultural land is managed by legal entities such as cooperatives or limited liability companies with farm sizes well above the national average. In the western German federal states, however, individual agricultural enterprises continue to dominate the rural economic landscape. In terms of its share in gross value added of the economy as a whole, the agricultural sector has a greater weight in the new federal states than in western Germany. Between 2014 and 2016, the farming, forestry and fishing sector in the new federal states accounted for a share of 1.3% in gross value added of the economy as a whole (Germany: 0.7%). Mecklenburg-Western Pomerania recorded 2.6% and hence the highest share in gross value added.

Due to large farm structures and relatively few labour-intensive branches of industry, labour productivity in this sector in the new federal states totals on average €35,241 in gross value added per worker for the years 2013 to 2015 and is hence around 13% higher than the western German average.

#### Change in agricultural structure

The process of business succession is increasingly becoming a challenge for large agricultural businesses in eastern Germany. After the successful restructuring of agricultural businesses over the last 27 years, these companies constitute assets that individual young farmers cannot finance as would be required in the case of a business takeover. Instead, such businesses are increasingly taken over by supra-regional

investors, and in some cases by companies from outside the sector<sup>91</sup>. This creates the risk of many billions of government funds being misdirected, funds which have been invested since Germany's reunification to restructure agricultural enterprises and to increase their competitiveness. Between 1996 and 2008 alone, the EU spent €22 billion on agriculture and the development of rural regions in the five eastern German states. In addition, several billions of euros came from state and federal budgets. All of these measures, including rules on the settlement of old debts, investment promotion for individual businesses, support of market structures and the allocation of state-owned agricultural land on a priority basis and at a reduced price, were aimed at securing jobs and enhancing value creation in structurally weak rural regions. These efforts were largely successful, but the development that has started now may weaken rural areas. The consolidation of regionally-based single agricultural enterprises into large corporate chains tends to reduce the number of skilled jobs in villages, while permanent workers will increasingly be replaced by seasonal workers. As corporate headquarters are usually located outside the region - often in western Germany - villages also lose land rents, lease payments and tax revenue. On the one hand, it is necessary that agricultural associations develop new models for the transition from one generation to the next within the agricultural community. On the other hand, the federal states should close the existing regulatory gap in agricultural land law. The law regulates the sale of individual plots, whereby farmers are given a priority right to purchase land. However, the law does not include any provisions on the acquisition of stakes. As a result, large companies can acquire entire agricultural businesses and circumvent farmers' priority purchase right. In 2015, experts from federal and state agricultural ministries recommended that this regulatory gap in agricultural land law be closed. The federal states of Saxony-Anhalt, Mecklenburg-Western Pomerania and Lower Saxony have since announced that they will amend their laws accordingly.

### Privatisation of land by BVVG (Land Utilisation and Management Company)

The privatisation of formerly state-owned agricultural and forest land in the eastern German non-city states has not yet been completed. In 2016, a total of around 10,400 hectares of agricultural land and around 2,730 hectares of forestry land were sold, including 1,700 hectares of agricultural land and 2,100 hectares of forestry land, which were sold to former owners and/or their descendants in accordance with the Compensation and Corrective Payment Act (EALG). In the same year, BVVG additionally sold around 8,900 ha of agricultural and forestry land to the states of Mecklenburg-Western Pomerania, Brandenburg and Saxo-

ny-Anhalt in a bid to implement the Water Framework Directive (WFD). This means that a total of around 851,700 hectares of agricultural land, around 592,900 hectares of forestry land and around 80,400 hectares of land subject to reclassification have been sold since 1 July 1992. As of the cut-off date of 31 December 2016, BVVG still held some 136,700 hectares of agricultural land and around 9,200 hectares of forestry land. In 2015, the federal and state governments had agreed to extend the time frame envisaged for privatisation until 2030.

At the end of April 2016, BVVG completed the free transfer of nature conservation areas, in the order of 65,000 hectares, to the federal states and to the institutions and organisations named by them in order to secure the country's natural heritage. Around 20,000 hectares of this land are located in Mecklenburg-Western Pomerania, 23,300 hectares in Brandenburg, 14,900 hectares in Saxony-Anhalt, 5,000 hectares in Saxony and 1,800 hectares in Thuringia. The Compensation and Corrective Payment Act and the 2005 Coalition Agreement formed the legal basis for this, enabling a total of up to 65,000 hectares of ecologically valuable land to be transferred free of charge.

### 3.7. Tourism

Eastern Germany continues to be a popular travel destination. A new record has now been reached here with 110.5 million overnight stays. Compared with 2015, the tourist figures for the eastern German states including Berlin have grown by 2.0%.

With 31.1 million overnight stays (up 2.7%), Berlin is at the top of the list, followed closely by Mecklenburg-Western Pomerania (up 2.8% to 30.3 million overnight stays). Brandenburg experienced the highest percentage growth of 2.9%, reaching 12.9 million overnight stays. Only Thuringia suffered a decline of 0.2% to 9.7 million overnight stays. Saxony was able to record a slight growth of 0.1% (18.5 million overnight stays). Domestic tourism continues to be the most important pillar of tourism in the new federal states. That being said, cities and regions with cultural and historical sights attract higher numbers of foreign visitors.

The travel trade show "Germany Travel Mart (GTM)" also helps boost the internationalisation of the tourism business in the eastern German states. The event is hosted every year by the German National Tourist Board (DZT) in cooperation with different partner regions and cities. In 2016, Magdeburg hosted the GTM, which brought together around 300 German tourism providers and over 500 top-class buyers from foreign tour operators and travel agents as well as travel journalists from more than 40 countries.

91 "Überregional aktive Kapitaleigentümer in ostdeutschen Agrarunternehmen: Bestandsaufnahme und Entwicklung"; Andreas Tietz, Thünen report 35, Braunschweig, 2016.

The Federal Government's tourism policy focuses on the development of tourism in rural regions which are often structurally less developed. These regions have great potential for tourism since they boast of cultural diversity which includes museums, castles and palaces, UNESCO World Heritage Sites as well as traditions and customs. This is where the project entitled "The destination as a stage: How does cultural tourism make rural regions successful?" comes in, which brings together cultural workers and tourism professionals to jointly develop concepts for cultural umbrella brands. The five model regions include the following eastern German destinations: Upper Lusatia-Lower Silesia, Dessau-Anhalt-Wittenberg, and the lakes of Mecklenburg.

In the eastern German states in particular, tourism is vital for creating added value and jobs. This is reflected both in macro-economic data and in a wide range of tourism development and marketing initiatives, some of which are outlined in the following examples.

Berlin is a tourism magnet not only for domestic but also for foreign travellers. With a proportion of 45.6% of foreign visitors in 2016, Berlin is well above the national average of around 18%. In order to reach out to international travellers and show them Berlin's many facets, the city of Berlin opened pop-up stores in Madrid, Zurich and Warsaw for two weeks each in the period from October to December 2016, where creative Berlin labels presented themselves. In addition, numerous events were held to present Berlin's diverse cultural and creative scene. Berlin also continued to increase its attractiveness as a congress location<sup>92</sup>.

The 2015 BUGA (German National Horticulture Show) Havelland contributed to enhancing Brandenburg's reputation and to making it more well-known throughout Germany. Following the motto "Experiencing Culture", Potsdam prepared itself in 2016 for the opening of the Museum Barberini, which opened in January 2017 and enjoys great international recognition.

The tourism industry is of particular economic importance for Mecklenburg-Western Pomerania. It accounts for 12% of total value creation, which is well above the national figure of 4.4%. One in six employees works in the tourism industry. With a guest satisfaction rate of 92%, Mecklenburg-Western Pomerania is not only one of the most popular domestic destinations among German travellers, but it also works to put the conditions in place to maintain this attractiveness.

Saxony's tourism industry has achieved a respectable result under difficult conditions, including for example the detrimental effects of the Pegida movement. In order to ensure tourism continues to grow in the future, the 2020 tourism strategy for Saxony is also geared towards creating quality and value awareness within the industry.

Regional highlights in Saxony-Anhalt are the positive development of the Harz Mountains as a holiday destination and of the Anhalt-Dessau-Wittenberg World Heritage Region. Both destinations experienced above-average growth in tourism demand in 2016. A special highlight in 2016 was the exhibition entitled "Big Plans! Modern Figures, Visionaries, and Inventors - Applied Modernism in Saxony-Anhalt 1919-1933" of the Bauhaus Dessau Foundation. The project included exhibitions in Halle (Saale), Magdeburg, Merseburg, Quedlinburg, Elbingerode and Leuna.

Thuringia was able to continue the positive trend in city trips in 2016. In this business segment, the number of arrivals grew by 3.9% while overnight stays even rose by 4.1%. Thuringia also scored well with foreign guests. The number of visitors from abroad increased by 3.9%. One of the tourist highlights in Thuringia in 2016 was the Thuringian State Exhibition "The Ernestines. A dynasty shapes Europe", which attracted some 170,000 visitors.

In addition to their own marketing activities, the federal states continued to set good examples of cooperation across borders in 2016. Overarching events of historical magnitude such as this year's 500th anniversary of the Reformation play an important role for the region since they attract many visitors

92 More than 11.5 million people visited the city and attended about 137,500 events. This represents growth of almost 2% compared to 2016.

### 3.8. Health and long-term care

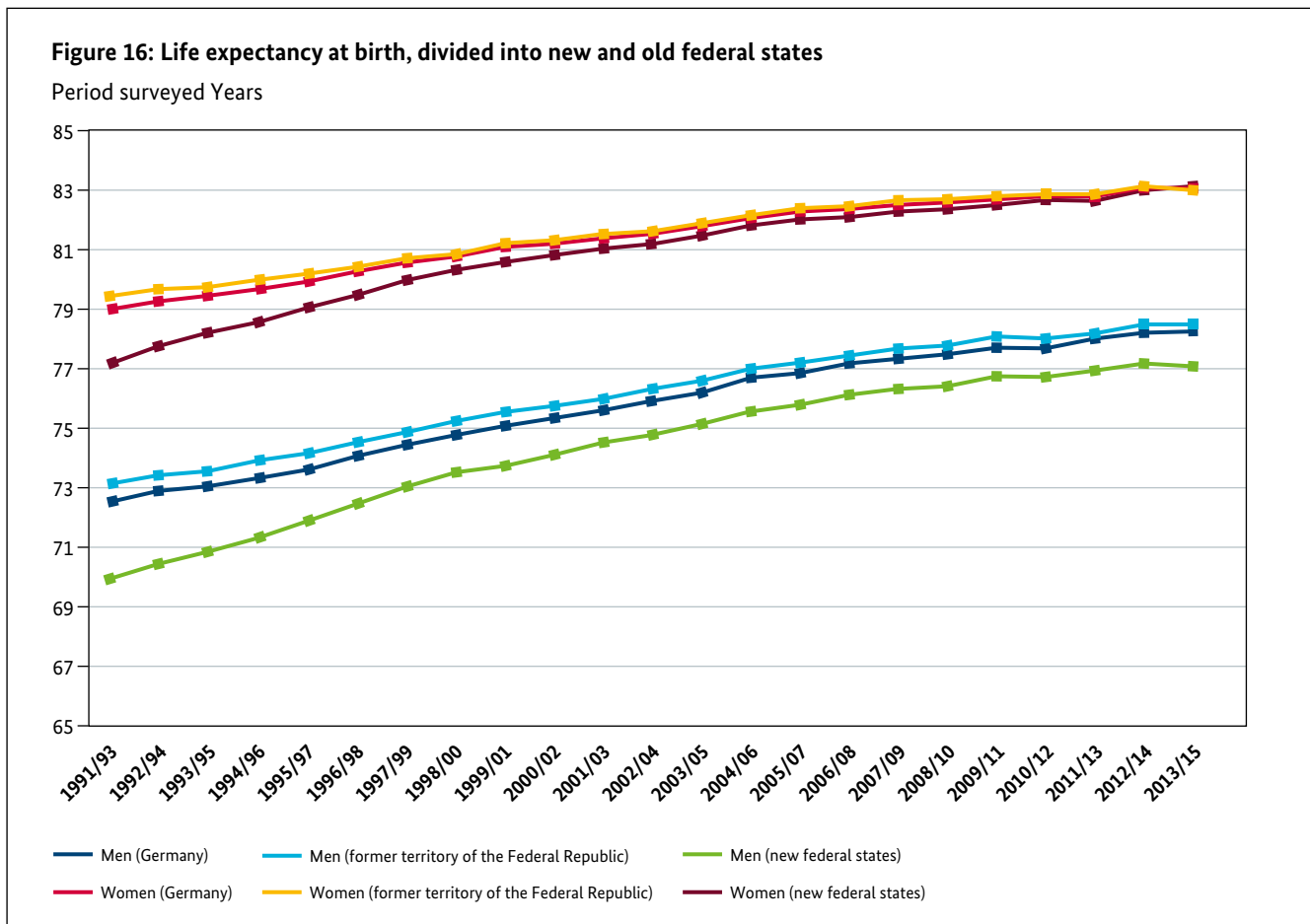
Figure 16 shows that gender-specific life expectancy levels at birth in eastern and western Germany have now moved closer. Women in both regions of the country now have the same life expectancy (old federal states: 83.06 years; new federal states: 83.05 years). With a life expectancy of 77.07 years, men in the new federal states have not quite caught up with their counterparts in the old federal states (78.44 years).

Mortality rates for women in eastern and western Germany have levelled and have converged in the case of men. Much of the reduction in the difference in mortality rates and life expectancy between east and west is due to the fact that deaths caused by cardiovascular diseases have declined. In 2015, the differences in cardiovascular mortality between east and west were small compared to the early 1990s.

### Medical care

Securing nationwide, needs-based and high-quality medical and health care services that are easily accessible is a key element of the provision of basic public services. This is particularly important in light of demographic developments and the related changed needs of the people insured, as well as the differences that exist in the supply situation between urban centres and structurally weak areas. For the eastern German federal states, this is essential due to the more serious structural problems that generally exist there and the higher population age.

Looking forward, the legislator has adopted a series of measures to ensure high-quality, needs-based and easily accessible health care for people in rural regions, in particular. The primary goal of these measures is to create incentives for doctors to open surgeries, to promote young



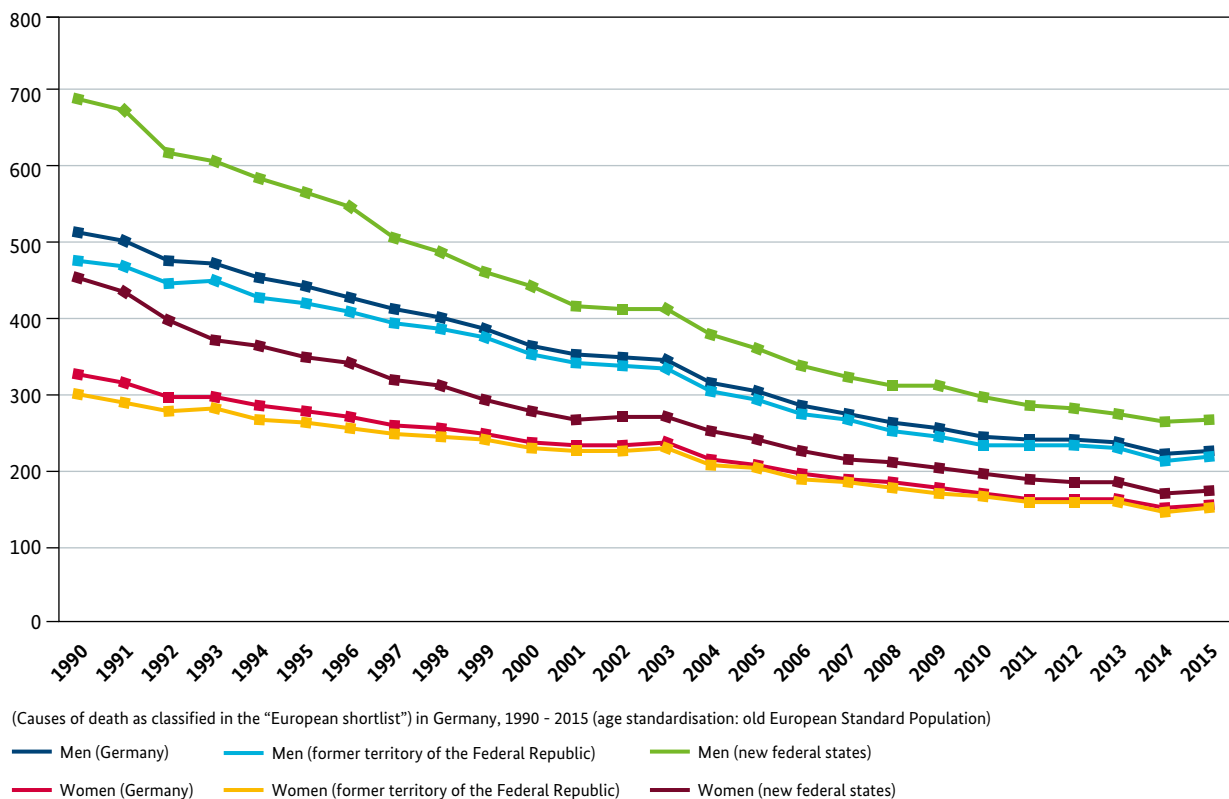
Source: Federal Statistical Office, General Life Tables for Germany, the former territory of the Federal Republic, the new federal states 2010/12; [www.gbe-bund.de](http://www.gbe-bund.de) (status as of 27 February 2017)

New federal states: up to 1998/2000 with East Berlin, afterwards without East Berlin

Former territory of the Federal Republic: up to 1998/2000 with West Berlin, afterwards without West Berlin

**Figure 17: Deaths caused by cardiovascular diseases**

Deaths due to cardiovascular diseases per 100,000 inhabitants



Source: Federal Statistical Office, [www.gbe-bund.de](http://www.gbe-bund.de) (status as of 27 February 2017)

New federal states: without Berlin

Former territory of the Federal Republic: with Berlin

doctors in the regions affected, to improve training in general medicine, to facilitate the establishment of cooperative health services, such as doctors' networks and medical care centres, as well as to open hospitals for outpatient care if certain conditions are met.

In the field of inpatient care, the Hospital Restructuring Act has stepped up measures to secure nationwide care, especially in rural regions. For instance, the parameters for the use of service guarantee incentives have been defined in greater detail, funding for the differentiated provision of emergency structures has been upgraded and a structural fund has been set up to support measures aimed at structural improvements. The structural fund receives a one-off amount of €500 million from the health fund and is used to support projects of the federal states if these contribute an equal amount. In this way, a maximum amount of €1 billion will be made available.

Furthermore, the Hospice and Palliative Act enables measures to be taken to boost the further development and

expansion of nationwide hospice and palliative services, especially in rural areas.

#### Improvement of health care through telemedicine projects

Telemedicine projects are a key instrument for better health care services. This particularly applies to regions affected by demographic change, especially in the new federal states. For example, remote video consultations can make it much easier for patients to consult their doctor, especially when it comes to follow-up appointments or medication reviews. Online consultations and the evaluation of radiographic findings by means of telemedical consultations have been included as telemedical services in the list of regular outpatient services. The basis for this is the E-Health Act, which came into force in December 2015. The E-Health Act has helped to advance various new developments, for example the setting up of telematics infrastructure, which will allow secure communication and networking throughout the entire health care system.



The telematics infrastructure will enable 200,000 doctors and dentists, 2,000 hospitals, 2.3 million other health care professionals, 20,000 pharmacies and more than 70 million patients to become digitally connected.

Seeking to further advance high-quality health care in Germany, the instrument of the Innovation Fund is applied in the period from 2016-2019 to promote innovative and cross-sectoral forms of health care in particular as well as patient-centred health care research. The Innovation Fund offers the opportunity to test new project-based approaches to patient care and to evaluate them for their suitability to be included in the regular health care system. The following three projects that received public funding are examples of how to cope with the challenge of ensuring the provision of nationwide health care services close to where people live, especially in the new federal states. The measures applied also include the use of telemedicine:

The “HerzEffekt MV” project aims to give chronic cardiac patients with mild to severe symptoms in Mecklenburg-Western Pomerania access to specialised medical services close to their homes by setting up a telemedicine-based care centre.

Another project entitled “LandRettung” seeks to restructure and thereby ensure emergency care in Mecklenburg-Western Pomerania’s rural districts. These areas are sparsely populated but attract many tourists, especially in summer.

The third project (ANNOteM network) aims to extend the tried-and-tested use of remote treatment stroke centres to other serious neurological diseases that require immediate treatment, e. g. epileptic seizures, in order to improve acute neurological care in the two non-city states of Brandenburg and Mecklenburg-Western Pomerania.

### Long-term care services

In Germany, nearly 2.9 million people (as of December 2015) require long-term care services, of which a disproportionately high number, i.e. 700,000 persons, live in the new federal states. Around 73% of the people who require such care services receive that care at home from members of their own family and also from outpatient care services.

Given their higher proportion of people in need of long-term care, it is particularly important for the new federal states to secure the provision of care services.

The Federal Government has made the strengthening of long-term care one of its priority fields of action.

The three Long-Term Care Strengthening Acts are providing much greater support to those in need of care, allowing them to remain in their familiar home environment as long as possible and to lead an independent life as far as possible. This also strengthens motivation to live and work in the regions, especially in rural areas.

The long-term care insurance benefits have been greatly improved by the Long-Term Care Strengthening Acts. A key element of the reforms is the introduction of a new definition of the need for long-term care and of a new instrument to assess individual care needs, based on which the previous three categories of care have been changed to five levels of care. On this basis, all people in need of long-term care have received equal access to benefits of long-term care insurance since 1 January 2017, irrespective of whether they suffer from physical, mental or emotional problems. The new assessment tool helps to better assess individual care needs and the life situation of people who have applied for long-term care insurance benefits. This makes it possible to cater to the individual care needs of those requiring care services and to strengthen their independence in everyday life. In this context, a special focus is put on ensuring that the classification of people with dementia is well-founded and appropriate. The third Long-Term Care Strengthening Act, much of which came into effect on 1 January 2017, will strengthen the role of municipalities in the field of care and hence help to improve care services both locally and in the regions. The services provided under long-term care insurance have also been significantly expanded to support civic commitment and self-help, to promote programmes offering assistance in everyday life and to facilitate networking at local and regional level.

The Federal Government is also working to improve the statutory parameters for employing nursing staff. For example, the long-term care self-administration has received the statutory mandate to ensure that, by 2020, a scientifically based procedure is developed and tested for the uniform assessment of staff requirements in long-term care facilities.

In the First Act to Strengthen Long-Term Care, the legislator has made it unambiguously clear in the contract and remuneration law for long-term care insurance providers that the payment of remuneration laid down in collective bargaining agreements or in church labour law regulations may not be denied as being uneconomical in the negotiations between health insurance companies and long-term care facilities. The Third Act to Strengthen Long-Term Care has extended this provision to the payment of salaries up to the level of collective bargaining agreements. Along with this, the act also modifies the right of health insurance companies to demand proof from funding agencies of long-term care facilities that the agreed remuneration of personnel is being paid to the employees in full.

In adjusting the regulatory framework, the Federal Government also seeks to combat low wages in the care sector. For example, since 1 August 2010, a special minimum wage has been in force in geriatric care. Since 1 January 2015, this minimum wage has also been applied to outpatient nursing care (based on the Second Ordinance on Mandatory Working Conditions in the Care Sector). The minimum wage in the care sector ensures minimum pay for people working in the care sector and thus prevents wage dumping. Until the end of 2016, the minimum wage in the care sector was €9.75 per hour in the western federal states and €9.00 per hour in the eastern federal states (excluding Berlin). With effect from 1 January 2017, the minimum wage was increased to €10.20 per hour in the western federal states and to €9.50 per hour in the eastern federal states (excluding Berlin). Even though there is still a difference between the minimum wages in eastern and western Germany, the increase of the minimum wage in the eastern federal states (excluding Berlin) is higher than in the western federal states (with Berlin). The minimum wage in the care sector is significantly higher than the general, nationwide statutory minimum wage (until the end of 2016: €8.50; from 1 January 2017: €8.84). It has been applied to all employees in long-term care institutions since 1 January 2015. The scope of application is not based on a person's formal qualifications. However, the crucial factor for the application of the minimum wage continues to be the nursing and caring activity. Since 1 October 2015, the minimum wage for the care sector has also been applied to additional caregivers (Section 43b of the Social Code XI). However, it is important to note that professional geriatric nurses generally receive significantly higher wages than the minimum wage for the care sector.

### 3.9. Sports promotion

Sport is Germany's biggest 'people mover' and as such is of invaluable service to society and its cohesion, not least due to its integrative effect, and also to Germany's international representation.<sup>93</sup>

While sport is largely a federal state responsibility, the support and promotion of top level sport is essentially a Federal Government task.<sup>94</sup>

The Federal Government's sports promotion policy and the restructuring of top-level sports promotion, which is now underway, are geared to sports-related aspects and necessities. A geographic distinction between east and west is irrelevant for this promotion. Rather, the focus here is on creat-

ing the best possible conditions for athletes to be able to deliver top performances.

One focal area of the Federal Government's sports promotion programme is the establishment of sports centres for top level sport, which is implemented by the Federal Ministry of the Interior in cooperation with sports organisations, federal states and municipalities. Eligible for funding are facilities of the Olympic support centres, sports facilities of Germany's federal training centres and federal support centres. The central aim is to meet the Olympic sports federations' need for sports facilities.

In 2017, the Federal Government has made around €16 million in funds available for building sports facilities throughout Germany. In the preceding budget year (2016), a total of approx. €15.8 million in funds was approved for this purpose. Of this amount, approx. €4.7 million went to sports facilities for top level sport in the federal states of Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt, Thuringia and Brandenburg.

An outstanding example of successful sports promotion is Germany's Olympic and Paralympic training centre in Kienbaum in the state of Brandenburg. It was taken over after the fall of the Berlin Wall and refurbished and modernised exclusively with Federal Government funding.

In total, funds amounting to more than €60 million were invested here. Today, the Olympic and Paralympic training centre in Kienbaum is Germany's largest and most important facility for central training courses by top level sports associations where national team athletes are trained for international sports events, such as the Olympic Games and the European and World Championships. When compared at the international level, it is one of the most advanced training centres.

In the 2017 budget year, a total of around €16.6 million in funding is being made available for the six Olympic support centres in Mecklenburg-Western Pomerania, Brandenburg, Saxony-Anhalt, Saxony (Leipzig and Chemnitz/Dresden) and Thuringia, and Germany's Olympic and Paralympic training centre in Kienbaum. This amounts to around 45% of the €37 million in financial support available for training centres throughout Germany.

The Federal Armed Forces account for 62% of the 1200 funding agencies of the Federal Government and for €30 million provided in funding in 2017, making them by far the largest supporter of top level sport in Germany.

<sup>93</sup> See 13. Sportbericht der Bundesregierung, Bundestag Document 18/3523, p. 11.

<sup>94</sup> This task is determined by the Federal Government's interest in suitable all-German representation of the Federal Republic of Germany at home and abroad, in international sports relations as well as in central sports institutions, projects and measures that have national relevance or are important in terms of sport and society.

To support athletes, the Federal Armed Forces provide a total of 15 sports promotion groups to support athletes, three of them in the new federal states. Of these three, Frankenberg's infrastructure will be upgraded by setting up a new building for training and accommodation. Oberhof is now entering the final coordination and planning phase for an indoor track and field facility, a diagnostic shooting range and a luge workshop.

In 2017, funding for scientific support from the Institute of Applied Training Science in Leipzig and the Institute for Research and Development of Sports Equipment in Berlin totals €15.6 million.

The declared objective of the Federal Government's sports policy is to combat doping. To achieve this objective, a special anti-doping law (Act against Doping in Sports) has been enacted. Based on this law, penalty orders were issued in several court proceedings in 2017.

To underpin its commitment to the fight against doping in sport, the Federal Government has also set up a second fund of €10.5 million to provide additional financial support to victims of doping in the GDR, thereby assuming a share of responsibility for the injustice committed against athletes by the former GDR. The sporting organisations have not yet made any contribution in this regard.

### 3.10. The promotion of culture

Many cultural institutions in eastern Germany receive institutional support. These include, for example, the Prussian Palaces and Gardens Foundation Berlin-Brandenburg, the Klassik Stiftung Weimar, the German Oceanographic Museum Foundation in Stralsund, the Francke Foundations in Halle and the Fürst-Pückler-Park Bad Muskau Foundation.

In 2019, Germany will celebrate with partners all over the world to honour the 100th anniversary of the founding of the Bauhaus movement under the motto "Rethinking the world". Founded in Weimar in 1919, relocated to Dessau in 1925 and closed by the Nazis in 1933 in Berlin, the University for Design existed for only 14 years. However, its influence extends to the present and is familiar all over the world.

The 100th anniversary of Bauhaus is a special occasion for the Federal Government to put the focus on preserving its cultural heritage and to emphasise, at national and international levels, that the ideas of Bauhaus for architecture, urban development and design are still relevant today.

For decades, the Federal Government Commissioner for Culture and the Media (BKM) has been working together with federal states and municipalities to promote the legacy of Bauhaus by supporting the Bauhaus Dessau Foundation and the Klassik Stiftung Weimar. On the occasion of the Bauhaus anniversary, the BKM has contributed €52 million to the construction of new Bauhaus museums in Weimar, Dessau and Berlin. The foundation stones for the museums were laid in Weimar on 28 October 2016 and in Dessau on 4 December 2016. In the school year 2016/2017, the "Bauhaus Agents", an innovative, educational programme, was launched in Dessau, Weimar and Berlin.

To fund anniversary activities, the BKM is providing a total of €16.5 million through the German Federal Cultural Foundation. Additional funding has recently been made available by the German Bundestag.

Dresden's Residential Palace also receives special funding. Between 2013 and 2016 alone, the Federal Government contributed €23 million to construction costs for its restoration. First successes were seen with the opening of the Residential Palace's Münzkabinett (Numismatic Collection) in summer 2015 and the permanent exhibition on the 1st floor of the Georgenbau, the central section of the palace, which opened in March 2016 entitled *Concept and Encounter: The World around 1600*.

### Preservation of historical monuments

With its monument protection programmes and special investment measures, the BKM supports cultural monuments that are of national importance and an essential part of our national cultural heritage. This helps to preserve historical monuments and the cultural landscape for future generations as part of Germany's architectural heritage and foundation of our cultural identity. Examples of outstanding cultural monuments in eastern Germany supported with BKM funds are the synagogue in Görlitz, Kummerow castle in Mecklenburg-Western Pomerania, the Church of Peace in Potsdam, and the sugar factory in Oldisleben in Thuringia.

### Reformation Anniversary

In 2017, the Federal Republic of Germany is celebrating an important anniversary. 500 years ago, Martin Luther was said to have hammered his theses to the door of the All Saints' Church in Wittenberg. This marked the beginning of the Reformation, a pivotal event in German history, which gained significance in global history due to its profound religious, political, social and cultural implications. On 31 October 2016, the official start of the anniversary year was celebrated in Berlin and included a special ceremonial service at the Marienkirche (St. Mary's Church), which was fol-

lowed by an official ceremony at the Konzerthaus Berlin, a concert hall situated on the Gendarmenmarkt square. As part of the preparations for the anniversary year, the Federal Government supported a number of measures centred around what is known as the “Luther Decade” in Germany. Around €50 million from the BKM budget alone has been made available under the Reformation Anniversary Programme from 2011 until the end of the anniversary year. The nationwide programme has provided support to various restoration measures implemented at original sites of the Reformation. In addition, financial assistance has been granted to more than 300 cultural projects from various fields covering a wide range of topics, which have been implemented in different regions. The focus here is on the core federal states of the Reformation (Saxony-Anhalt, Saxony and Thuringia).

### Cultural promotion in Germany’s capital

The BKM contributes to financing for the Prussian Cultural Heritage Foundation with its museums, libraries and archives, and the related extensive building measures. It also provides funding for the Jewish Museum, the International Film Festival and the Akademie der Künste (Academy of Arts) as well as for the Barenboim-Said Akademie (Barenboim-Said Academy) with the Pierre Boulez Concert Hall which opened on 4 March 2017.

Since 2017, the Academy’s new concert hall has also received institutional support from the Federal Government. Furthermore, the Federal Government is contributing €200 million to the renovation of the Berlin State Opera on the ‘Unter den Linden’ boulevard.

In the coming years, the Federal Government will also invest up to €200 million in the second special investment programme for the Prussian Palaces and Gardens Foundation Berlin-Brandenburg. The Foundation’s new Science and Restoration Centre, which opened on 8 June 2017, was funded from the first programme. The Federal Government is also the largest funder of the Prussian Palaces and Gardens Foundation, providing even more financial assistance than the federal states of Brandenburg and Berlin. The Humboldt Forum, which is being built as the Berlin Palace in the heart of Berlin, is mainly financed with federal funds.

### German Federal Cultural Foundation - New Federal States Fund

Since its inception, the German Federal Cultural Foundation has supported a total of 1,349 projects in the new federal states with funding amounting to some €78.8 million. Of these projects, 243 received funding amounting to around €5.6 million from the Fund To Promote Civic Commitment To Culture In The New Federal States (New Federal States Fund).

### Federal Armed Forces’ Museum of Military History

The Federal Armed Forces’ Museum of Military History in Dresden and its diverse programme also contribute to the cultural and social life of the region.

### 3.11. Natural landscapes

The new federal states boast outstanding natural and cultural landscapes that include seven national parks, nine biosphere reserves and thirty-three nature reserves. At the beginning of 2016, Mecklenburg-Western Pomerania’s Oaks of Ivenack were declared as the first national natural monument in Germany. These protected areas make a decisive contribution to maintaining biological diversity throughout Germany and provide a good basis for sustainable development in rural areas. The challenge moving forward for the eastern German states will be to maintain this natural wealth while making nature accessible to the public. Nature areas and cultural landscapes make rural regions more attractive and offer valuable points of attraction for tourism. This is of special importance in the economically less developed regions of the new federal states.

The Federal Government is supporting the protection of natural assets with two assistance programmes. Under the ‘chance.natur – Bundesförderung Naturschutz’ support programme, funding amounting to €14 million has been made available in 2017. Six of the fifteen projects currently supported are focusing on landscapes in the eastern German states. Under the Biological Diversity support programme, funding amounting to €20 million has been made available in 2017.

## III. The continued process of facing up to the past, and fostering a strong social fabric

The Federal Government sees itself as responsible for fostering a strong social fabric, which is reflective of a well-functioning community rooted in solidarity. This cohesion is what helps to ensure that our society is worth living in and is ready for the future. Social cohesion is based on an understanding of values that is shaped by our free democratic basic order. In view of current challenges, such as the refugee situation in particular, the Federal Government is promoting democratic structures, is working to prevent violence and extremism, and is supporting civic involvement. However, in order to foster social cohesion in Germany, we must continue to take a critical look at the history of the GDR as doing so serves to foster mutual understanding between people with two different historical backgrounds.

### 1. Taking a critical look at the history of the GDR

When it comes to exploring and coming to terms with the SED regime and the ongoing consequences of 40 years of dictatorship in the GDR, there is still a need to do more work. One matter that must be addressed, for instance, is how records from the Ministry of State Security are to be dealt with; another is research projects that are still pending. The Federal Government is supporting efforts to confront and come to terms with GDR history by funding memorials, research projects and events, etc. Considerable work is being carried out by the Federal Commissioner for the Files of the State Security Service of the Former German Democratic Republic (BStU) and the Federal Foundation for the Critical Appraisal of the SED Dictatorship – the two major Federal Government institutions responsible for this work.

#### Handling of State Security files in the future

On 9 June 2016, the German Bundestag adopted a motion by the CDU/CSU and SPD parliamentary groups to continue the work of confronting and examining the SED dictatorship in a systematic manner. Based on this, the BStU and the Federal Archive are working together on a concept for permanently securing the Stasi files by transferring the Stasi document archive to the Federal Archive. This concept will be submitted to parliament for decision. In order to implement the parliamentary mandate, the two institutions are holding talks under the chairmanship of the Federal Government Commissioner for Culture and the Media.

#### Dialogue forum on political victims of the GDR dictatorship

The dialogue forum on political victims of the GDR dictatorship, which was established in 2016 by the Federal Government Commissioner for the New Federal States, has continued its successful work throughout 2017. In addition to the Union of Associations of Victims of Communist Tyranny (UOKG), the dialogue forum also comprises members of the Federal Foundation for the Critical Appraisal of the SED Dictatorship, the Federal Commissioner for the Files of the State Security Service of the Former German Democratic Republic, and representatives of the federal state commissioners for the State Security records of the East German states. The aim of the Forum is to provide victims and their representatives a further opportunity to speak with the Federal Government. The exchange of views on ways in which the situation of the political victims of the GDR can be improved serves to provide each side with new information and to promote an understanding of the positions of the various sides involved.

#### Fund for Institutionalised Children in the GDR from 1949 to 1990

Between 1949 and 1990, around 495,000 children and youths were accommodated in homes in the GDR, including 135,000 girls and boys who were in special institutions which were known for their particularly cruel methods of 're-education'. Those who lived in these homes still suffer from the consequences today. This is why the Fund for Institutionalised Children in the GDR was set up, originally with a term of five years and a volume of €40 million, which was topped up to a maximum of €364 million in 2015. The costs are shared equally between the Federal Government and the eastern federal states. People who experienced suffering and wrongs in the child and youth institutions of the GDR and still suffer from the consequences of this today are eligible for benefits. The fund acts as a supplementary assistance system. It is intended to help to compensate for and alleviate the persisting consequential damage from institutionalised life. In addition to individual advice, the persons concerned, who number approximately 27,500, can receive financial benefits to alleviate the consequential damages and supplementary pension benefits due to their inability to pay social security contributions.



By the end of 2016, just under 18,100 persons concerned had concluded agreements to receive assistance. By the end of the fund's lifetime on 31 December 2018, all of the persons concerned who have registered are to be given the opportunity to take advantage of advisory services and to receive assistance from the fund. The work of the fund's steering body therefore focuses on ensuring an orderly completion of the process.

In 2019, the steering committees of the Institutionalised Children – West Fund and of the Fund for Institutionalised Children in the GDR will present a final report that will form the basis for the critical appraisal of the social effects of the institutionalisation of children

### **Establishment of an assistance system – the Recognition and Assistance Foundation**

The Recognition and Assistance Foundation (fund volume of €288 billion) was set up by the Federation, the federal states and the Churches on 1 January 2017. Assistance is now also being given to people who, as children and young people, endured suffering and wrongs in inpatient facilities providing disability aid and psychiatry from 1949 to 1975 (Federal Republic of Germany) and 1949 to 1990 (GDR). The lifetime of the Foundation will end on 31 December 2021. Registrations for assistance will be received up to 31 December 2019. As with the funds for institutionalised children, the period of time in which suffering and wrongs took place that is relevant in the context of the foundation is shorter for the Federal Republic of Germany than for the GDR. This ends in the Federal Republic of Germany as early as 1975, as the recommendations of the psychiatry enquiry were implemented here from the end of 1975 and the Victims Compensation Act (OEG) came into force in 1976.

Within the context of the foundation, a comprehensive study is to be conducted into what exactly happened in the inpatient facilities providing disability aid and psychiatry. This study will also take into account the political and ideological backgrounds at the time, as well as the different paths of development across the two German states. The first results are expected in 2018.

### **Research project on forced adoption in the GDR**

Although individual cases of forced adoptions in the GDR are documented, there are no definite findings of systematic unlawfulness by the SED here. In order to close gaps in the historical analysis of GDR unlawfulness, the question as to whether there is evidence of such systematic unlawfulness will be investigated, and as to what the extent of this

might be in figures and whether it is indeed possible to verify GDR unlawfulness in a sound, scientific manner. With this aim in mind, a preliminary study was commissioned in February 2017, a certain percentage of which is co-financed by the State of Brandenburg. The study is entitled 'Dimension and scientific verifiability of political motivation in GDR adoption procedures, 1965-1990'.

This preliminary study is intended to generate an initial structure for investigating the subject and to develop a research design for any main study. This approach was agreed with the Federal Commissioner for the Files of the State Security Service of the former German Democratic Republic, the federal state commissioners for state security files, the Central Adoption Offices in the new federal states, the Federal Foundation for the Critical Appraisal of the SED Tyranny, the Union of Victims' Associations of Communist Tyranny (UOKG) and the competent federal and state ministries. The exact approach that is ultimately adopted will depend largely on the results of the preliminary study.

### **Research projects on the institutionalisation of children in the GDR**

In the first half of 2015, two studies were commissioned to deal with the question of institutional care in the GDR and the role and responsibility of the SED state for the wrongs suffered in these institutions.

The findings of the study entitled 'Forced labour in youth institutions of the GDR' were published and discussed on the occasion of the symposium 'Critical Appraisal of institutional care in the GDR. Successes, Challenges and Questions' on 9 December 2016. The study concluded that the term "work" in the GDR's youth welfare institutions was used to describe many different undertakings.

Work duties in transition homes and "youth workyards" which were comparable to paid jobs outside the institution and did not provide vocational training, could be classed as forced labour. However, it is argued that the term "work" should not be constricted to describing forced labour, but that the term "abuse" should be used instead since it makes the psychological and social consequences that are still visible in the lives of those affected more evident.

The aforementioned symposium in early December 2016 was also used to present the Child of the Century participation platform<sup>95</sup>, which was developed as part of the project entitled 'Critical appraisal of institutional care in the GDR with the involvement of eyewitnesses', launched online in 2016. The website features an atlas which currently shows the location of 1,200 institutions, an eyewitness platform

95 [www.jahrhundertkind.de/de/](http://www.jahrhundertkind.de/de/)



incorporating memories, film documents, references to eyewitness literature, etc., as well as a Knowledge Discourse section which presents further information on scholarly debate on this subject and on present efforts to undertake critical appraisal. The platform will be managed and continuously developed by the German Institute for Research on Institutional Care (DIH).

### **Research project on the East German Army and the German Armed Forces**

Last year, the Center for Military History and Social Sciences of the German Armed Forces in Potsdam launched an interdisciplinary research project which is compiling the post-war history of both German states on the basis of their military history. This is the first time that joint German military history is being written in the context of the development of the military alliances in East and West. Equal consideration of both German states here also pays respect to the history and everyday reality of the former GDR as part of a shared German history. A public workshop held in March 2016 in Potsdam showed that there is considerable interest in these topics. The initial findings of this broad-based research project are expected to be available in the course of 2018.

### **Research project on victims of the GDR border regime**

In contrast to those in Berlin, the number, identity and fate of those who lost their lives at the former inner German border have not yet been extensively researched. With financial backing provided by the Federal Commissioner for Culture and Media and the federal states of Saxony-Anhalt, Lower Saxony and Hesse, the Research Association on the SED State at Freie Universität Berlin has been examining and documenting the fate of victims of the GDR border regime since 2012. On 7 June 2017, the Minister of State for Culture Prof. Monika Grütters and representatives of the federal states involved in the research presented the findings of the project to the public. According to these, the GDR border regime on the former intra-German border claimed 327 lives from East and West Germany. The handbook that has emerged from the project contains detailed biographies of the victims which are intended to help them be remembered in a worthy manner.

### **Strengthening research on the history and heritage of the GDR**

An extensive funding measure has been set up to strengthen research on the history and heritage of the GDR. This will anchor research into the history and heritage of the GDR more firmly in German universities again. The

measure is being used to support research alliances between universities, non-university research institutes and other partners such as memorials and institutions of political education, to help them become established in overall academic research in this area. In order to foster new and innovative research, the work of the alliances covers a wide range of subjects, disciplines and methodological approaches which are not restricted to a set list. The subjects can range from scholarly appraisal of the wrongs committed by the SED state, to studies within comparative dictatorship research, to the investigation of intra-German and transnational links and the effects of the GDR after 1989. Particular importance is attached to the involvement of young scientists in the research and to the dissemination of the knowledge gathered, especially to young people and the general public.

### **Safeguarding the Robert Havemann Society**

Through its exhibitions, events, publications and education projects, the Robert Havemann Society is making a decisive contribution to ensuring that those who challenged the SED's claim to power in the GDR are not forgotten. The work of the Robert Havemann Society is centred around its GDR Opposition Archive which collects, maintains and analyses material on the people's movement. The Coalition Agreement sets out the Federal Government's will to permanently safeguard the GDR Opposition Archive held by the Robert Havemann Society. The 2017 Federal Budget thus sets aside certain funds to support the Society.

### **Events related to the history of communism**

To mark the 100th anniversary of the Russian Revolution, the Federal Foundation for the Critical Appraisal of the SED Dictatorship has devoted itself in 2017 to exploring the history of communism, not least in order to remember the crimes committed in the name of this ideology and to honour its victims. From 23-25 February, for example, the Federal Foundation organised an international symposium entitled 'Blind spots in the way history is considered? Communism in the 20th century'. The poster exhibition 'Communism in its age', which was hosted together with the German Historical Museum, follows the rise and fall of the communist movements and is intended to encourage people to explore this topic.

### **Memorial to commemorate the victims of communist tyranny**

For some time now, the Victims' Associations of the Communist Dictatorship in the SOZ/GDR have been campaigning for a central memorial to be put up to commemorate

the victims of Communist tyranny. The German Bundestag is planning the erection of a monument at a central location in Berlin. As an important step in the parliamentary discussion process, the Committee on Culture and the Media held a technical-level discussion with a series of guest experts on 15 February 2017. The Federal Government will support the ongoing process in a suitable manner, however, without wishing to anticipate the outcome of the parliamentary debate and the resulting resolution by the German Bundestag.

### Restoration of the prison building of the Berlin-Hohenschönhausen Memorial Foundation

The former central remand centre of the Ministry of State Security in Berlin-Hohenschönhausen is a prominent authentic memorial site to remember SED injustice. The 2017 Federal Budget contains funds for federal participation in a second construction phase to safeguard and restore the memorial site. While the first construction phase, completed in 2013, focused on the restoration of the old building, the second phase is largely aimed at safeguarding and renovating the new prison building from the 1960s, which features a cellblock and interrogator wing, day-release cells and the prison hospital.

### Monument to Freedom and Unity

On 1 June 2017, the German Bundestag adopted a motion by the CDU/CSU and SPD coalition party groups to consistently implement its decisions of 9 November 2007 and 4 December 2008 on the Freedom and Unity Monument.

The Federal Government was asked to realise the winning design 'Citizens in motion' by Milla und Partner at Berlin's Schlossfreiheit square and to inaugurate it on the day of the 30th anniversary of the Peaceful Revolution in the autumn of 2019. The goal of creating the Freedom and Unity Monument has always been to create a uplifting place of remembrance to commemorate the Peaceful Revolution in 1989 and reunification and remember what are possibly the best moments of our recent German history.

## 2. Diversity of civic involvement

Civic involvement in Germany takes a variety of different forms. Around 31 million people are involved in community projects every year. Civic activities include work in

associations, initiatives, networks, (youth) associations, in religious contexts, foundations and cooperatives.

In 2016, around 23.8 million people were actively involved in Germany's 90,000 registered sports clubs alone; of this figure, some 1.7 million worked in these on a voluntary basis.<sup>96</sup> Around 3 million people actively support the German Association for Public and Private Welfare, up to 2.1 million people are members of the volunteer fire brigades and volunteer in civil protection duties and disaster management, and around 100,000 volunteers of all age groups are involved in voluntary services. However, civic involvement is also playing an increasing role in science and research:

Citizen Science brings science and research closer to ordinary people with an interest in this and, conversely, also enriches research.

In addition, in recent years, a large number of citizens have – quite impressively – become involved in spontaneous activities to support the many refugees that have come to Germany, often organising these services themselves.

This civic engagement was just as crucial for absorbing and accommodating asylum seekers and those seeking protection in 2015 and 2016 as it has always been, in order to ensure that these groups are integrated early on and in a sustainable manner. Integrating newcomers is an important part of social cohesion. In order for this to work, members of the host society have to be actively willing to accept new arrivals, a willingness that becomes especially clear in a community's efforts to assist immigrants. Exemplifying this kind of mindset and activity not only creates the basis for immigrants who remain in Germany to become part of our society, but also sets an example for people with a migrant background to become involved in voluntary work here.

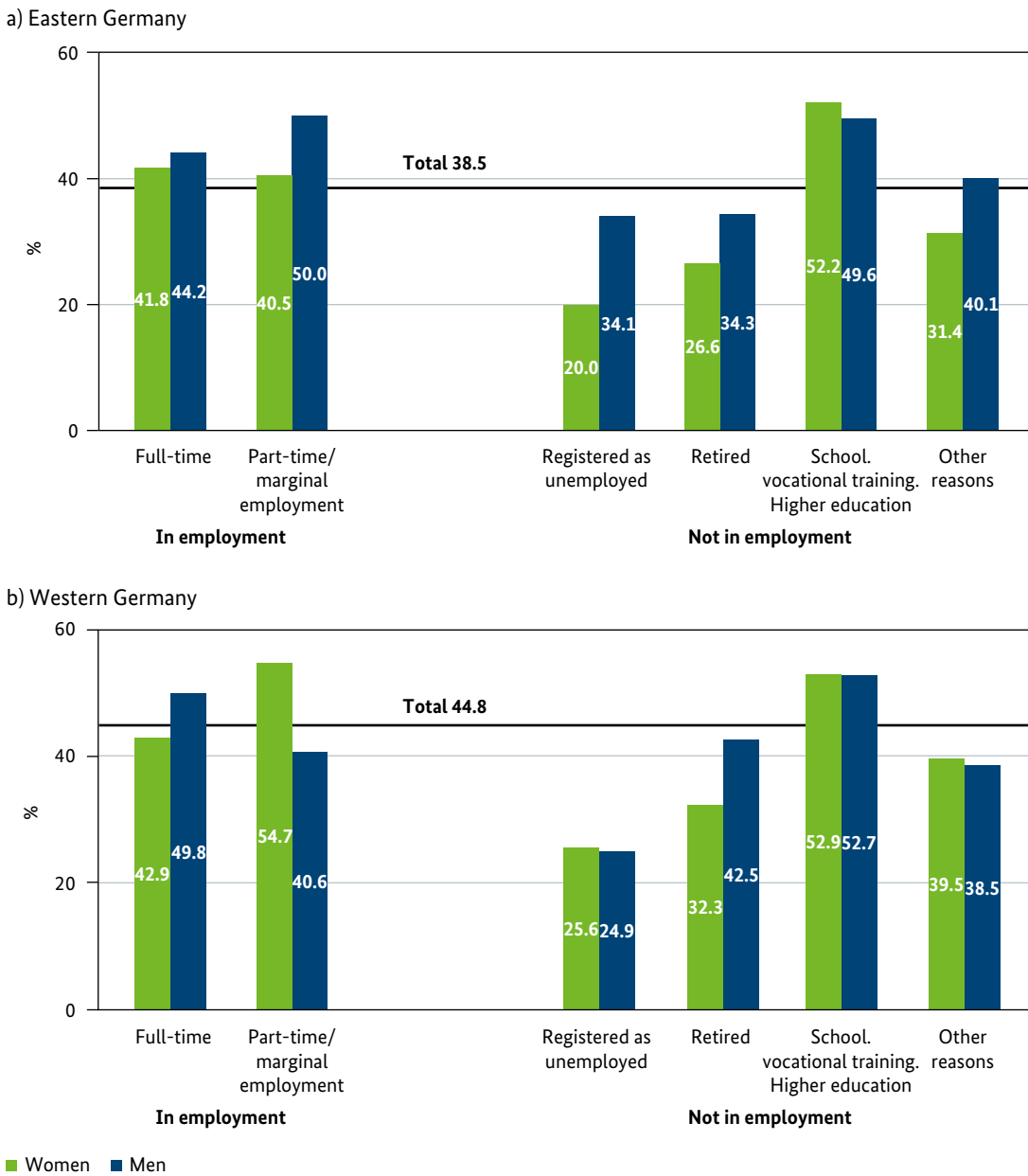
### 2.1. Civic involvement in eastern Germany

More and more citizens in Germany are volunteering their free time to help where help is needed and to take on responsibility in our society. According to the 2014 survey of volunteers<sup>97</sup>, there has been a rise in the number of volunteers in both eastern and western Germany alike. The increase in the fifteen years since 1999 has been similarly pronounced in both parts of the country. However, overall, people in western Germany are still more involved than people in eastern Germany. In western Germany, the rate of civic engagement in 2014 was 44.8%, compared to 38.5%

96 See Deutscher Olympischer Sportbund: Sportentwicklungsbericht 2015/2016 – Analyse zur Situation der Sportvereine in Deutschland und Bestandserhebung 2016.

97 C. Kausmann & J. Simonson (2016): Freiwilliges Engagement in Ost- und Westdeutschland, in: J. Simonson, C. Vogel & C. Tesch-Römer (ed.), Freiwilliges Engagement in Deutschland - Der Deutsche Freiwilligensurvey 2014, Berlin.

**Figure 18: Share of volunteers in eastern and western Germany in 2014 according to employment status and gender**



Source: Survey on Volunteering 2014, weighted, in-house calculations (DZA)/based on total respondents (n = 28.689)

in eastern Germany. Conversely, involvement in activities such as neighbourhood assistance, childcare or care services for unrelated persons, termed ‘informal support services’, is greater in eastern Germany than in western Germany (27.4% vs. 26.0%).

According to the 2014 survey of volunteers, more men get involved in the community than women in both parts of the country. In both parts of the country, people with a moderate or low level of education are less involved than those with a high level of education or school pupils. Whilst in 2014, a greater proportion of young people in the eastern German federal states were more likely to get involved than older people, the rate of involvement does

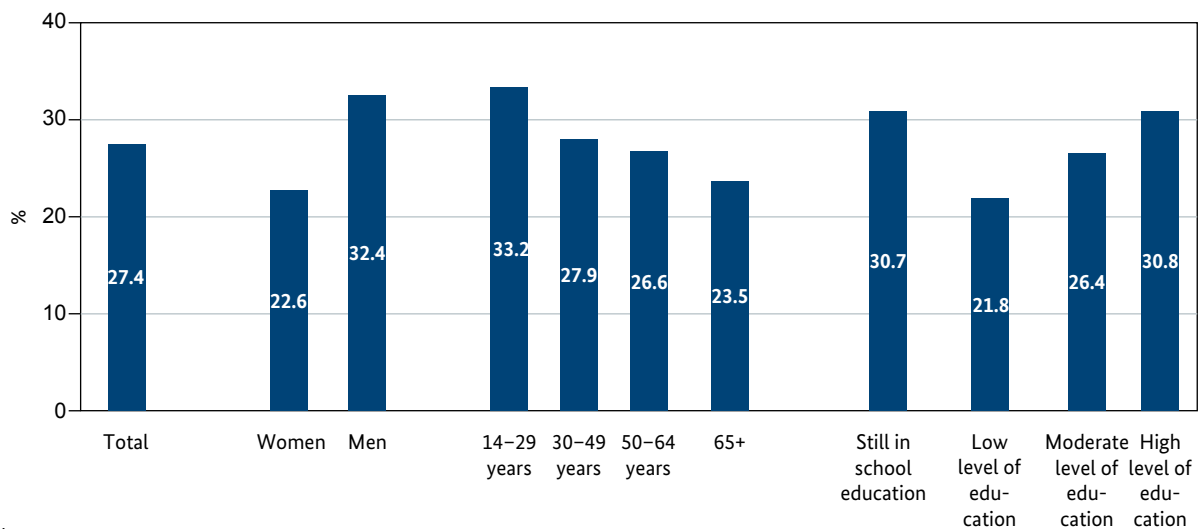
not differ between age groups in the western German states. There is one exception: people in western Germany aged 65+ were less likely to become involved.

## 2.2. Promoting civic involvement

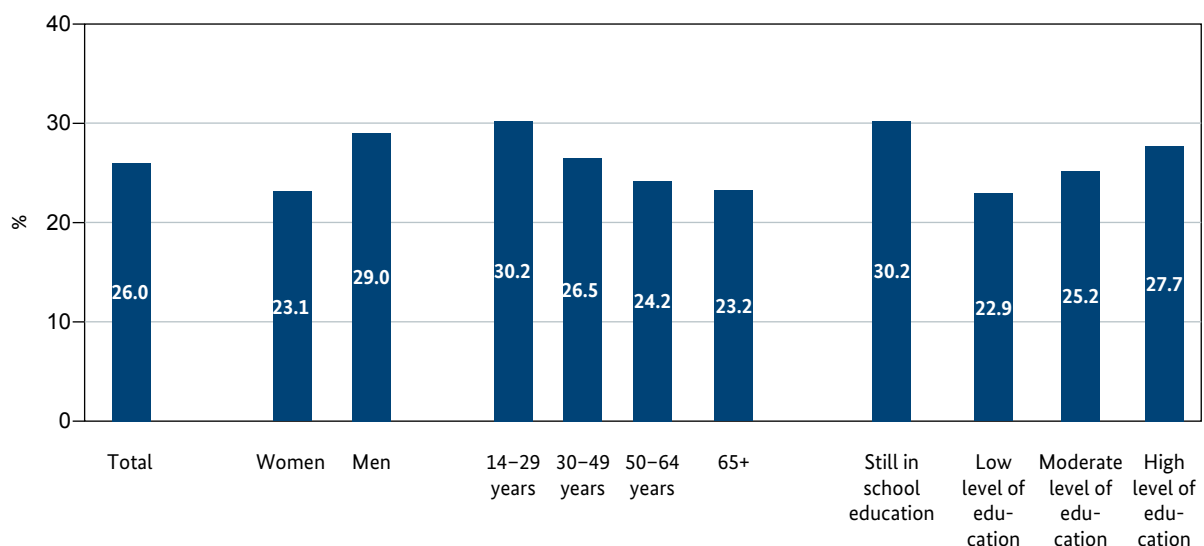
The Federal Government believes that it has a responsibility to support the diverse range of civic engagement by ensuring good overall conditions, by promoting it on a permanent basis and by fostering a culture of recognition for civic engagement. Civic involvement needs good overall conditions and sound structures at local level so that citizens are able to get involved in the way that they wish to.

**Figure 19: Shares of persons who provide instrumental help outside their household for neighbours, friends or acquaintances in eastern and western Germany in 2014 according to gender, age and education**

a) Eastern Germany



b) Western Germany



Source: Survey on Volunteering, weighted, in-house calculations (DZA)/based on total respondents (n = 28,636)

### Strengthening the infrastructure for civic involvement

In order to strengthen the infrastructure for civic engagement, the Federal Government supports the Federal Network for Civic Engagement (Bundesnetzwerk Bürgerschaftliches Engagement, BBE), the annual Week of Civic Engagement organised by BBE, the Federal Association of Volunteer Agencies (bagfa) and the Civic Foundations Workshop project operated by the Civic Foundations Initiative (IBS).

However, there is no single actor who is able to support the many persons involved in civic activities in a way that would enable a nationwide structure to be created. For this reason, the Federal Government is also cooperating more with important stakeholders from civil society and business.

At the start of 2015, for example, the Federal Government joined together with five well-known foundations and one company to launch a nationwide network programme called Engagierte Stadt (Involved City).

This programme is to broaden civic engagement in 50 municipalities in a strategic manner and to initiate and expand sustainable partnerships between public authorities, civil society and local businesses designed to promote civic involvement.

Some 20 of the 50 locations being supported are found in the new federal states.

## House of Resources

The Federal Office for Migration and Refugees (BAMF) is strengthening civic involvement at grass-roots level and without complicated bureaucracy through the House of Resources project.

Within this project, agencies receive funding that they are able to pass on to other, smaller migrant organisations and local initiatives, including those which are in the process of being set up, in order to improve their opportunities for making their integration work a success.

Those who are involved in work to support and develop integration and intercultural openness can often lack the necessary expertise, resources or contacts to the relevant players at policy level, but can now approach these agencies for support.

These support services include advice, support with gaining access to funding and with implementing projects, the provision of premises and technology, as well as assistance with networking and connecting with other people involved in civic activities.

Four of the Houses of Resources offices are located in the new federal states (Bautzen and Dresden in Saxony as well as Halle/Saale and Magdeburg in Saxony-Anhalt).

## Prizes and competitions

Those who volunteer their time and work for the good of others deserve recognition and thanks. The Federal Government is therefore seeking to make the diversity of civic involvement more widely known and to consistently develop the culture of recognition for it. The scheme behind **German Civic Involvement Prize**, which has been awarded annually since 2009, was redesigned in 2015 and the prize has now been awarded for the first time under a new title, the 'Prize of Prizes'. The recipient of this prize is selected from among the winners of the various awards listed in a register of awards held by the German Civic Involvement Award project office. The register contains a list of some 650 awards that are presented annually at regional and national level to recognise civic engagement. The organisers of these regional and supraregional prizes for civic involvement and action by citizens can nominate their prizewinners to receive the German Civic Involvement Award. Now, in its new form as the Prize of the Prizes, the German Civic Involvement Prize thus strengthens the culture of recognition for voluntary involvement in the community by recognising civic engagement by members of the public as well as all those who make civic activity visible through the awarding of prizes. Ninety-seven of 490 regional prizes are awarded in the new federal states (excluding Berlin).

This year, the prize will be given a higher stage through the hosting of the award ceremony on the 2nd German Civic Involvement Day.

As part of its Messberg Declaration on Integration, the German government has established a new National Integration Prize. The prize is to be awarded on an annual basis to recognise a successful project, exemplary initiative or other impressive work that has been undertaken to support the integration of immigrants into German life. It can be given both to individuals as well as to groups of persons, organisations or municipalities. A jury of five experts and public figures will select the prizewinner(s) from among the various candidates proposed by the 33 different institutions eligible to make nominations. The National Integration Prize, which is awarded by the Federal Chancellor at a public event, carries prize money of €10,000. The award was presented for the first time on 17 May 2017.

In 2009, a new award was established to recognise ideas and strategies to awaken people's interest in volunteering as part of civil protection initiatives. The **Helping Hand** award can also be awarded to companies, institutions and individuals which support the voluntary work of their employees in an exemplary manner or to any persons that support civil protection in a special way.

In 2016, 3 awards were presented for the first time as part of a special prize category entitled 'Integration of refugees into (aid) organisations'. This special prize category has been created to honour strategies for integrating refugees into civil protection organisations. The aim behind it is to integrate refugees into structures designed to foster solidarity in German society, to introduce them to volunteer work in civil protection organisations and, in this way, to secure the next generation of volunteers urgently needed to become involved in civil protection organisations as a result of demographic change.

The **Municipality Moves the World** competition is a further nationwide scheme designed to foster and raise the visibility of civic involvement by migrants who, together with players promoting the 'One World' concept, work to help achieve development policy goals at municipal level. The prize was awarded for the second time in 2016 and went to the city of Schwerin.

**Democratic Action** is a country-wide competition run by the funding association *Demokratisch Handeln e.V.* The competition supports projects and initiatives that are run in schools and designed to promote learning to act in a democratic way. The funding programme is part of the Federal Government's Alliance for Democracy and Tolerance, which is designed to encourage civic involvement in promoting democracy and tolerance, and to make this more visible.

Every 3 years, the national competition **Our Village has a Future** is held to recognise civic engagement around ensuring a good quality of life in the countryside into the future. Following the 25th national competition, ten eastern German villages were awarded prizes in early 2017. The bronze award went to the villages of Zappendorf (Saxony-Anhalt) and Lohmen (Mecklenburg-Western Pomerania). The villages of Waltersdorf and Stangengrün (both in Saxony), Straupitz (Brandenburg) as well as Kalthof and Braunichswalde (both in Thuringia) were each presented with silver. The winners of the competition, awarded with gold, were the villages of Sauen (Brandenburg), Pinnow (Mecklenburg-Western Pomerania) and Gladigau (Saxony-Anhalt).

The **Bundeswehr and Society Award**, which has been awarded annually since 2016, honours individuals and institutions that have made a special civic contribution to supporting the interests of the Federal Armed Forces or their relatives. The award can be presented for civic involvement in the categories of education, local authorities, culture and associations/individuals. The fact that some 120 nominations were submitted from right across the country is testament to the high level of civic activity that takes place to support the Bundeswehr in both eastern and western Germany. The first ever Bundeswehr and Society Award was presented in February 2016 and went to Wirtschaftsjuvenoren Cham, who not only support soldiers in their country of deployment through their 'Bridging Bridges' initiative, but – although they are based in Bavaria – also support young entrepreneurs with numerous projects in the new federal states. Since 2015, there has also been a Bundeswehr German Armed Forces Day which provides a chance to learn more about the Bundeswehr by offering demonstrations, presentations, and the opportunity to talk to personnel. The aim of this event is to strengthen and broaden the relationship between the Bundeswehr and civil society. In order to achieve this goal, the Bundeswehr is seeking close cooperation with municipalities, districts, towns and cities, public institutions, and associations. Since 2015, more than 750,000 citizens have attended the events that have been hosted.

### Federal Volunteer Service and Youth Volunteer Service

The launching of the Federal Volunteer Service (BFD) five years ago has lastingly strengthened voluntary civic participation and placed it on a broad basis. People who take part in Federal Volunteer Service work primarily in social spheres, but the service also offers placements in sport, integration, environmental protection, culture and education as well as in civil protection and disaster management.

Men and women of any age (after finishing their compulsory school education) can get involved in the Federal Volunteer Service. In 2016, an average of 41,212 volunteers were in service. Throughout Germany, the “older” volunteers (aged 27+) currently make up a very pleasing proportion of all volunteers in Germany – some 33.7%. The gender ratio is balanced across all age groups. The flexible arrangements in place for those over 27, particularly the option to work part-time, serve to increase the attractiveness of the BFD. The Federal Volunteer Service is accepted equally in western and eastern Germany alike. In the eastern part of the country, a considerably higher number of older people are involved in this service.

Due to the huge potential that civic participation offers when it comes to integrating refugees who have come to Germany, and to the high level of willingness among the general public to get involved in this work, in 2017 the Federal Government is financing up to 6,500 new positions in the **Federal Volunteer Service that are linked to work with refugees**. Refugees with good prospects of being able to remain in Germany can also get involved in the BFD. Since the programme's launch on 1 December 2015, some 7,642 BFD agreements have been concluded, of which 2,524 have been concluded in the eastern German federal states – equivalent to a 33% share (as of 13 June 2017). This means that within the Federal Voluntary Service, work with refugees is clearly above the national average in the eastern federal states.

Within the Youth Volunteer Service (involving a year of voluntary service in the social or environmental sphere in Germany, or as part of the International Youth Volunteer Service, or with *weltwärts*), more than 60,000 young people up to the age of 27 are involved in services that benefit public welfare and social cohesion within our society. This might be undertaken in welfare facilities, childcare, youth care or healthcare facilities, in culture, sport, nature and environmental protection or in the service of peace and reconciliation work abroad. When the young people who dedicate their time are asked why they wanted to get involved, the response is often 'to help others', 'to do something good for other people', 'to raise self-confidence' or 'to gain orientation'.

Currently, a new format for youth volunteer work is being tested as well. Two pilot projects are under way in Saxony-Anhalt and Rhineland-Palatinate to test out FSJ Digital, a scheme that appeals to young people who would not have chosen to have undertaken a voluntary year of youth voluntary service otherwise, and which is being very well received. The scheme is based on digital projects in social institutions, such as old people's homes, nurseries and multi-generational houses, and teaches young people new media skills.



## Strengthening the integration of migrants

In the last two years, many refugees have fled to Germany, including around 59,000 unaccompanied minors. How to best integrate those who seek refuge in Germany and will be allowed to permanently remain in the country is a crucial question for the future in terms of living together with one another in our society. This also applies to the integration of migrants who have been part of our society for some time.

### The People Supporting People programme

Coming into direct contact with other people helps us to break down our prejudices and to involve refugees in our society. This serves to strengthen long-term social cohesion. The People Supporting People programme, which was launched at the start of 2016, is designed to link up refugees with persons living in Germany who will serve as mentors to them, and to secure mentors, guest families and guardians for unaccompanied minors arriving as refugees.

A total of 23 executing agencies are working to implement the programme and initiated more than 25,000 new mentoring tandems in 2016. In addition, some 12 multi-generational houses also participate in the mentoring programme. The mentorships range from low-level support with issues of daily life, to developing social contacts, helping with homework, to high-input educational mentorships to help refugees secure school-leaving certificates. They can be one-to-one relationships, with whole families or mentorships for children in 'bridging classes' who are being prepared for attendance at a regular school.

The programme mainly supports executing agencies which support the mentorship infrastructure at local level by providing financial resources or expertise. It benefits many organisations in eastern Germany that are working at local level to initiate, accompany and supervise mentoring tandems.

### Integration Through Sport programme

The Integration Through Sport programme (IdS) is being implemented throughout Germany by the German Olympic Sports Federation (DOSB) in cooperation with the sporting federations at the level of the federal states. The aim of the programme is to encourage people with a migrant background to become actively involved at all levels of club life – both as active members and as volunteers. It is designed to support not only low-level forms of involvement that occur on a non-regular basis, but also involvement in the formal structures of the club (e.g. the assumption of offices on the board by people with a migra-

tion background). Training is also provided for volunteers and officials from Germany on how to deal with interculturalism in sport.

The IdS programme was extended in 2015 to cover all asylum seekers and persons with temporary suspension of deportation, regardless of origin and prospects of being allowed to stay in Germany. The Federal Government is seeking to use it to make a significant contribution to fostering social cohesion and integration. Sporting activities, especially those for children and youths, are a tried-and-tested means of promoting social interaction, helping people overcome fears associated with persons from other cultures or preventing these from developing in the first place, and also providing jobs with low-level entry requirements. In 2015, some 4,449 integration initiatives were conducted as part of the Integration Through Sport programme; there was a total of 557 base clubs in receipt of funding and 2,040 volunteers (trainers/helpers).

The IdS programme takes place under the umbrella of the German Olympic Sports Federation (DOSB). The sporting federations at the level of the federal states assist the sports clubs by providing advice and supervision. The clubs are able to link into the existing network of base clubs that are part of the IdS programme. The sporting federations work together with the individual clubs, under the guidance of the DOSB, to develop ways to get the message out about the future work of the clubs and their specially designed activities. In 2016, the total amount of Federal budget funds granted for the IdS programme was raised by €6 million, to €11.4 million. This higher level of funding was also awarded to the programme in 2017.

### Training of volunteers in integration work

The Federal Office for Migration and Refugees (BAMF) supports the training of volunteers by providing training for multipliers. The funding is aimed in principle at all clubs and organisations where there are volunteers involved in integration work. Particular emphasis is placed on supporting migrant organisations that wish to implement integration measures themselves and that need further training in order to be able to do so. In addition to focusing on club and project management, funding for 2017 will be concentrated on the opening of migrant organisations and clubs to other cultures and as well as the empowerment of volunteers working with refugees.

### Funding support for 500 rural initiatives

The Federal Government is providing funding support for 500 rural initiatives designed to help integrate migrants who have good prospects of being granted the right to stay

in Germany into rural regions. The programme is consciously designed to support work at a small-scale level and is aimed at voluntary civic initiatives to strengthen integration in rural regions. The funding that is available under this scheme can be used to make important, moderate-scale purchases that are needed in order to enable a voluntary initiative to work successfully.

### Support for refugee and integration initiatives, particularly Muslim executing agencies and mosque communities

Since 2016, additional funds have been available for projects conducted by executing agencies and associations working in refugee assistance and integration that have a primarily Islamic background. In addition to focusing on integration work, the aim is above all to train and equip the volunteers (who make up the largest share of the workers) in the mosque communities and migrant organisations with the professional skills they need. Since this date, these extra funds have been used to support projects conducted by Islamic executing agencies part of umbrella organisations represented at the German Islam Conference, by the migrant organisation Turkish Community in Germany, and for tandem projects (projects involving two or more partners, where one partner is a mosque community or an Islamic umbrella organisation), etc. Due to the objectives of this programme, a lower number of projects are funded in the eastern German states than in the western states, where the proportion of Muslims and of Islamic agencies and associations operating in this domain is lower.

## 3. Preventing extremism and promoting democracy

### 3.1. Extremism and xenophobia in eastern Germany

Germany is a cosmopolitan, democratic and pluralistic country located in the centre of Europe. Not only does our country have a democratic state constitution, government based on the rule of law, and functioning institutions, it also has highly developed structures for democratic civil engagement and distinctive forms of co-determination. These provide a good basis for a well-functioning society. Nevertheless, there are also problems that threaten the cohesion of our society. The challenges we face today are diverse. The state can create sound overall conditions for strengthening social cohesion. This also means promoting living conditions in society which are based on shared values – such as mutual respect, appreciation and tolerance towards others. Ensuring a cohesive society depends on many factors, but above all on having shared values and a strong level of solidarity within the community, at work, in our clubs and associations, in the neighbourhood and in the family.

### 3.2. Strengthening our democracy

As the task of dealing with and tackling extremism is complex, the Federal Government accordingly pursues a multi-pronged approach, involving both preventive and combative activities. Here, the prevention work is based on programmes and measures that promote and maintain social cohesion and focus primarily on the local level. The concepts also take into account the consequences of outward migration and declining population numbers, especially in rural areas.

### The Federal Government's strategy to prevent extremism and promote democracy

The Federal Government's Strategy to Prevent Extremism and Promote Democracy was adopted by the Cabinet on 13 July 2016. This Strategy is to be applied throughout Germany, in areas that are decisive when it comes to preventing extremism and promoting democracy, i.e. in neighbourhoods, municipalities and districts, in institutions, clubs and associations, in schools, but also in many other areas where people are working to promote democracy and defend human rights and civil liberties. It also involves strengthening the Federal Government's online presence linked to this topic. In order to implement the Strategy, there are to be discussions held with young people all around the country, support is to be given to teachers, parents and other people of trust, help is to be given to those willing to walk away from extremism, and hate speech and content instigating hatred on the internet is to be counteracted. In addition, the Bundestag has also passed a new Network Enforcement Act (NetzDG) (30 June 2017). The Strategy additionally sets out measures to prevent extremism across prisons and the probationary service. On top of this, international cooperation on preventing extremism and fostering democracy is to be strengthened.

The approaches presented in this Strategy have been fed into the revised National Action Plan to Fight

### National Action Plan on Countering Racism (NAP)

In the Coalition Agreement of 27 November 2013 for the 18th parliamentary term, the CDU/CSU and SPD agreed that the NAP would be extended to include the issues of homosexuality and transphobia.

The NAP also had to be completely restructured in this term to incorporate important content and positions that had developed as a result of processes of social change, as well as debates that had evolved at national and international level. In its core, the NAP sets out Federal Government's positions and current/future in the following fields

of action: human rights policy, protection against discrimination and the prosecution of crimes, education and political education, civic and political involvement for democracy and equality, diversity in working life, education and training, strengthening intercultural and social skills in the workplace, racism and hatred on the internet, and research.

The NAP was adopted by the Federal Cabinet on 14 June 2017, and subsequently presented to the German Bundestag.

### Federal Government report on the work and effectiveness of the Federal Extremism Prevention Programmes

In its resolution of 23 April 2013 (Bundestag Document 17/13225), the German Bundestag instructed the Federal Government to prepare and submit a report setting out recommendations for action and providing an analysis of the effectiveness of the programmes for combating extremism that are funded in each legislative period. This report takes account of evaluations of these programmes, which are undertaken with the support of external academic bodies. The report was adopted by the Federal Cabinet on 14 June 2017.

### The Cohesion through Participation project

Since 2010, the Federal Government has been supporting civic involvement to foster democracy and combat extremism through its Cohesion through Participation programme. The main objective of the programme is to support those involved in association and club work by providing training that will help them to make their structures even democratic and by creating new opportunities for consulting, conflict management and participation within the association. In this way, it is hoped that clubs and associations will create a strong stimulus for acting within democratic structures in the local community. The Programme thus also serves to work against extremist and anti-constitutional currents.

The Cohesion through Participation Programme was initially aimed at the eastern German states only. However, as a result of relevant need in western Germany as well, funding was extended to the whole of the country in 2017. From 2017, the focus of existing projects will also be placed on strengthening democracy at municipal level, with a view to fostering democratic participation in the local community. The aim is to enable members of associations to use the experience and abilities that they have gained from the project thus far to shape democratic participation structures more effectively at local level. In addition, the Cohesion through Participation programme supports projects focusing on “concepts, methods and instruments of inter-

cultural learning in clubs and associations” that involve cooperation between a project executing agency specialising in intercultural education and a federation at the level of the federal states – whether involving sport, the fire brigade or the Federal Agency for Technical Relief (THW). The aim is to work together to develop and implement a tailor-made concept for intercultural learning for the different association structures. In addition to developing their intercultural skills, the clubs are then to be provided with support to help get them ready for taking up migrants. The annual budget set aside for the programme is currently €12 million. Overall, the funding focus will continued to be trained on project executing agencies in the eastern German states.

### The Federal Government’s Living Democracy! programme

Launched in 2015, Living Democracy! is a nationwide programme supporting clubs, projects and initiatives that are dedicated to promoting democracy and diversity and that work against right-wing extremism, racism, anti-Semitism and other forms of anti-democratic sentiment and hostility, against violence, hatred and radicalisation. Support is granted for activities at national, regional and local level.

The budget allocated to the programme by the German Bundestag was more than doubled for the funding year 2017 (compared with 2016), and stood at over €104.5 million. Based on the findings and conclusions drawn from expert monitoring, current studies and research, the federal programme was further developed in a participatory process that took place in 2016 and was expanded to include new programme areas in 2017:

- Engagement and diversity in the world of work and business,
- Fostering democracy in education,
- Living together in a society that incorporates immigrants,
- Strengthening activity online – working against hatred on the internet
- Prevention and deradicalisation in the prisons system and the probationary service.

Of the €104.5 million of funding available in 2017, around €16.7 million (15.8%) has been allocated to eastern Germany (excluding Berlin). The funds will be used to finance projects that foster democracy, including training stakeholders, providing nationwide advisory services and distributing leaflets that provide tips for countering hate speech from individuals or groups.

Of the 265 local Partnerships for Democracy supported by the Living Democracy! programme, 93 are located in the eastern federal states. This support is primarily intended to help these groups strengthen their work in countering right-wing extremism. At the 16 Centres for Democracy, spread right across Germany, the ongoing debate surrounding refugees and the mobilisation of right-wing sympathisers being observed in many areas has led to an increase in cases for the mobile advisory teams and for victim support services. The mobile advisory teams particularly provide advice to those affected by protests against refugee shelters; they support municipalities with hosting public meetings and provide support for welcome initiatives. Of the €14.5 million in approved funding for 2017, around €3.8 million (26%) will go to the five eastern German states.

The Living Democracy! programme additionally provides structural development to 36 agencies that conduct activities to combat anti-Semitism, anti-gypsyism, racism, homophobia and transphobia. Some €872,000 of the funds allocated for this purpose will go to agencies located in the eastern German states.

Lastly, as part of the projects under this programme, support is provided for new and innovative approaches to combating hostility towards specific groups and to prevent right-wing extremism, Islamist violence and left-wing militancy. Current projects to combat hostility towards specific groups and to tackle radicalisation (around 150 projects in total) focus on anti-Semitism, Islamophobia/muslimophobia, anti-Gypsyism, homophobia, transphobia and the strengthening of democracy in rural areas. Since 2016, support has also been given to projects aimed at early-stage prevention and racism prevention.

### Political education

The experience of German history gives rise to a special responsibility for Germany to strengthen values such as democracy, pluralism and tolerance in the consciousness of the population. The Federal Agency for Civic Education (BpB) is tasked with promoting an understanding of political issues, strengthening awareness for the importance of democracy at all levels of society, and encouraging people to become involved in politics. It provides a range of different services that serve to help improve democratic participation and prevent extremism.

These include events, print products, audiovisual and online products which deal with both current and historical topics alike. These educational services are designed to motivate and empower citizens to think critically about different political and social issues – whether it's by looking at ideas considered as 'absolute truths' or at conspiracy theories, rejecting violence in the political debate or gathering and processing arguments that legitimise a pluralistic society and that can be brought wherever this concept is called into question.

The educational services provided by BpB for multipliers and interested citizens range from printed publications, seminars and conferences, digital documents, through to specialist articles and eyewitness accounts as printed publications or on DVD, as well as on the websites [www.chronik-der-mauer.de](http://www.chronik-der-mauer.de), [www.jugendopposition.de](http://www.jugendopposition.de) and the relevant online dossiers at [www.bpb.de](http://www.bpb.de).

An important goal in this educational work, especially with young people, is to awaken an interest in looking critically at the SED dictatorship and at the relations between the two Germanys. By deepening people's understanding of historical context in this way, the hope is to strengthen their awareness of freedom, democracy and respect for human rights. Another important task of the BpB is to provide educational services for the prevention of extremism and promotion of democracy. The aim in this is to support local players in their work in these areas and to empower them to recognise and actively combat structures that foster violence in their own social space. These measures (which were granted a total budget of more than €4 million in 2017) are implemented in close coordination with local initiatives and educational institutions in the local area. The Bundeswehr is also intensively involved in the area of political education. It explores, processes and delivers information on interrelationships in the political world in general and in security policy in particular, as well as working to counter extremist ideas. In these ways, it makes a significant contribution to strengthening an awareness for democracy. At the Bundeswehr Centre for Public Information in Strausberg, Brandenburg, the Bundeswehr hosts seminars on issues of security policy. These not only explore socio-political topics, but especially look at current security and defence policy issues.

The Jugendoffiziere (youth officers) of the German Armed Forces help to foster the discourse on security policy in our country and thus make a significant contribution to political education in this field and providing the public with information about security policy.

# Part C

## Economic data of the new federal states

(current as of July 2017)

At the time this report was published, not all data and time periods printed under 'Economic data of the new federal states' were able to be updated for 2016 as the relevant information had not yet become available (e.g. population data for 2016). Where data from 2015 has been used, this is directly referenced in the tables and graphs concerned. As a result of the need to update certain data printed under this section every year, there have also been changes to the figures for 2015 and the years previous to this.

The following section uses the same regional divisions as those used in the first two sections of the report (see p.7). These are referred to using the short, easy-to-understand terms listed below. Any deviations are explained in footnotes.

New federal states = Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt, Thuringia

Eastern Germany = new federal states and Berlin

Western Germany = old federal states excluding Berlin

## 1. Economic development as a whole and by sector

### 1.1. Gross domestic product (GDP) in real terms, per capita

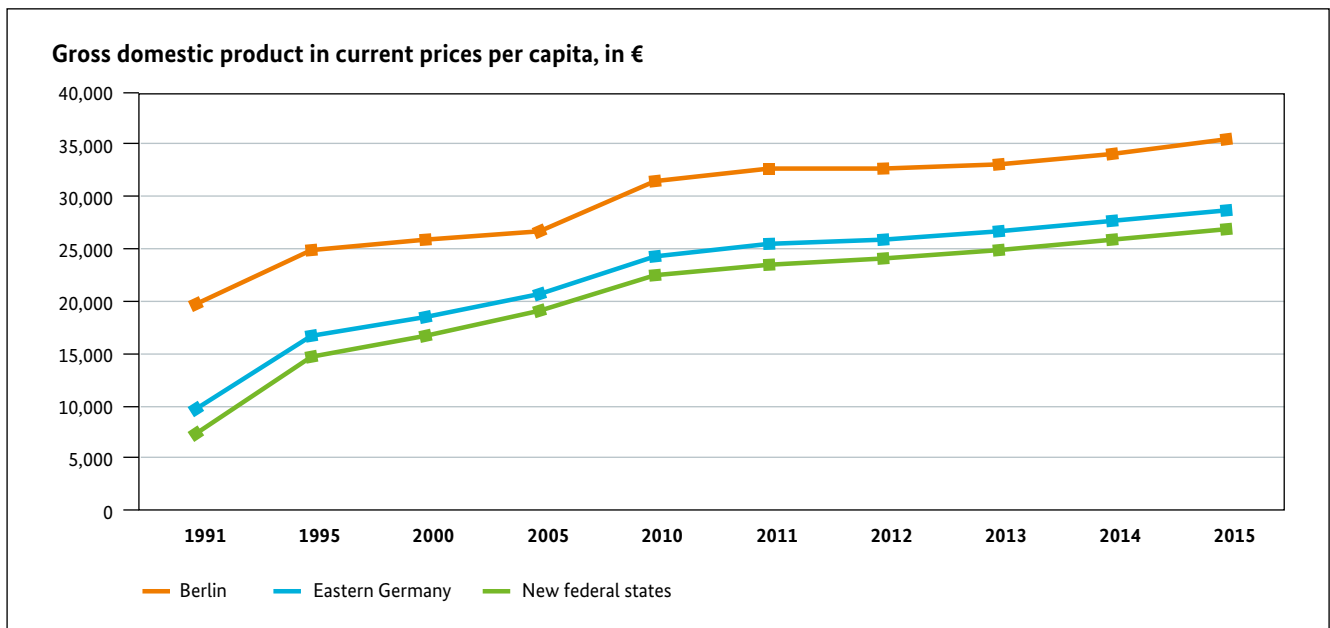
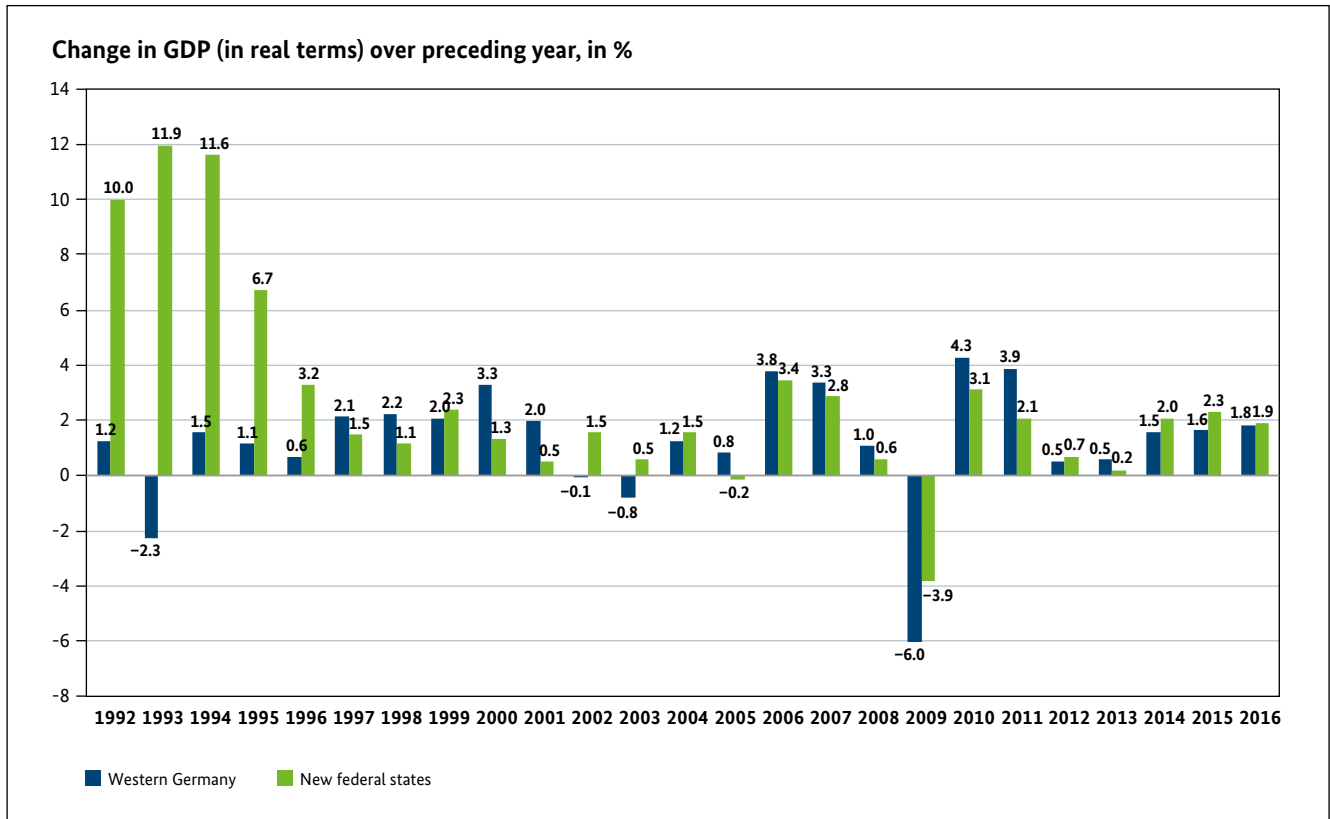
Gross domestic product in current prices per capita

Year	Berlin	Brandenburg	Mecklenburg-Western Pomerania	Saxony	Saxony-Anhalt	Thuringia	Western Germany	Eastern Germany	New federal states	Germany	New federal states/western Germany	Eastern Germany/western Germany
in euros											in %	
1991	19,744	7,643	7,377	7,729	7,142	6,534	22,687	9,701	7,342	19,754	32	43
1995	24,965	14,940	14,497	15,400	13,971	13,708	25,206	16,645	14,626	23,354	58	66
2000	25,869	17,315	16,455	17,157	16,232	16,385	27,959	18,539	16,785	25,983	60	66
2005	26,761	19,239	18,204	20,044	18,689	18,629	30,226	20,660	19,155	28,288	63	68
2010	31,547	22,720	21,587	23,309	22,241	21,883	34,059	24,382	22,532	32,137	66	72
2011	32,749	23,498	22,512	24,509	22,755	23,291	35,707	25,441	23,527	33,673	66	71
2012	32,803	24,065	22,892	25,053	23,906	23,719	36,348	25,970	24,145	34,296	66	71
2013	33,210	24,804	23,736	25,713	24,472	24,760	37,104	26,670	24,894	35,045	67	72
2014	34,074	25,874	24,408	26,736	25,031	26,008	38,187	27,618	25,838	36,106	68	72
2015	35,428	26,848	25,025	27,899	25,828	27,172	39,187	28,702	26,829	37,128	68	73

Gross domestic product (price-adjusted, chain-linked)

Year	Berlin	Brandenburg	Mecklenburg-Western Pomerania	Saxony	Saxony-Anhalt	Thuringia	Western Germany	Eastern Germany	New federal states	Germany
Change year-on-year in %										
1992	3.4	8.5	7.6	9.1	8.8	17.0	1.2	7.5	10.0	1.9
1995	1.8	8.2	7.7	8.2	4.3	4.0	1.1	5.2	6.7	1.7
2000	1.5	3.1	0.4	0.4	1.1	1.9	3.3	1.4	1.3	3.0
2005	1.7	0.8	-0.1	-0.5	-0.5	-0.3	0.8	0.3	-0.2	0.7
2010	3.0	2.8	-0.2	3.1	4.3	4.7	4.3	3.1	3.1	4.1
2011	3.6	0.8	1.9	3.3	-0.9	4.3	3.9	2.5	2.1	3.7
2012	-0.0	0.7	-0.4	0.6	2.4	-0.3	0.5	0.5	0.7	0.5
2013	0.2	0.6	0.1	0.0	-0.8	1.2	0.5	0.2	0.2	0.5
2014	1.8	2.9	0.9	2.3	0.4	3.1	1.5	2.0	2.0	1.6
2015	3.0	2.7	1.0	2.7	1.6	2.5	1.6	2.5	2.3	1.7
2016	2.7	1.7	1.3	2.7	1.0	1.8	1.8	2.1	1.9	1.9



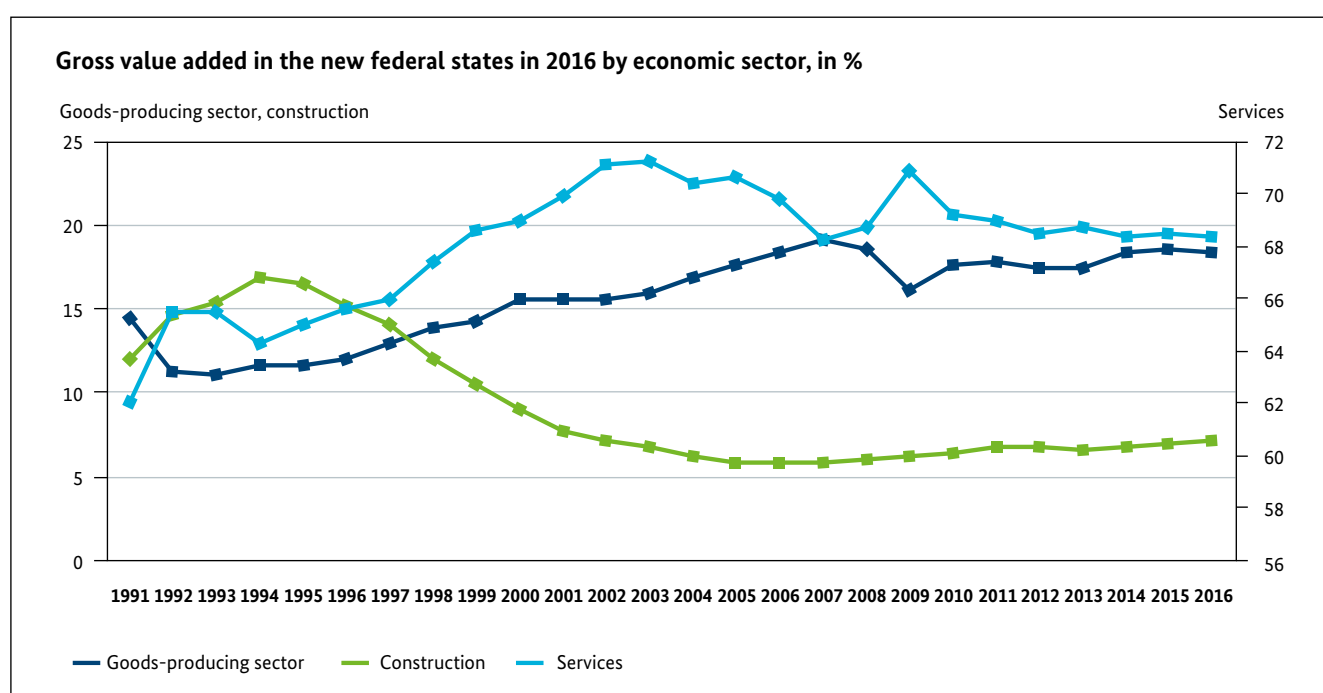


Source: Federal Statistical Office, Working Group for National Accounts of the Federal States, figures as at November 2016/February 2017. In-house table.

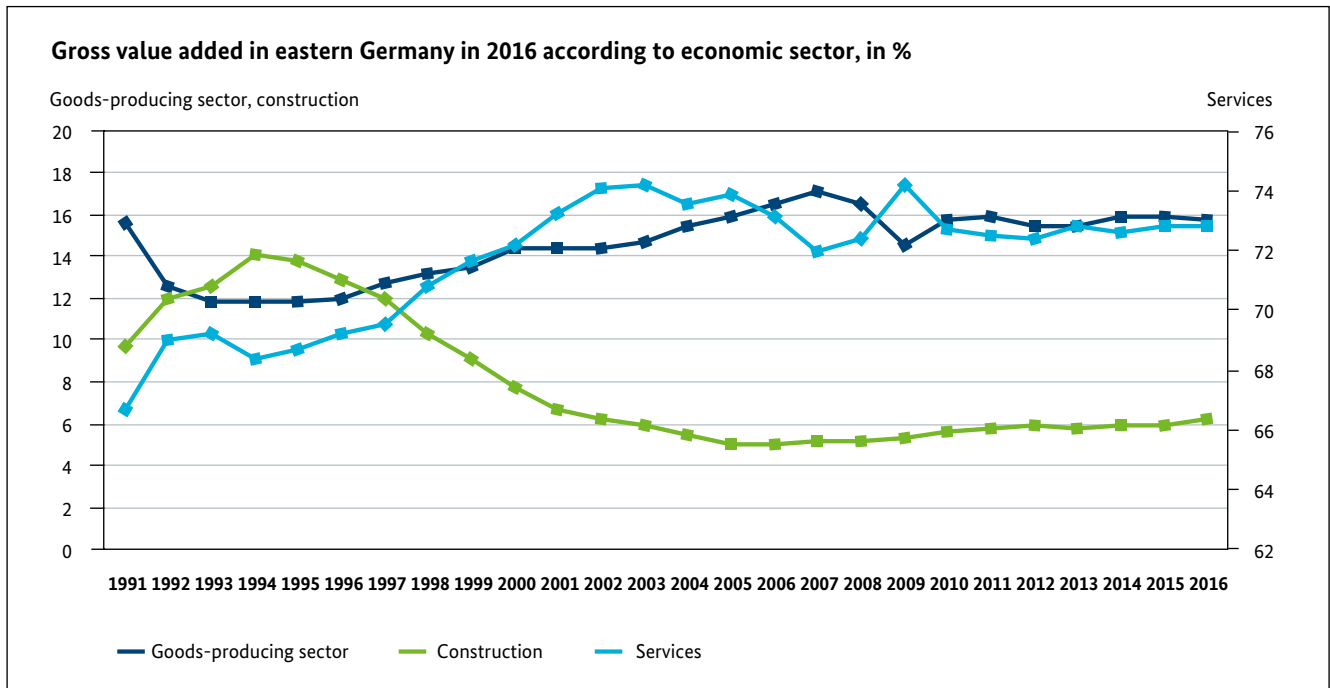
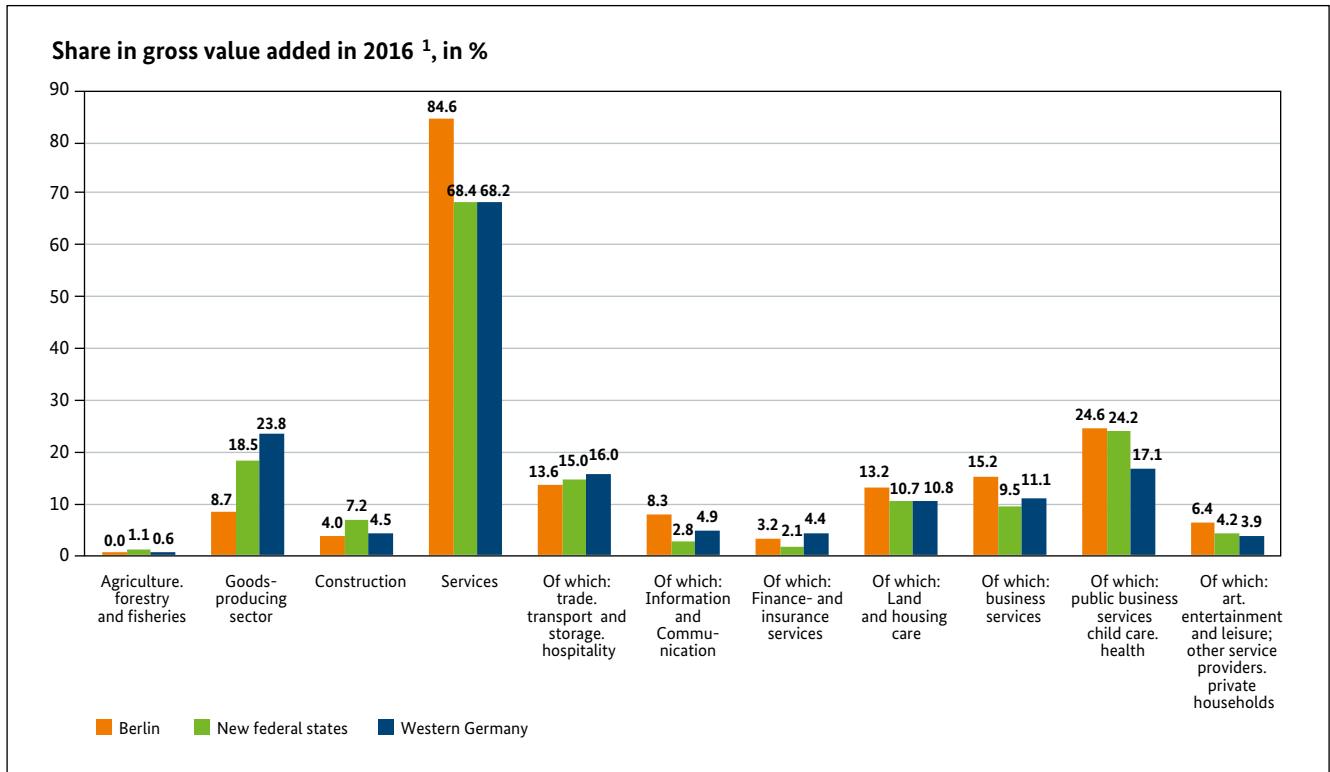
## 1.2. Gross value added (GVA) overall and per sector

Gross value added (price-adjusted, chain-linked)

		1992	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016
		Change year-on-year, in %										
Berlin	Agriculture and forestry, Fisheries (A)	-21.4	-8.3	-7.9	-14.5	-35.7	-26.4	6.7	-21.7	-10.6	10.7	0.6
	Goods-producing sector (C)	-7.9	-0.0	3.0	1.5	6.3	9.2	-7.0	-6.2	2.7	-0.8	0.6
	Construction (F)	14.0	-0.2	-9.0	-7.6	11.3	5.7	-3.6	0.5	3.3	1.0	6.9
	Services (G-T)	4.9	2.3	2.2	1.8	2.2	3.5	1.0	1.2	1.5	3.4	2.8
New federal states	Agriculture and forestry, Fisheries (A)	-5.5	9.1	-8.5	-36.5	-21.0	-10.1	4.7	-5.0	-10.0	-12.5	-1.1
	Goods-producing sector (C)	-5.2	8.4	13.6	5.4	16.6	4.6	-3.4	2.0	8.7	3.7	2.8
	Construction (F)	27.1	2.5	-10.8	-7.9	6.4	4.9	-0.9	-4.0	1.6	0.9	1.9
	Services (G-T)	12.8	8.4	1.7	0.2	0.6	2.1	0.7	0.4	0.7	2.1	1.7
Eastern Germany	Agriculture and forestry, Fisheries (A)	-5.7	9.0	-8.5	-36.5	-21.1	-10.2	4.7	-5.1	-10.0	-12.5	-1.1
	Goods-producing sector (C)	-6.4	5.7	11.2	4.7	14.6	5.4	-4.1	0.6	7.7	3.0	2.5
	Construction (F)	23.9	2.0	-10.5	-7.9	7.1	5.0	-1.4	-3.3	1.9	1.0	2.7
	Services (G-T)	9.4	6.3	1.9	0.7	1.1	2.5	0.8	0.7	0.9	2.5	2.1
Western Germany	Agriculture and forestry, Fisheries (A)	-2.0	0.6	-2.9	-25.2	-25.3	-10.4	-2.5	6.8	-13.2	-0.5	0.7
	Goods-producing sector (C)	-2.5	-0.8	6.9	1.2	18.9	8.9	-2.0	0.1	5.3	1.1	1.8
	Construction (F)	3.4	-5.3	0.8	-3.3	7.7	3.5	-1.1	-2.1	1.3	-0.5	2.8
	Services (G-T)	3.0	2.8	2.9	1.2	0.5	3.1	1.1	1.1	0.3	1.6	1.8
Germany	Agriculture and forestry, Fisheries (A)	-2.7	2.4	-4.2	-27.9	-24.4	-10.3	-0.8	4.0	-12.5	-3.2	0.3
	Goods-producing sector (C)	-2.8	-0.3	7.3	1.6	18.4	8.5	-2.2	0.1	5.5	1.3	1.9
	Construction (F)	7.1	-3.1	-2.1	-4.3	7.6	3.8	-1.1	-2.3	1.4	-0.2	2.8
	Services (G-T)	3.8	3.3	2.7	1.2	0.6	3.0	1.0	1.0	0.4	1.7	1.9



Source: Federal Statistical Office, Working Group for National Accounts of the Federal States, figures as at November 2016/February 2017. In-house table.



<sup>1</sup> All data under 'Services' from 2015.

Source: Federal Statistical Office, Working Group for National Accounts of the Federal States, figures as at November 2016/February 2017. In-house table.

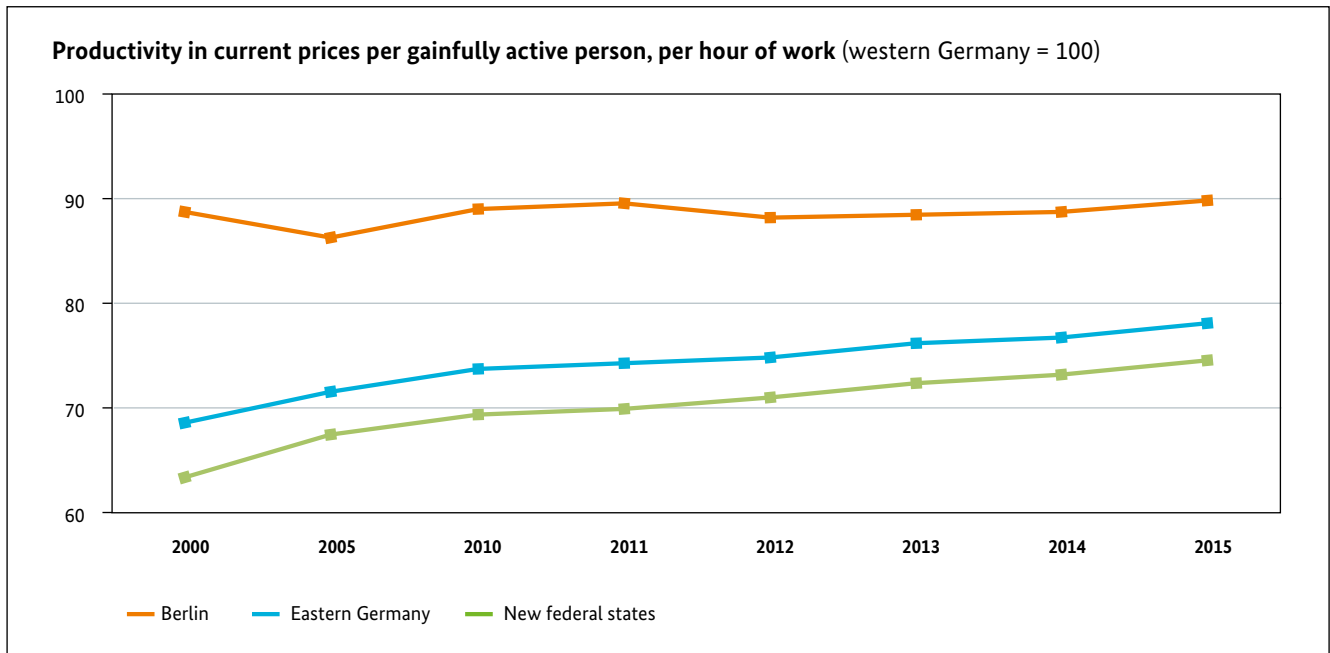
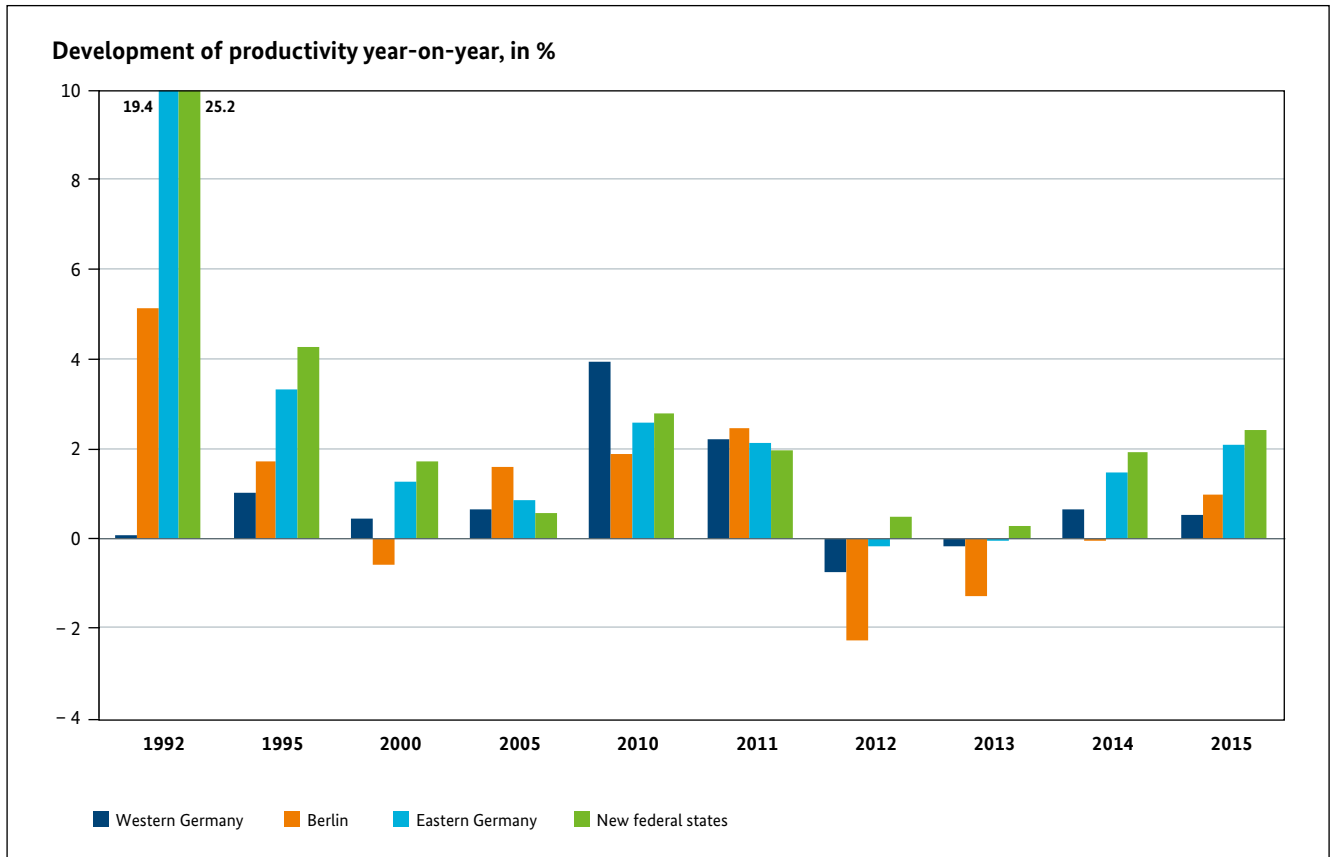
### 1.3. Labour productivity in the overall economy and in the goods-producing sector

Gross domestic product in current prices per gainfully active person, per hour of work (productivity)

Year	Berlin	Brandenburg	Mecklenburg-Western Pomerania	Saxony	Saxony-Anhalt	Thuringia	Western Germany	Eastern Germany	New federal states	Germany	New federal states/western Germany	Eastern Germany/western Germany
in €										in %		
2000	34.70	26.06	24.40	24.33	25.32	23.50	39.02	26.76	24.68	36.52	63	69
2005	37.86	31.32	28.32	29.61	30.39	28.16	43.90	31.38	29.63	41.46	67	71
2010	42.53	35.14	31.77	33.08	34.14	31.14	47.67	35.20	33.13	45.25	69	74
2011	43.96	36.30	33.39	34.32	34.74	32.59	49.10	36.46	34.33	46.68	70	74
2012	44.25	37.60	34.64	35.31	36.85	33.48	50.08	37.54	35.58	47.69	71	75
2013	45.45	39.51	36.63	36.52	38.20	35.42	51.33	39.06	37.17	49.02	72	76
2014	46.58	40.92	37.17	37.77	38.98	37.20	52.39	40.27	38.38	50.12	73	77
2015	48.30	42.56	37.97	39.63	40.39	38.93	53.69	41.91	39.97	51.50	74	78

Gross domestic product (price-adjusted, chain-linked) per gainfully active person (domestic)

Year	Berlin	Brandenburg	Mecklenburg-Western Pomerania	Saxony	Saxony-Anhalt	Thuringia	Western Germany	Eastern Germany	New federal states	Germany
Change year-on-year, in %										
1992	5.1	21.5	19.5	25.1	22.7	37.2	0.1	19.4	25.2	3.3
1995	1.7	5.6	4.6	5.2	2.6	2.7	1.0	3.3	4.3	1.3
2000	-0.6	2.9	0.3	0.5	3.1	2.5	0.4	1.3	1.7	0.7
2005	1.6	1.5	0.0	0.3	0.7	0.4	0.7	0.9	0.6	0.7
2010	1.9	2.4	0.5	2.6	4.2	4.0	4.0	2.6	2.8	3.8
2011	2.5	0.7	3.1	2.8	-0.6	3.7	2.2	2.2	2.0	2.3
2012	-2.3	0.5	0.5	-0.3	2.9	-0.4	-0.8	-0.2	0.5	-0.7
2013	-1.3	1.0	0.3	-0.5	-0.3	1.7	-0.2	-0.1	0.3	-0.1
2014	-0.0	2.8	-0.0	2.0	1.0	3.4	0.7	1.5	2.0	0.8
2015	1.0	2.6	0.6	2.9	2.3	2.8	0.5	2.1	2.4	0.8



Source: Federal Statistical Office, Working Group for National Accounts of the Federal States, figures as at November 2016/February 2017. In-house table.

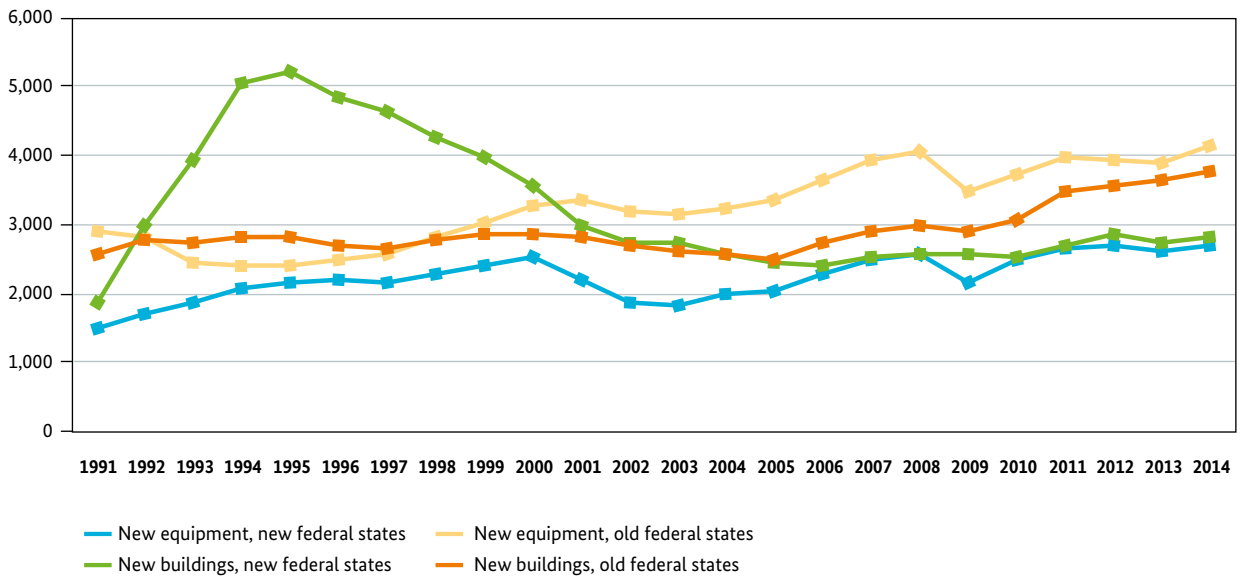
## 1.4. Investments in the overall economy and in the goods-producing sector

Investments in the overall economy and in the goods-producing sector per capita, in current prices

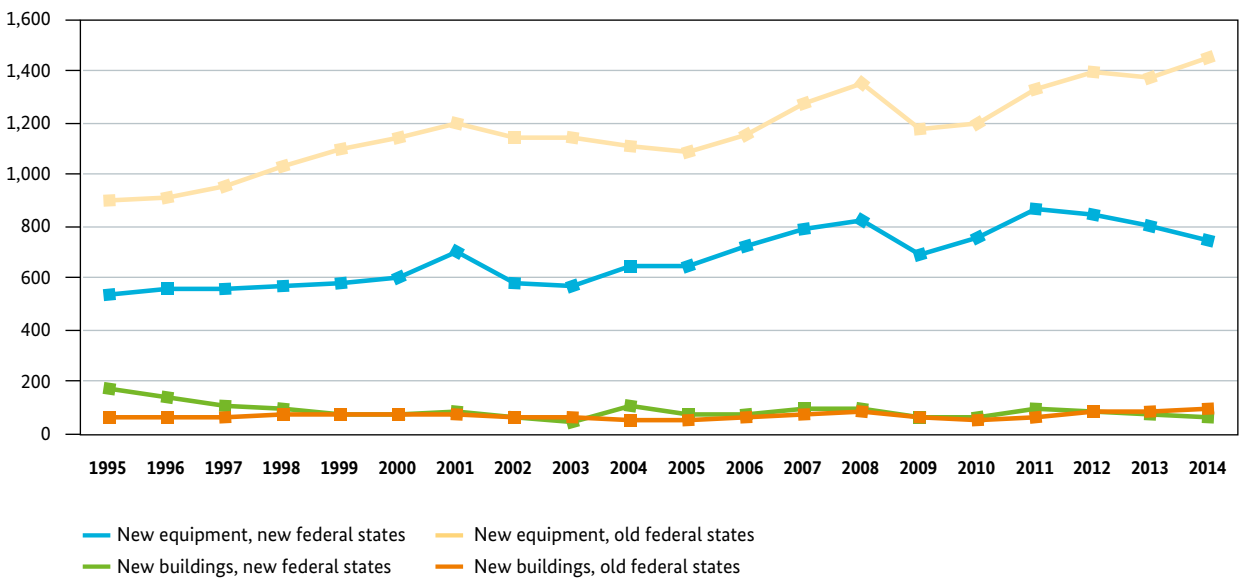
Year	Overall economy				Goods-producing sector			
	New equipment and other plant		New buildings		New equipment and other plant		New buildings	
	New federal states	Western Germany	New federal states	Western Germany	New federal states	Western Germany	New federal states	Western Germany
in Euro								
1991	1,466	2,883	1,834	2,543				
1992	1,694	2,806	2,980	2,744				
1993	1,840	2,445	3,931	2,711				
1994	2,053	2,371	5,040	2,805				
1995	2,140	2,384	5,185	2,794	534	899	174	63
1996	2,185	2,453	4,847	2,676	565	918	141	69
1997	2,127	2,571	4,637	2,624	562	953	110	61
1998	2,278	2,797	4,256	2,742	571	1,032	94	74
1999	2,395	3,013	3,975	2,840	582	1,102	74	78
2000	2,497	3,276	3,562	2,860	605	1,148	78	81
2001	2,172	3,336	2,983	2,823	708	1,200	91	81
2002	1,863	3,194	2,722	2,669	588	1,148	63	70
2003	1,798	3,140	2,711	2,607	569	1,146	46	61
2004	1,992	3,209	2,560	2,554	652	1,114	104	53
2005	2,013	3,338	2,432	2,476	646	1,091	71	54
2006	2,264	3,625	2,389	2,730	728	1,155	72	60
2007	2,474	3,906	2,522	2,866	792	1,277	92	80
2008	2,572	4,052	2,554	2,968	821	1,351	101	88
2009	2,127	3,461	2,552	2,901	689	1,182	67	67
2010	2,490	3,694	2,528	3,065	753	1,199	64	56
2011	2,636	3,964	2,664	3,482	873	1,332	94	67
2012	2,659	3,916	2,834	3,541	844	1,397	83	85
2013	2,592	3,892	2,710	3,622	801	1,379	71	90
2014	2,672	4,109	2,800	3,758	744	1,458	64	96



### Investment per capita in the overall economy



### Investments per capita in the goods-producing sector



Source: Federal Statistical Office, Working Group for National Accounts of the Federal States, figures as at November 2016/February 2017. In-house table.

### 1.5. Export rate in the overall economy and in the goods-producing sector

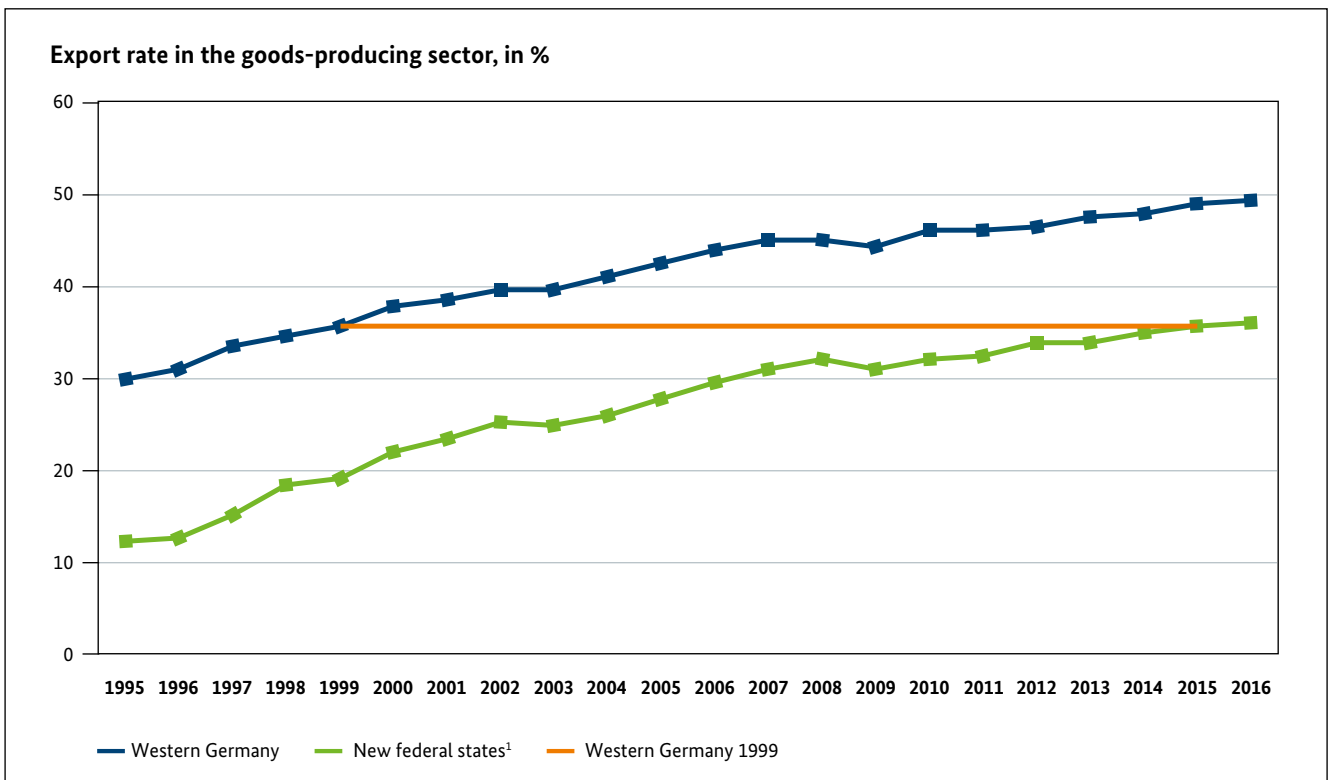
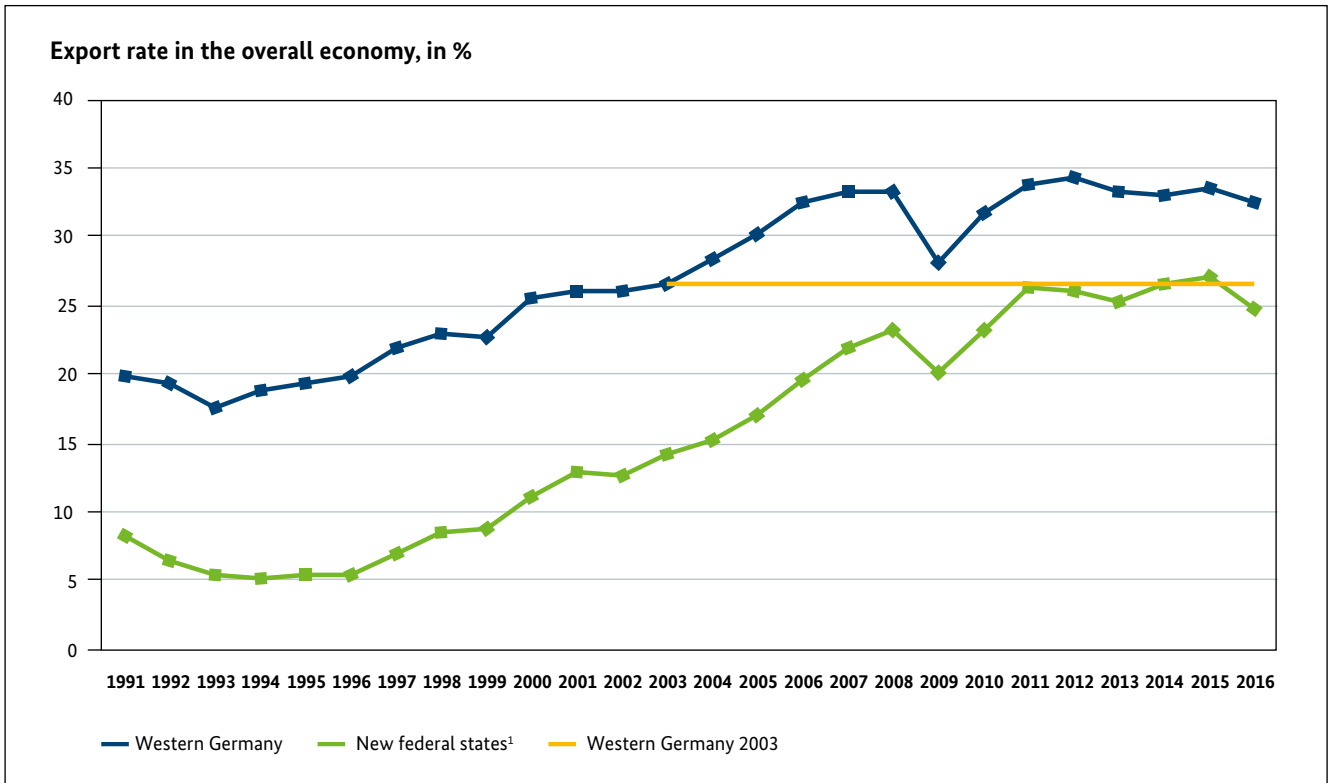
Export rate in the overall economy and in the goods-producing sector, in %

Jahr	Overall economy		Goods-producing sector	
	New federal states	Western Germany	New federal states <sup>1</sup>	Western Germany
1991	8.2	19.9		
1992	6.5	19.3		
1993	5.3	17.5		
1994	5.1	18.7		
1995	5.4	19.3	12.2	29.9
1996	5.4	19.7	12.5	31.1
1997	6.9	21.8	15.3	33.4
1998	8.4	22.8	18.4	34.6
1999	8.7	22.6	19.1	35.6
2000	11.0	25.4	22.0	37.7
2001	12.8	26.1	23.6	38.5
2002	12.7	25.9	25.1	39.5
2003	14.2	26.5	24.8	39.6
2004	15.1	28.3	25.8	41.2
2005	16.9	30.2	27.6	42.5
2006	19.5	32.3	29.6	43.8
2007	21.9	33.2	30.9	45.0
2008	23.1	33.1	32.0	45.1
2009	20.0	28.1	30.9	44.2
2010	23.2	31.7	32.0	46.3
2011	26.1	33.7	32.6	46.2
2012	26.0	34.3	33.8	46.6
2013	25.3	33.2	33.8	47.5
2014	26.4	32.9	34.9	48.0
2015	27.0	33.4	35.8	49.1
2016	24.8	32.4	35.9	49.4

Western Germany: Due to revised operating reports, only limited comparisons can be made between the sales figures for the economic sector 08-2910 from 2014 onwards/the higher level aggregates and previous periods.

<sup>1</sup> New federal states up to 2004 incl. East Berlin, from 2005 incl. whole of Berlin.

Source: Federal Statistical Office



Western Germany Due to revised operating reports, only limited comparisons can be made between the sales figures for the economic sector 08-2910 from 2014 onwards/the higher level aggregates and previous periods.

1 New federal states up to 2004 incl. East Berlin, from 2005 incl. whole of Berlin.

Source: Federal Statistical Office

## 1.6. Start-ups and liquidations

### Commercial start-ups and company liquidations

Year	Overall economy						Goods-producing sector					
	Commercial start-ups <sup>1</sup>		Company liquidations <sup>1</sup>		Balance per 100,000 citizens <sup>1</sup>		Commercial business start-ups <sup>1</sup>		Company liquidations <sup>1</sup>		Balance per 100,000 citizens <sup>1</sup>	
	New federal states <sup>2</sup>	Western Germany <sup>3</sup>	New federal states <sup>2</sup>	Western Germany <sup>3</sup>	New federal states <sup>2</sup>	Western Germany <sup>3</sup>	New federal states <sup>2</sup>	Western Germany <sup>3</sup>	New federal states <sup>2</sup>	Western Germany <sup>3</sup>	New federal states <sup>2</sup>	Western Germany <sup>3</sup>
1991 <sup>4</sup>	140,000	391,000	11,000	297,000	882	147						
1992 <sup>4</sup>	96,000	398,000	24,000	288,000	499	170						
1993 <sup>4</sup>	79,000	407,000	41,000	298,000	265	167						
1994 <sup>4</sup>	74,000	419,000	44,000	328,000	211	139						
1995 <sup>4</sup>	76,000	452,000	49,000	358,000	191	143						
1996 <sup>4</sup>	86,000	421,000	74,000	344,000	69	120						
1997 <sup>5</sup>	72,700	355,600	56,500	273,700	116	128						
1998	76,600	358,100	60,100	277,900	118	125						
1999	72,300	345,400	60,900	288,600	82	89						
2000	66,100	335,400	60,700	266,000	39	108						
2001	63,700	327,000	60,400	264,400	24	97						
2002	60,300	328,700	57,300	270,800	22	89						
2003 <sup>6</sup>	76,200	346,700	60,300	309,700	118	57						
2004	91,700	391,800	59,000	304,000	245	135						
2005	70,800	345,200	61,900	317,200	67	43	2,500	12,700	2,400	13,500	1	- 1
2006	62,900	331,100	58,000	312,600	37	29	2,500	11,800	2,200	12,600	2	- 1
2007	51,000	300,900	55,600	300,000	- 35	1	2,100	10,700	2,200	11,800	- 1	- 2
2008 <sup>7</sup>	48,300	282,800	55,500	300,300	- 56	- 27	2,100	9,600	2,100	10,700	-	- 2
2009	46,900	297,200	49,300	288,700	- 19	13	1,900	10,100	2,100	11,100	- 2	- 2
2010	45,400	304,900	46,500	285,800	- 9	30	1,700	10,200	1,700	10,500	-	0
2011	41,400	293,600	45,000	286,700	- 29	11	1,500	9,700	1,700	10,300	- 2	- 1
2012	33,100	250,200	42,800	276,900	- 77	- 41	1,200	7,800	1,600	10,400	- 3	- 4
2013	31,100	245,100	40,400	265,000	- 74	- 31	1,200	7,400	1,600	10,000	- 3	- 4
2014	29,300	220,900	38,700	260,900	- 75	- 62	1,000	6,900	1,600	9,400	- 5	- 4
2015	27,900	213,100	38,200	242,600	- 82	- 45	1,000	6,500	1,600	9,100	- 5	- 4
2016 <sup>8</sup>	26,400	200,800	36,800	227,500	-	-	1,000	6,300	1,600	8,300	-	-

1 Excluding the 'liberal' professions, agriculture/forestry and other 'independent, non-commercial activities'.

2 New federal states: 1996 incl. Berlin, from 1997 excl. Berlin.

3 Western Germany up to 1995 incl. Berlin, from 1996 excl. Berlin.

4 Estimate by the IfM Bonn based on the business registrations from several federal states.

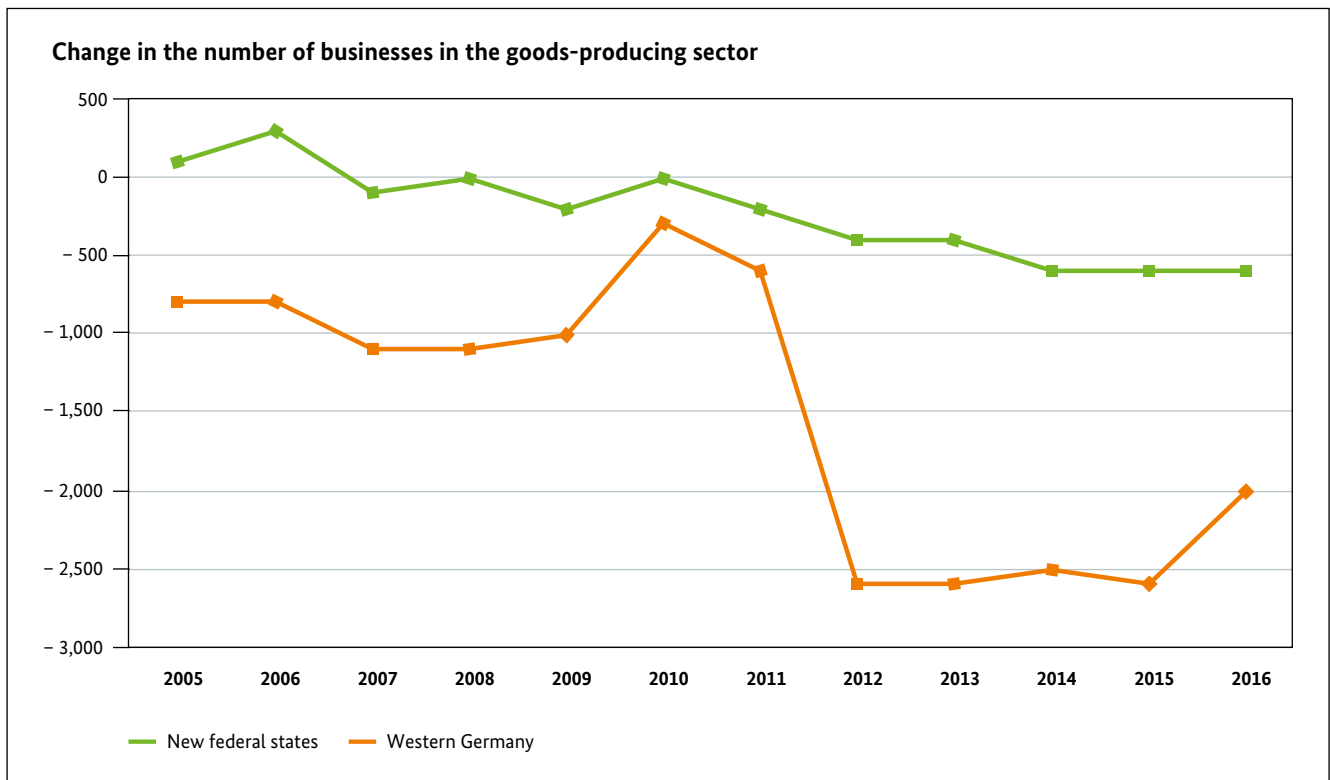
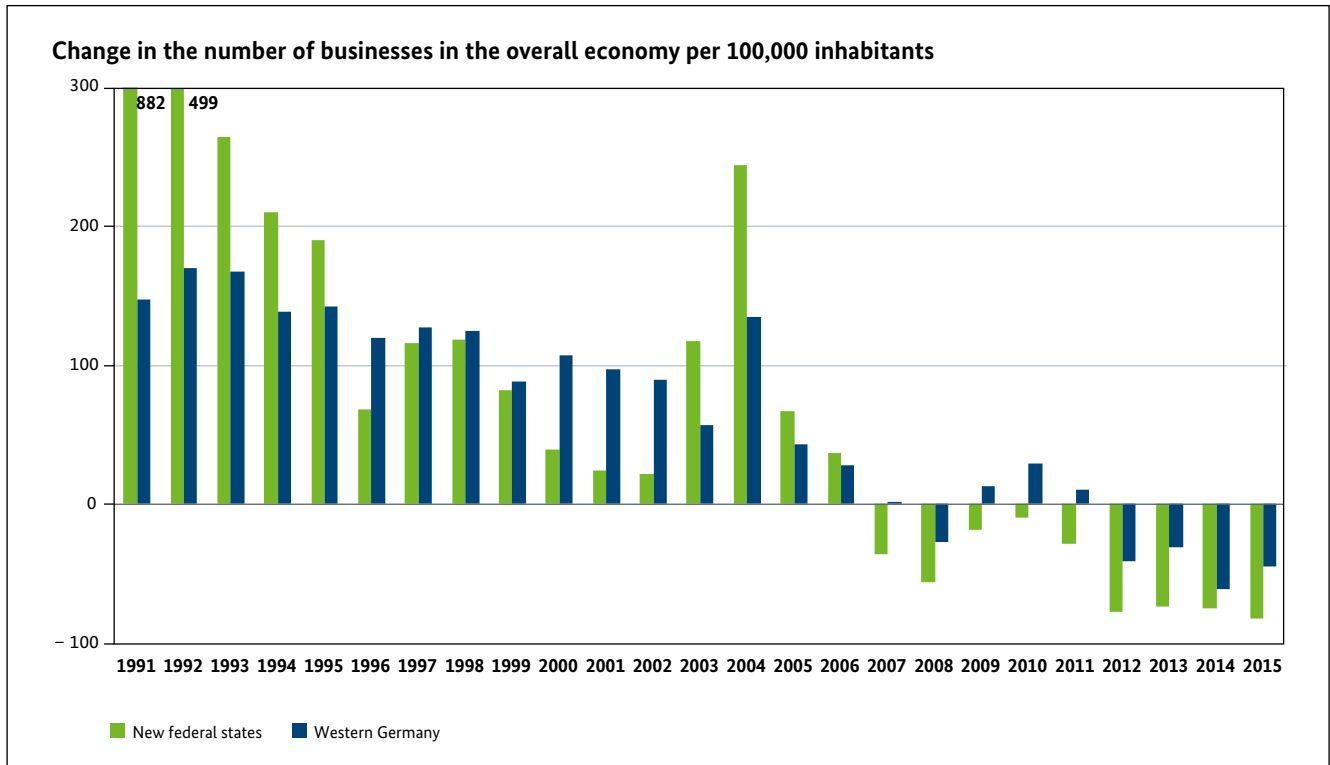
5 Since 1997, figures recalculated based on the number of business registrations and removals of businesses from the business register maintained by the Federal Statistical Office.

6 Due to changes in the IfM calculation method in 2003, data from previous years can only be compared to a limited extent.

7 The new statistical classification of economic activity (WZ) in place since 2008, therefore data from previous years can only be compared to a limited extent.

8 Balances cannot currently be presented for 2016 due to a lack of population figures.

Source: IfM Bonn (based on business registration statistics kept by the Federal Statistical Office).



Source: IfM Bonn (based on business registration statistics kept by the Federal Statistical Office).

## 1.7. Private and public R&D&I expenditure/R&D personnel

### Private and public R&D&I expenditure/R&D personnel in research institutes

2015	State, private non-profit institutions	Higher education institutions	Commerce	Total	State, private non-profit institutions	Higher education institutions	Commerce	Total
€ million				Share in gross domestic product, in %				
Berlin	1,481	1,111	1,819	4,411	1.20	0.90	1.47	3.56
Brandenburg	464	231	397	1,092	0.70	0.35	0.60	1.65
Mecklenburg-Western Pomerania	251	262	240	753	0.63	0.65	0.60	1.87
Saxony	884	869	1,346	3,099	0.78	0.76	1.19	2.73
Saxony-Anhalt	281	317	212	810	0.49	0.55	0.37	1.40
Thuringia	270	344	569	1,183	0.46	0.58	0.97	2.01
<b>Germany<sup>1</sup></b>	<b>12,486</b>	<b>15,344</b>	<b>60,952</b>	<b>88,782</b>	<b>0.41</b>	<b>0.51</b>	<b>2.01</b>	<b>2.93</b>

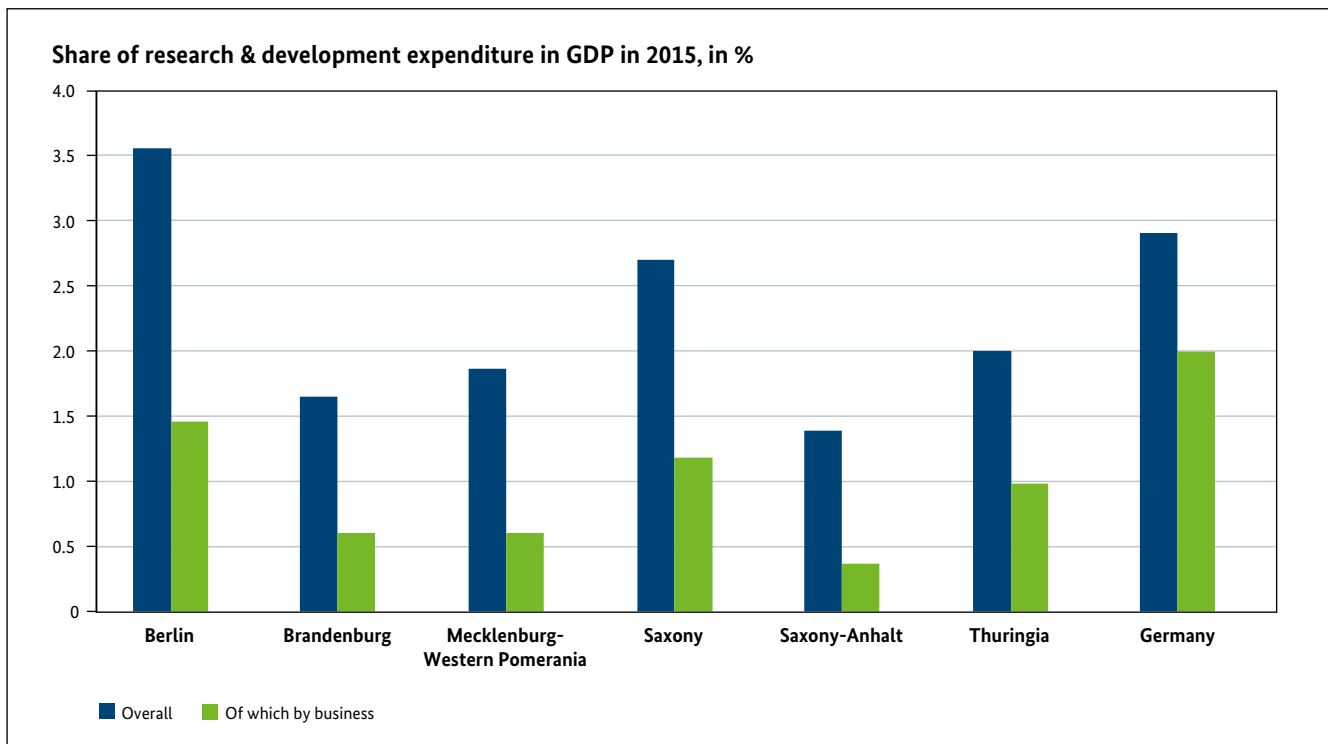
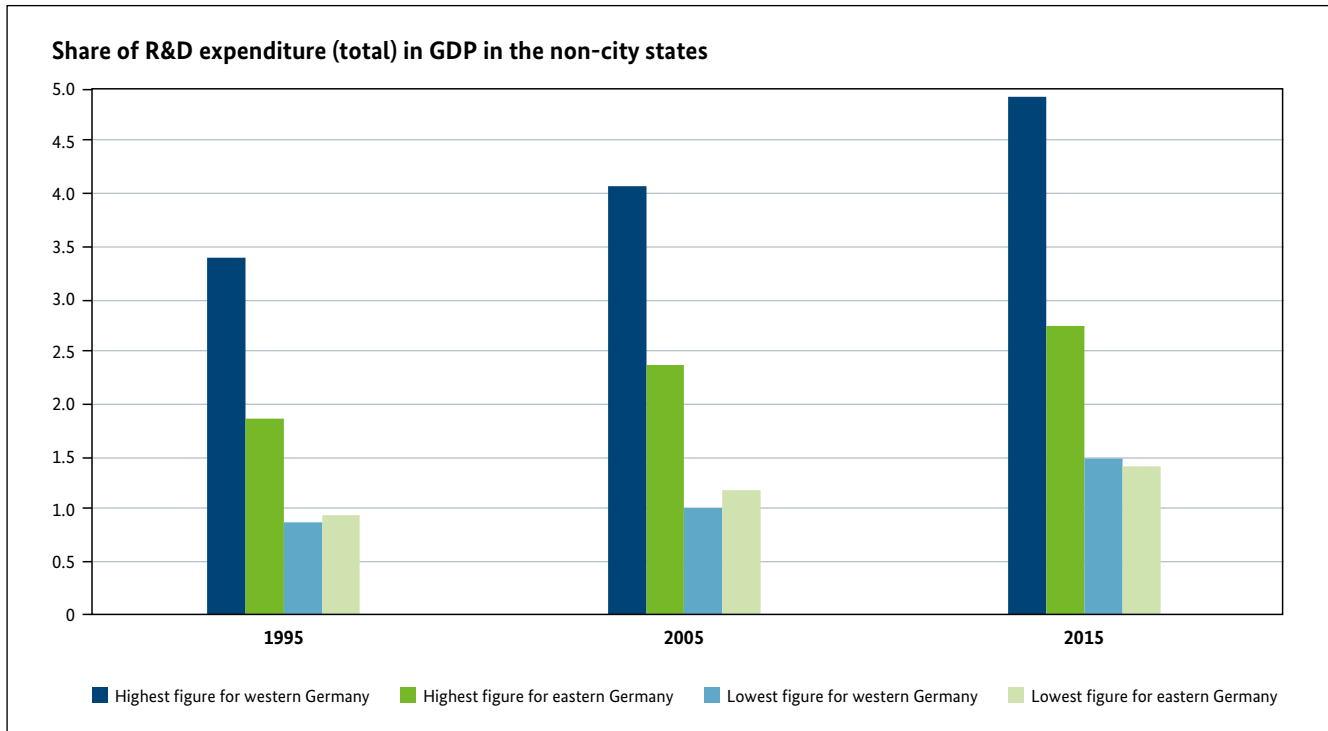
Year		R&D personnel					
		Total <sup>2</sup>	Share from business <sup>2</sup>	Share of total for Germany as a whole <sup>1</sup> , in %	Per 10,000 citizens	Per 10,000 persons gainfully active	Gap in R&D potential in the new federal states as a percentage of number of persons gainfully active
1995	Western Germany	380,813	250,704		60	136	
	New federal states	47,574	21,535	10.4	34	77	- 43
	Berlin	30,419	11,076	6.6	89	192	41
2000	Western Germany	405,168	276,271		63	141	
	New federal states	49,793	22,492	10.3	36	83	- 41
	Berlin	29,408	13,726	6.1	89	201	43
2005	Western Germany	400,989	274,979		62	139	
	New federal states	46,999	18,827	9.9	36	82	- 41
	Berlin	26,937	10,698	5.7	83	190	37
2010	Western Germany	459,392	303,551		71	150	
	New federal states	57,836	22,748	10.5	46	95	-37
	Berlin	31,073	10,913	5.7	95	219	46
2011	Western Germany	482,225	321,003		75	157	
	New federal states	61,230	24,786	10.6	49	103	- 35
	Berlin	31,216	11,340	5.4	95	202	29
2012	Western Germany	495,219	330,305		77	160	
	New federal states	63,177	25,504	10.7	50	107	- 33
	Berlin	32,412	11,669	5.5	97	210	31
2013	Western Germany	494,572	325,793		76	158	
	New federal states	61,786	23,173	10.5	49	105	- 34
	Berlin	31,824	11,408	5.4	94	203	28
2014	Western Germany	509,241	336,037		78	162	
	New federal states	62,575	23,902	10.3	50	107	- 34
	Berlin	33,001	11,767	5.5	96	205	27
2015	Western Germany	541,977	366,061		83	170	
	New federal states	63,339	25,375	9.9	50	108	- 36
	Berlin	34,785	13,332	5.4	100	215	26

1 Including data that cannot be divided up.

2 In full-time equivalents.

Source: Stifterverband statistical data; Federal Statistical Office, Working Group for National Accounts of the Federal States; In-house table.





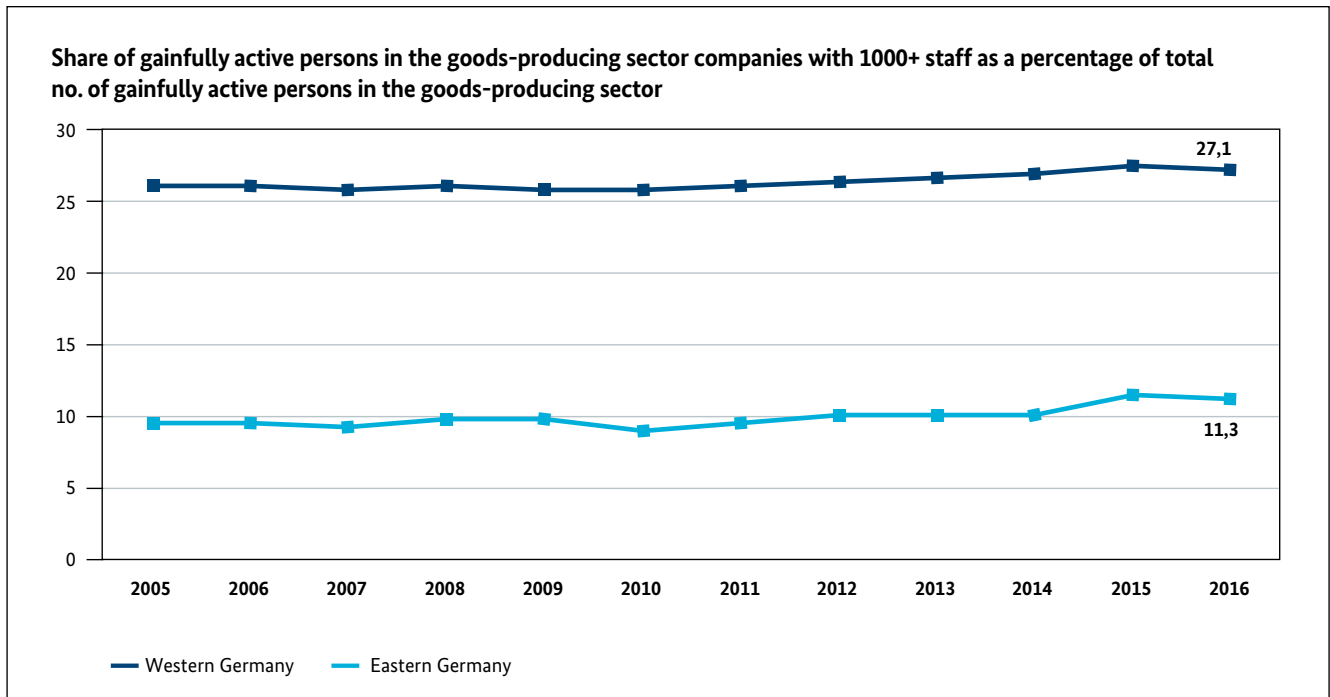
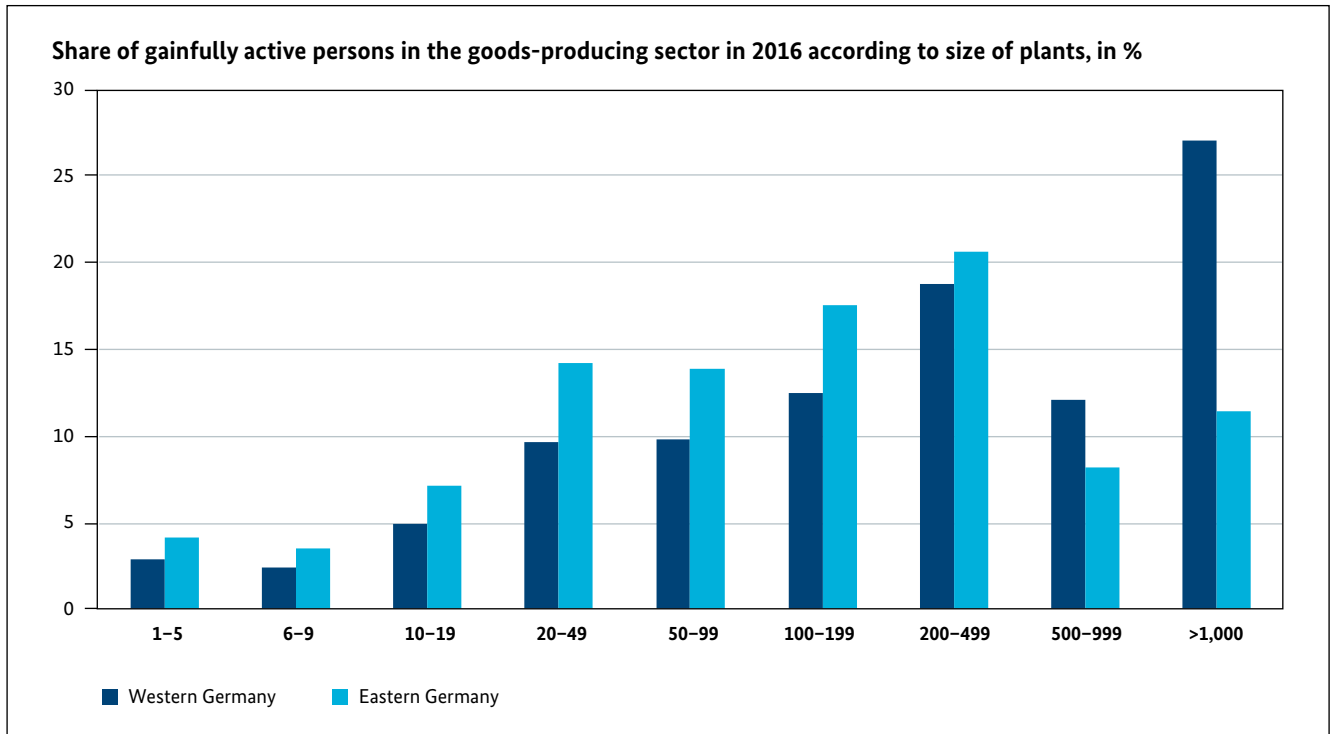
### 1.8. Fragmented nature of the east German economy: Number of gainfully active persons subject to the payment of social security contributions in the goods-producing sector, according to size of operations

Fragmentation: Number of gainfully active persons subject to the payment of social security contributions in the goods-producing sector in western (WG) and eastern Germany (EG) <sup>1</sup>, according to size of plants

Year		1-5	6-9	10-19	20-49	50-99	100-199	200-499	500-999	1.000 +
<b>Total no. employees</b>										
2005	WG	222,449	174,950	321,035	571,194	557,344	696,343	1,067,569	668,218	1,507,171
	EG	49,137	40,730	77,193	133,490	128,554	134,799	144,135	57,133	80,131
2006	WG	218,124	172,292	317,366	568,196	557,361	705,070	1,049,136	643,077	1,490,301
	EG	47,721	39,309	75,362	133,384	133,183	139,791	143,111	62,385	80,440
2007	WG	214,983	170,037	317,992	579,584	576,534	716,863	1,076,609	651,076	1,488,303
	EG	47,067	38,917	76,624	135,696	136,889	151,261	156,853	61,666	82,477
2008	WG	193,006	155,082	297,823	551,108	557,714	701,153	1,058,643	657,274	1,477,363
	EG	42,120	35,549	69,156	133,497	133,973	152,043	163,178	63,856	85,716
2009	WG	189,064	153,403	290,994	547,682	546,178	682,917	1,031,916	639,773	1,415,265
	EG	41,785	35,387	66,958	131,652	132,505	151,763	161,284	60,357	83,768
2010	WG	186,246	152,220	289,556	544,231	538,203	674,521	1,009,913	609,397	1,390,733
	EG	41,417	35,053	66,989	132,064	132,275	152,036	159,785	65,041	76,588
2011	WG	182,129	149,775	289,057	550,003	547,751	696,072	1,032,217	632,288	1,425,699
	EG	40,704	33,950	68,186	132,839	132,507	160,064	165,184	73,421	83,322
2012	WG	177,878	148,988	290,000	551,056	546,627	707,039	1,057,872	650,367	1,482,141
	EG	40,075	33,840	67,442	131,988	134,454	159,768	173,574	75,651	89,576
2013	WG	173,441	146,927	285,332	551,060	554,791	696,324	1,070,166	659,757	1,497,910
	EG	39,610	32,980	66,265	131,765	133,387	157,615	178,749	77,006	90,564
2014	WG	170,470	145,389	282,512	549,585	561,084	700,579	1,077,463	676,041	1,531,505
	EG	38,604	32,589	66,407	131,625	131,574	158,783	182,509	83,724	92,304
2015	WG	166,545	143,850	283,943	552,394	559,397	715,630	1,081,445	673,688	1,566,857
	EG	37,984	31,873	65,353	131,698	129,045	158,807	188,419	72,649	106,495
2016 <sup>2</sup>	WG	163,217	142,755	283,108	553,640	564,104	724,124	1,087,805	697,358	1,568,378
	EG	36,952	31,698	64,901	131,720	127,710	162,132	190,744	75,179	104,122

<sup>1</sup> Including cases unable to be assigned to a specific region.

<sup>2</sup> The information currently available suggests that, as a result of data processing errors, the final figures for the reporting months of June and July 2016 are slightly lower than they should be.



## 2. Labour market data

### 2.1. Number of persons unemployed, unemployment rate and under-employment rate

Attribute	2017				Change over monthly figure in preceding year (Unemployment/underemployment rate in preceding year)			
	June	May	April	March	June	May	April	
	Absolute		in %		in %		in %	
<b>Gainful employment</b>								
Gainfully active persons (monthly average; inside Germany) <sup>1</sup>	.	.	.	.	.	.	.	.
Gainfully active persons subject to the payment of social security (estimated)	...	...	5,968,200	5,937,100	...	...	...	2.2
<b>Registered unemployment within the meaning of Section 16 of the German Social Code III (SOCIAL CODE III)</b>	<b>615,512</b>	<b>626,624</b>	<b>651,985</b>	<b>688,026</b>	<b>- 70,948</b>	<b>- 10.3</b>	<b>- 11.6</b>	<b>- 11.9</b>
of which 27.6% under Social Code III <sup>2</sup>	169,676	174,942	190,460	214,864	10,976	6.9	5.0	5.5
of which 72.4% under Social Code II <sup>2</sup>	445,836	451,682	461,525	473,162	- 81,924	- 15.5	- 16.8	- 17.5
55.6% men	342,470	349,761	366,006	391,203	- 37,458	- 9.9	- 11.5	- 11.6
44.4% women	273,041	276,863	285,977	296,823	- 33,491	- 10.9	- 11.9	- 12.2
7.5% aged 15 to under 25 years	45,980	46,109	47,833	50,642	- 3,222	- 6.5	- 8.8	- 8.8
1.8%, of which aged 15 to under 20 years	10,945	10,804	11,176	11,734	- 573	- 5.0	- 7.7	- 7.0
23.3%, of which aged 55+	143,151	146,036	151,300	160,107	- 15,336	- 9.7	- 10.4	- 11.3
15.4% foreigners	94,486	94,272	96,103	97,762	3,522	3.9	1.8	2.2
84.3% Germans	518,663	530,053	553,389	587,603	- 75,139	- 12.7	- 13.8	- 14.1
5.7% severely disabled persons	34,832	35,290	36,036	36,992	- 3,636	- 9.5	- 10.3	- 10.6
<b>Unemployment rate as a percentage of the civilian labour</b>	<b>7.3</b>	<b>7.4</b>	<b>7.7</b>	<b>8.2</b>	<b>8.2</b>	<b>-</b>	<b>8.4</b>	<b>8.8</b>
Men	7.7	7.9	8.3	8.9	8.6	-	8.9	9.4
Women	6.8	6.9	7.1	7.4	7.7	-	7.8	8.2
aged 15 to under 25 years	8.0	8.0	8.2	8.6	8.4	-	8.6	8.3
aged 15 to under 20 years	6.4	6.3	7.3	7.7	7.5	-	7.6	8.4
aged 55 to under 65 years	7.9	8.1	8.6	9.1	9.1	-	9.3	10.0
Foreigners	19.2	19.1	22.2	22.6	21.1	-	21.4	24.9
Germans	6.5	6.7	6.9	7.4	7.4	-	7.7	8.0
Total of dependent, gainfully active persons in the civilian labour force	8.1	8.3	8.6	9.1	9.1	-	9.4	9.8
<b>Underemployment <sup>3</sup></b>								
Unemployment in the wider sense	705,922	719,497	745,818	780,982	- 76,008	- 9.7	- 10.3	- 10.2
Underemployment in the narrower sense	879,088	894,174	918,226	948,764	- 56,068	- 6.0	- 6.2	- 5.9
Underemployment excl. short-time employment	885,673	900,657	924,705	955,123	- 56,283	- 6.0	- 6.2	- 5.9
Underemployment rate (excl. short-term work)	10,3	10,4	10,7	11,1	10,9	-	11,2	11,4
<b>Persons receiving benefits <sup>3</sup></b>								
Unemployment benefit in the case of unemployment	144,311	148,841	163,919	187,230	- 12,844	- 8.2	- 10.1	- 8.0
Persons fit for employment and entitled to receive benefits)	1,199,271	1,207,658	1,214,877	1,218,791	- 36,946	- 3.0	- 3.0	- 3.0
Persons not fit for employment and entitled to receive benefits	416,188	416,489	418,019	417,902	5,090	1.2	0.9	1.1
Percentage of persons fit for work who are entitled to receive benefits	11.5	11.6	11.6	11.7	11.9	-	11.9	12.0

Attribute	2017				Change over monthly figure in preceding year (Unemployment/underemployment rate in preceding year)			
	June	May	April	March	June	May	April	
					Absolute	in %	in %	in %
<b>Number of registered vacancies</b>								
Monthly increase	35,498	37,143	39,961	41,032	-3,149	-8.1	-3.0	5.1
Increase since start of the year	225,495	189,997	152,854	112,893	133	0.1	1.8	3.0
Total vacancies <sup>4</sup>	138,400	136,620	136,467	135,065	9,094	7.0	6.8	7.4
BA (BA-X) job index	.	.	.	.	.	.	.	.
<b>Participants in selected active labour-market measures <sup>3</sup></b>								
Overall total	247,394	250,618	247,409	241,642	3,383	1.4	4.9	7.1
Of which: activation and integration into employment	46,113	48,566	49,398	49,845	- 714	- 1.5	9.9	18.4
Career choice and vocational training	40,246	40,842	40,993	40,920	879	2.2	1.4	0.9
Occupational further training	46,104	47,606	47,349	47,978	- 1,248	- 2.6	- 1.3	- 2.7
Taking up gainful activity	49,444	49,130	48,332	46,002	3,226	7.0	9.7	12.2
Special measures to integrate disabled persons	15,237	15,196	14,999	14,995	93	0.6	0.4	- 0.5
Job-creation measures	47,800	46,717	43,794	39,480	1,048	2.2	5.8	9.9
Grants that can be freely allocated/other grants	2,450	2,561	2,544	2,422	99	4.2	15.7	25.6
<b>Seasonally adjusted development compared to previous month</b>	<b>June 17</b>	<b>May 17</b>	<b>April 17</b>	<b>March 17</b>	<b>Feb. 17</b>	<b>Jan. 17</b>	<b>Dec. 16</b>	<b>Nov. 16</b>
Gainfully active persons (domestic) <sup>1</sup>	,	,	,	,	,	.	.	.
Employees subject to the payment of social security contributions	'''	'''	6,000	5,000	8,000	15,000	17,000	15,000
Unemployed persons	2,000	- 3,000	- 7,000	- 11,000	- 7,000	- 10,000	- 8,000	- 4,000
Underemployment (excl. short-time employment)	- 1,000	- 4,000	- 4,000	- 8,000	- 5,000	- 8,000	- 7,000	- 3,000
Registered vacancies	1,000	1,000	1,000	0	0	1,000	2,000	0
Unemployment rate as a percentage of the civilian labour force	7.6	7.6	7.6	7.7	7.8	7.9	8.0	8.1

1 Source: Federal Statistical Office

2 Since 1 January 2017, the allocation of support for those receiving both unemployment benefit and unemployment benefit II at the same time has been managed by the employment agencies. Such persons will in future be counted as unemployed under Social Code III (formerly under Social Code II). This must be taken into account when looking at comparisons with periods before this date.

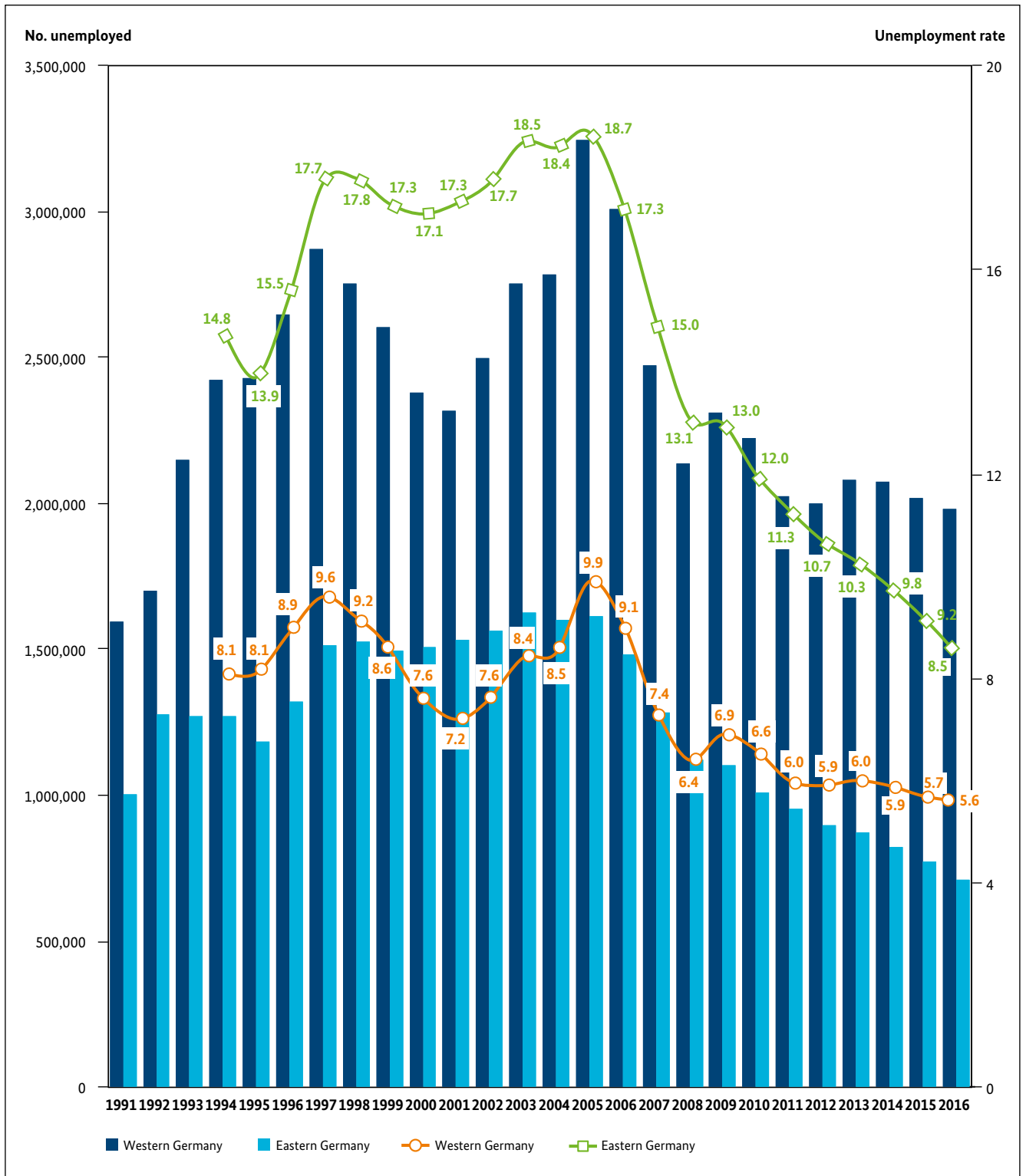
3 Final values are only determined after a waiting period. Most of the latest data can be extrapolated based on previous values.

The value for Germany also includes the number of beneficiaries receiving this employment benefit abroad.

4 According to the IAB Job Vacancy Survey, employment agencies and job centres had reported 50.3% of total job vacancies in the fourth quarter of 2016. Due to different survey concepts used, it is not possible to extrapolate the number of registered vacancies using the inverse reporting quota to obtain the number of vacancies in the overall economy.

Source: statistics from the Federal Labour Agency/current as at June 2017.

2.2. Unemployment in eastern and western Germany over time



Source: Federal Labour Agency/current as at June 2017; in-house graph.



## 2.3. Selected labour-market instruments in the new federal states

Labour-market instruments <sup>1</sup>	Figures – average figures, in 1,000 persons –									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>For information only: Unemployed persons</b>	<b>712</b>	<b>774</b>	<b>824</b>	<b>870</b>	<b>897</b>	<b>950</b>	<b>1,011</b>	<b>1,101</b>	<b>1,120</b>	<b>1,285</b>
<b>Activation and integration into employment</b>	<b>43</b>	<b>38</b>	<b>40</b>	<b>40</b>	<b>34</b>	<b>40</b>	<b>51</b>	<b>64</b>	<b>33</b>	<b>22</b>
Activation and integration into employment	43	38	39	40	34	39	50	32	-	-
Of which: measures with an employer	3	3	3	4	4	4	5	5	-	-
Trial employment of disabled persons	0	0	0	0	0	0	0	0	0	0
Commissioning of third party with placement	-	-	-	-	-	-	0	31	30	15
Commissioning of agency with integration measures	-	-	-	-	-	-	0	1	3	7
<b>Career choice and vocational training<sup>4</sup></b>	<b>39</b>	<b>36</b>	<b>35</b>	<b>38</b>	<b>58</b>	<b>72</b>	<b>84</b>	<b>82</b>	<b>78</b>	<b>77</b>
<i>Career choice and vocational training – excl. career guidance measures</i>				38	43	53	61	67	69	77
Career guidance measures	-	-	-	-	15	19	23	15	8	1
Career entry support programme	17	13	11	10	8	7	5	3	-	-
Pre-vocational training measures	7	7	7	8	9	11	13	14	16	19
Assistance during training	5	5	5	5	5	5	5	6	6	6
Vocational training outside of a company	6	7	9	12	16	23	30	35	40	42
Grants towards training allowances for disabled and severely disabled persons	1	1	1	1	1	1	1	2	2	2
Grant for severely disabled persons following initial training and further training	0	0	0	0	0	0	0	0	0	0
Entry qualification	2	2	2	2	2	2	2	2	3	0
Training bonus (residual allocations)	-	1	0	1	2	3	4	3	1	-
Socio-educational support, training management	-	-	-	-	0	0	0	0	0	0
Transitional support/activation support	-	-	-	-	-	0	0	2	2	3
Entry qualifications for young people (National Training Pact)	-	-	-	-	-	-	0	0	0	3
<b>Occupational further training</b>	<b>47</b>	<b>50</b>	<b>50</b>	<b>49</b>	<b>47</b>	<b>55</b>	<b>66</b>	<b>77</b>	<b>75</b>	<b>65</b>
Promoting occupational further training	44	47	48	46	43	51	61	61	49	42
General measures for further training (rehabilitation)	1	2	2	2	2	2	2	2	0	0
Wage payment subsidies for occupational further training of employees	3	2	2	1	1	1	2	2	1	1
ESF training during short-time work	-	0	0	0	0	0	1	2	0	-
Determination of suitability/training measures	-	-	-	-	-	-	0	10	24	23
Determination of suitability/training measures (rehabilitation)	-	-	-	-	-	-	0	0	0	0
<b>Taking up gainful activity</b>	<b>45</b>	<b>45</b>	<b>43</b>	<b>45</b>	<b>66</b>	<b>94</b>	<b>118</b>	<b>125</b>	<b>129</b>	<b>143</b>
<b>Promotion of dependent employment</b>	<b>37</b>	<b>36</b>	<b>33</b>	<b>35</b>	<b>46</b>	<b>61</b>	<b>81</b>	<b>86</b>	<b>73</b>	<b>60</b>
Re-integration grants	25	27	26	27	32	40	53	58	53	44
Re-integration grants for particularly severely disabled persons	3	3	3	3	4	5	5	4	4	4
Back-to-work bonus for dependent gainful employment subject to the payment of social security contributions	6	5	3	2	2	3	4	4	4	4
Employment subsidy (residual allocations)	1	1	1	1	2	5	12	12	4	0
Wages safeguards for older employees (residual allocations)	-	0	0	1	5	7	6	5	4	3
Personnel service agencies	-	-	-	-	-	0	0	0	1	1
Recruitment grant for start-ups	-	-	-	-	-	-	0	1	2	3
Recruitment grant for substitution (job rotation)	-	-	-	-	-	-	-	0	0	0
Training allowance for young employees	-	-	-	-	0	0	0	0	0	0
Back-to-work voucher (residual allocations)	-	-	-	0	1	1	2	1	0	-
Back-to-work support	-	-	-	-	-	-	0	0	1	1
<b>Promoting self-employment</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>21</b>	<b>33</b>	<b>37</b>	<b>39</b>	<b>56</b>	<b>83</b>
Entry bonus for self-employed persons	1	1	2	2	3	4	5	6	8	9
Benefits for integrating of self-employed persons	1	2	2	2	1	-	-	-	-	-
Start-up grant	6	6	6	5	17	29	32	30	31	22
Transition allowance for self-employed persons	-	-	-	-	-	-	-	-	-	1
Business start-up grant (one-person business)	-	-	-	-	-	-	-	3	17	51



Labour-market instruments <sup>1</sup>	Figures – average figures, in 1,000 persons –									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Special measures for inclusion of disabled persons</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>20</b>	<b>22</b>	<b>23</b>	<b>25</b>	<b>26</b>
Special measures for advanced training	2	2	3	3	3	3	3	3	4	4
Vocational assessment/career choice	0	0	0	0	0	0	0	0	0	0
Special measures for promoting vocational training	8	8	8	9	10	10	12	13	14	14
Case-based support	0	0	0	0	0	0	0	0	-	0
Individual rehabilitation measures	4	4	4	5	5	5	6	7	7	7
Assisted employment	1	1	1	1	1	1	0	0	-	-
<b>Job-creation measures</b>	<b>43</b>	<b>45</b>	<b>63</b>	<b>77</b>	<b>83</b>	<b>92</b>	<b>152</b>	<b>165</b>	<b>181</b>	<b>181</b>
Casual job opportunities	35	41	47	57	66	86	150	152	148	147
Of which: type with compensation	-	-	47	56	60	70	116	124	135	136
Promotion of jobs	4	4	5	3	0	-	-	-	-	-
Employment phase involving a job in the community	-	0	11	17	16	6	-	-	-	-
Job creation measures (residual allocations)	-	-	-	-	0	0	2	13	32	31
Traditional structural adjustment measures	-	-	-	-	-	-	-	-	1	2
Job-creation infrastructure measures	-	-	-	-	-	-	-	-	0	1
Work in social projects for the long-term unemployed	-	-	-	-	-	-	-	-	-	-
Casual job opportunities under the Alhi initiative	-	-	-	-	-	-	-	-	-	-
Special 'Jump Plus' programme	-	-	-	-	-	-	-	-	-	-
<b>Support that can be freely allocated/other support</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>8</b>	<b>11</b>	<b>38</b>	<b>49</b>
Support that can be freely allocated under Social Code II	2	2	3	4	6	6	7	3	-	-
Support that can be freely allocated under Social Code III	-	-	-	-	0	0	0	2	4	6
Other, additional benefits	-	-	-	-	0	0	1	6	34	44
Support for learning German	-	-	-	-	-	-	-	-	-	-
European Globalisation Adjustment Fund <sup>3</sup>	-	0	0	0	0	0	0	-	-	-
<b>Total no. instruments</b>	<b>234</b>	<b>232</b>	<b>252</b>	<b>270</b>	<b>312</b>	<b>378</b>	<b>500</b>	<b>547</b>	<b>558</b>	<b>563</b>
Part-time retirement (only cases eligible for support from the Federal Employment Agency)	-	6	10	13	14	14	15	15	16	17
<b>Total number of participants</b>	<b>234</b>	<b>238</b>	<b>262</b>	<b>283</b>	<b>325</b>	<b>393</b>	<b>515</b>	<b>563</b>	<b>574</b>	<b>580</b>
For information:										
Integration services provided by the municipalities <sup>2</sup>	11	10	9	9	8	8	9	8	5	1
Persons in short-time work (total of all grounds for claims)	27	26	30	46	40	38	90	152	21	16

1 Revisions in the past few years may result in differences to evaluations that use earlier data.

2 It is to be assumed that the figures recorded are lower than they should be as only a certain proportion of the agencies providing data have recorded data on the use of municipal integration benefits for the respective reporting years.

3 Due to the delayed recording of measures conducted between 1 November 2009 and 30 June 2010, entries for 1,740 participants are not included in the statistics. From the reporting month of August 2010 onwards, the statistics on EGF participation show the full amount support that has been granted.

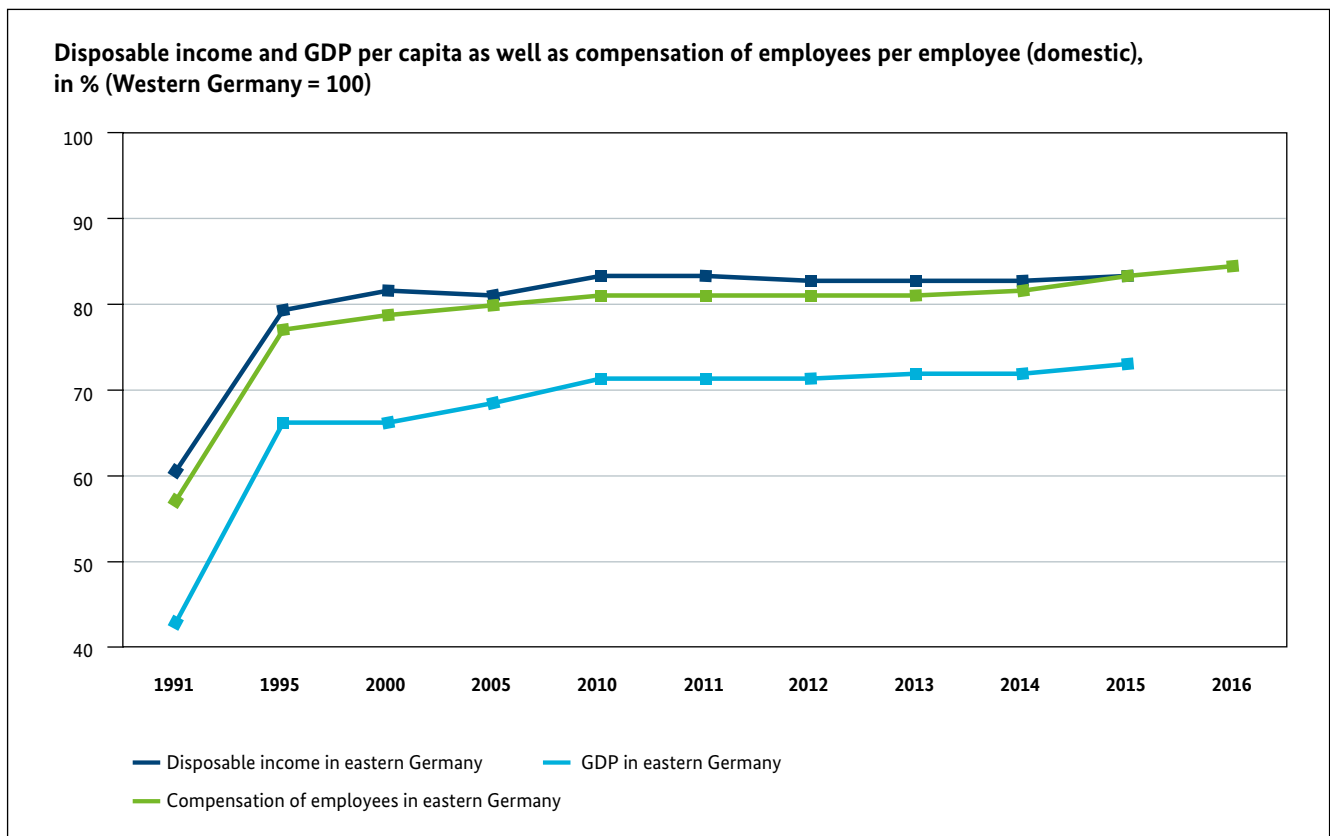
4 Contrary to the standard tables on labour market instruments in the statistics of the Federal Employment Agency displaying data on participation in careers guidance measures in accordance with Section 48 Social Code III.

### 3. Income and public finances

#### 3.1. Disposable income

Disposable income per capita: <sup>1</sup>

Year	Berlin	Western Germany	Eastern Germany	New federal states	Germany	in %	
						New federal states/western Germany	Eastern Germany/western Germany
						in €	
1991	13,055.0	13,787.6	8,352.4	7,247.5	12,560.0	52.6	60.6
1995	15,367.0	15,316.5	12,174.6	11,399.9	14,637.0	74.4	79.5
2000	15,539.0	16,597.5	13,563.5	13,090.9	15,961.0	78.9	81.7
2005	16,402.0	18,546.0	15,099.6	14,778.4	17,848.0	79.7	81.4
2010	17,856.0	20,100.5	16,835.8	16,572.3	19,452.0	82.4	83.8
2011	18,183.0	20,719.3	17,264.3	17,023.5	20,035.0	82.2	83.3
2012	18,380.0	21,201.2	17,588.5	17,377.3	20,487.0	82.0	83.0
2013	18,369.0	21,447.8	17,853.7	17,713.7	20,739.0	82.6	83.2
2014	18,604.0	21,849.4	18,132.6	18,002.6	21,118.0	82.4	83.0
2015	19,095.0	22,312.1	18,602.7	18,465.6	21,583.0	82.8	83.4



<sup>1</sup> Disposable income of private households including private, non-profit organisations. Average population based on the 2011 census. Source: Federal Statistical Office, in-house calculations and in-house table.

### 3.2. Public spending and investments, public revenue incl. tax revenue

#### Public spending and investments in federal states and municipalities

Year	Brandenburg	Mecklenburg-Western Pomerania	Saxony-Anhalt	Saxony	Thuringia	New federal states	Berlin	Eastern Germany	Western Germany
<b>Adjusted public spending per capita by federal state <sup>1</sup>, in €</b>									
1991	-	-	-	-	-	-	5,832	-	3,845
1995	5,092	5,254	5,240	5,079	5,025	5,125	7,290	5,548	4,396
2000	4,783	4,851	4,785	4,521	4,687	4,692	6,420	5,025	4,156
2005	4,753	4,963	5,028	4,520	4,561	4,723	6,695	5,113	4,347
2010	5,246	5,219	5,243	5,167	5,103	5,192	6,753	5,512	4,993
2011	5,276	5,415	5,386	5,022	5,147	5,209	6,754	5,530	5,127
2012 <sup>2</sup>	5,647	5,872	5,647	5,216	5,192	5,458	7,189	5,823	5,605
2013 <sup>3</sup>	5,644	5,661	5,580	5,527	5,273	5,533	6,971	5,840	5,748
2014 <sup>3</sup>	5,838	5,837	5,899	5,848	5,379	5,773	7,200	6,081	5,920
2015 <sup>3</sup>	6,031	5,989	6,247	5,738	5,499	5,878	7,405	6,210	6,137

Year	Brandenburg	Mecklenburg-Western Pomerania	Saxony-Anhalt	Saxony	Thuringia	New federal states	Berlin	Eastern Germany	Western Germany
<b>Adjusted public spending by federal state <sup>1</sup> Of which public taxes and parafiscal charges<sup>1</sup> per capita by federal state, in €</b>									
1991	-	-	-	-	-	-	5,428	-	3,661
davon	-	-	-	-	-	-	1,420	-	2,335
1995	4,466	4,588	4,520	4,691	4,479	4,567	5,633	4,775	4,126
davon	2,066	1,896	1,879	2,005	1,899	1,959	2,357	2,036	2,545
2000	4,486	4,678	4,491	4,471	4,395	4,491	5,644	4,713	4,108
davon	2,202	2,160	2,121	2,181	2,122	2,161	2,635	2,252	2,947
2005	4,520	4,730	4,574	4,544	4,323	4,530	5,735	4,769	4,047
davon	2,107	2,030	2,127	2,125	2,103	2,106	2,513	2,186	2,832
2010	5,038	5,182	5,033	5,121	4,819	5,044	6,359	5,314	4,614
davon	2,640	2,516	2,556	2,639	2,543	2,592	3,208	2,718	3,260
2011	5,310	5,636	5,372	5,577	5,099	5,412	6,455	5,629	4,944
davon	2,826	2,698	2,828	2,835	2,761	2,802	3,289	2,903	3,522
2012 <sup>2</sup>	5,698	5,801	5,728	5,607	5,340	5,625	7,197	5,956	5,493
davon <sup>2</sup>	2,985	2,916	2,993	3,021	2,956	2,984	3,472	3,087	3,734
2013 <sup>3</sup>	6,028	5,928	5,748	5,788	5,503	5,796	7,178	6,091	5,692
davon <sup>3</sup>	3,215	3,038	3,110	3,146	3,108	3,133	3,516	3,215	3,871
2014 <sup>2</sup>	6,068	6,093	5,960	6,158	5,552	5,992	7,484	6,314	5,879
davon <sup>3</sup>	3,226	3,258	3,187	3,236	3,197	3,222	3,816	3,350	4,013
2015 <sup>2</sup>	6,398	6,442	6,652	6,010	5,737	6,209	7,753	6,546	6,166
davon <sup>3</sup>	3,451	3,414	3,387	3,425	3,388	3,416	3,906	3,522	4,235

Year	Brandenburg	Mecklenburg-Western Pomerania	Saxony-Anhalt	Saxony	Thuringia	New federal states	Berlin	Eastern Germany	Western Germany
<b>Tax revenue of the federal states per capita <sup>4</sup>, in €</b>									
1995	642	545	520	591	517	567	1,116	-	1,185
2000	480	451	383	438	393	429	1,210	-	1,287
2005	513	432	378	450	457	447	987	-	1,141
2010	810	642	633	659	637	677	1,154	-	1,309
2011	904	737	747	746	734	773	1,253	-	1,449
2012	986	817	825	803	816	847	1,358	-	1,568
2013	1,097	902	902	897	889	937	1,531	-	1,668
2014	1,159	982	923	959	933	990	1,641	-	1,753
2015 <sup>5</sup>	1,280	1,055	1,011	1,064	1,022	1,089	1,801	-	1,852

1 Up to and including 1997, from 1998 excluding hospitals and university clinics that use commercial accounting. Up to 1991, former federal territory, from 1992 Germany. Up to 2011, accounting results for public sector budgets.

2 Quarterly cash statistics including extra budgets; in 2012, excluding municipal special-purpose associations. From 2012 to 2014, 'total' includes extra, joint budgets. From 2012 to 2015, revised results.

3 Quarterly cash statistics including extra budgets; in 2012, excluding municipal special-purpose associations. From 2012 to 2015, revised results.

4 Tax revenue following distribution. Up to 1991, former federal territory, from 1992 Germany.

5 Quarterly cash statistics including extra budgets; in 2012, excluding municipal special-purpose associations. From 2012 to 2015, revised results.

## 4. Overview

### 4.1. Selected economic data on the situation in the new federal states

2016	Berlin	Brandenburg	Meckl.-West Pom.	Saxony-Anhalt	Saxony states	Thuringia	New fed.
Area in km <sup>2</sup> (on 31 Dec. 2015)	892	29,654	23,214	20,452	18,449	16,202	107,971
Population in 1,000 <sup>1</sup>	3,495	2,485	1,612	2,245	4,085	2,171	12,598
Share of total population, in %	-	19,7	12,8	17,8	32,4	17,2	100,0
Population density in persons/km <sup>2</sup> <sup>1</sup>	3,919	84	69	110	221	134	117
<b>Gross domestic product (GDP)<sup>9</sup>, Change over preceding year, in % (price-adjusted, chain-linked)</b>	<b>2,7</b>	<b>1,7</b>	<b>1,3</b>	<b>1,0</b>	<b>2,7</b>	<b>1,1</b>	<b>1,8</b>
GDP in current prices, in € million	129,454	68,508	41,429	59,378	118,457	60,843	348,615
GDP per capita in 2015, in € (current prices)	35,428	26,848	25,025	25,828	27,899	27,172	26,829
GDP per gainfully active person in 2015, in € (current prices)	67,176	61,264	54,027	57,633	56,379	56,403	57,199
<b>Gross value added in the goods-producing sector<sup>9</sup>, Change over preceding year, in % (price-adjusted, chain-linked)</b>	<b>0,6</b>	<b>3,9</b>	<b>0,5</b>	<b>1,1</b>	<b>3,3</b>	<b>3,4</b>	<b>2,8</b>
<b>Gross value added<sup>9</sup> in € million (in current prices)</b>	<b>116,575</b>	<b>61,693</b>	<b>37,308</b>	<b>53,470</b>	<b>106,672</b>	<b>54,790</b>	<b>313,932</b>
Agriculture, forestry and fisheries	5	733	794	836	651	535	3,549
Goods-producing sector excl. construction	13,362	12,523	5,716	13,755	26,327	14,776	73,097
*Of which goods-producing sector	10,183	8,731	4,046	10,485	21,955	12,883	58,101
construction	4,643	4,301	2,566	3,685	8,010	3,893	22,454
Services	98,565	44,136	28,232	35,195	71,684	35,586	214,832
<b>Labour force participation rate in 2016<sup>2</sup></b>	<b>77,5</b>	<b>80,0</b>	<b>77,0</b>	<b>78,8</b>	<b>80,5</b>	<b>79,5</b>	<b>79,0</b>
<b>Gainfully active persons in thousands<sup>3</sup></b>	<b>1,700</b>	<b>1,223</b>	<b>744</b>	<b>1,029</b>	<b>1,932</b>	<b>1,031</b>	<b>5,959</b>
<b>Unemployed persons in the reporting month June 2017<sup>4 5</sup></b>	<b>182,502</b>	<b>108,034</b>	<b>85,440</b>	<b>112,620</b>	<b>161,544</b>	<b>79,514</b>	<b>729,654</b>
<b>Unemployment rate<sup>4 5</sup></b>							
Reporting month	9,8	8,2	10,3	9,8	7,6	7,0	8,7
Preceding month	10,7	9,2	11,5	10,9	8,5	7,8	9,6
<b>Registered vacancies<sup>4 5</sup></b>	<b>24,994</b>	<b>18,973</b>	<b>12,969</b>	<b>16,204</b>	<b>31,801</b>	<b>20,854</b>	<b>125,795</b>
<b>Underemployment rate (excl. short-term work)<sup>5</sup></b>	<b>13,1</b>	<b>10,4</b>	<b>12,7</b>	<b>12,8</b>	<b>9,6</b>	<b>8,8</b>	<b>11,1</b>
<b>Gainfully active persons subject to the payment of social security contributions in December 2015<sup>5 10</sup></b>	<b>1,413,255</b>	<b>832,048</b>	<b>559,199</b>	<b>794,006</b>	<b>1,582,641</b>	<b>804,005</b>	<b>5,985,154</b>
Applicants for vocational training places without places as at 30 Sept. 2016 <sup>5 11</sup>	1,700	946	433	292	549	339	4,259
<b>Vacant vocational training places in September 2016<sup>5 11</sup></b>	<b>8,197</b>	<b>1,821</b>	<b>1,428</b>	<b>849</b>	<b>1,733</b>	<b>1,153</b>	<b>8,197</b>
<b>Business registrations<sup>6</sup></b>	<b>42,443</b>	<b>17,080</b>	<b>10,152</b>	<b>11,562</b>	<b>28,177</b>	<b>12,154</b>	<b>79,125</b>
Of which: start-ups	39,022	13,029	8,143	9,601	22,894	9,651	63,318
<b>Business registrations</b>	<b>34,819</b>	<b>17,661</b>	<b>11,448</b>	<b>13,307</b>	<b>29,771</b>	<b>14,415</b>	<b>86,602</b>
<b>Funding programmes</b>							
<b>Funding programmes for commercial and freelance companies from the ERP Special Fund<sup>7</sup></b>							
Cumulative commitment volume from 1990–2016 (in € million)	2,262	9,214	8,337	9,302	15,048	10,372	52,273
<b>Joint task 'Improving the Regional Economic Structure' (GRW) from 1991 to 2016<sup>8</sup></b>							
Commitment amount (in € million)	2,000	8,132	4,426	8,617	11,699	6,768	39,641

1 Federal Statistical Office and state statistical offices. As at November 2016/February 2017.

2 Federal Statistical Office, share of the active population (gainfully active persons and unemployed persons according to ILO concept) in overall population, per sex and federal state. From 2016, sample updated on the basis of the 2011 Census, the results are comparable only to a limited extent with previous years. New federal states including Berlin.

3 Federal Statistical Office and state statistical offices.

4 Federal Employment Agency, as at January 2017.

5 New federal states including Berlin. Unemployment rate based on total civilian labour force.

6 Federal Statistical Office and state statistical offices, business registrations, insolvencies. As at 11 April 2016.

7 Federal Ministry for Economic Affairs and Energy, as at 31 December 2016, ERP commitments from 1990 (net amounts after deduction of waivers, reductions, cancellations), from 2004, figures for Berlin as a whole. New federal states including Berlin.

8 Federal Office for Economic Affairs and Export Control, from January 1991 to December 2016 includes ERDF co-financing (Berlin: whole city).

9 Federal Statistical Office, National Accounts of the Federal States, Series 1 Volume 1 (as at November 2016/February 2017).

10 Federal Employment Agency, employment subject to the payment of social security contributions, as at December 2016.

11 Federal Employment Agency, labour market in figures, market for training places (vocational training market), September 2016.

Sources: Federal Statistical Office, Working Group on National Accounts of the Federal States, Working Group on Calculation of Gainfully Active Persons, Federal Employment Agency, Federal Ministry for Economic Affairs and Energy, Federal Office for Economic Affairs and Export Control.

## 4.2. Economic and structural data of the new federal states compared to the old federal states

Federal state	Population <sup>1</sup> in 2015 in 1,000	Gainfully active population <sup>3</sup>			Unemployed persons in 2016 <sup>5</sup>		Gross domestic product in 2016 <sup>1</sup>		
		2016 in 1,000	Labour force participation rate <sup>2</sup> 2016 in %	Gainfully active per- sons <sup>4</sup> 2016 in 1,000	in 1,000	Rate in %	(in current prices), in € million	(in current prices) per capita, 10 in €	(price-adjusted, chain-linked) change over preceding year
Meckl.-West. Pom.	1,606	794	77.0	744	85	10.3	41.4	25,025	1.3
Brandenburg	2,471	1,283	80.0	1,223	108	8.2	68.5	26,848	1.7
Saxony-Anhalt	2,231	1,113	78.8	1,029	113	9.8	59.4	25,828	1.0
Thuringia	2,241	1,087	79.5	1,031	80	7.0	60.8	27,172	1.8
Saxony	4,070	2,036	80.5	1,932	162	7.6	118.5	27,899	2.7
<b>New federal states <sup>2</sup></b>	<b>12,619</b>	<b>8,158</b>	<b>79.0</b>	<b>7,658</b>	<b>730</b>	<b>8.7</b>	<b>348.6</b>	<b>26,829</b>	<b>1.9</b>
Schleswig-Holst.	2,845	1,401	77.0	1,344	100	6.6	89.2	30,482	1.4
Hamburg	1,775	957	78.7	917	72	7.2	110.7	60,912	1.3
Lower Saxony	7,877	3,962	76.4	3,798	263	6.2	264.1	32,591	1.4
Bremen	667	335	74.8	317	37	10.5	32.3	46,755	2.2
North Rhine-Westph.	17,752	8,818	74.6	8,417	731	7.7	669.7	36,544	1.8
Hesse	6,135	3,159	76.8	3,032	179	5.4	269.4	42,732	1.5
Rhineland-Palatinate	4,032	2,070	77.2	1,994	118	5.4	139.5	33,589	1.5
Baden-Württemb.	10,798	5,784	79.7	5,602	234	3.9	476.8	42,623	2.2
Bavaria	12,768	6,865	79.9	6,687	276	3.8	568.0	42,950	2.1
Saarland	992	494	75.5	470	37	7.2	35.1	34,893	0.0
<b>Western Germany</b>	<b>65,640</b>	<b>33,845</b>	<b>77.3</b>	<b>32,578</b>	<b>2,048</b>	<b>5.7</b>	<b>2,654.6</b>	<b>39,187</b>	<b>1.8</b>
Berlin	3,495	1,845	77.5	1,700	183	9.8	129.5	35,627	2.7
<b>Germany</b>	<b>81,754</b>	<b>42,003</b>	<b>77.6</b>	<b>40,236</b>	<b>2,777</b>	<b>6.3</b>	<b>3,132.7</b>	<b>37,128</b>	<b>1.9</b>

Federal state	Industrial turnover in 2016 <sup>6</sup>		Industrial plants in 2015 <sup>9 10</sup> per 100,000 Population	Gainfully active persons in 2016 <sup>9</sup> per industrial plant	Export rate <sup>6 7</sup> 2016 in %	Public figures			
	in € billion	Change over preceding year, in %				Tax coverage rate <sup>8</sup> Actual figure 2016 in %	Personnel costs ratio <sup>8</sup> Actual figure 2016 in %	Investment ratio <sup>8</sup> Actual figure 2016 in %	Tax expendi- ture ratio <sup>8</sup> Actual figure 2016 in %
Meckl.-West. Pom.	14.6	-1.9	46	82	31.1	60.0	25.6	13.6	3.3
Brandenburg	24.7	0.7	47	84	29.5	67.0	23.3	9.9	3.1
Saxony-Anhalt	39.2	-2.0	65	93	28.5	62.8	24.8	10.9	4.9
Thuringia	34.2	3.5	80	97	31.8	67.7	28.0	11.6	4.7
Saxony	63.8	0.2	74	91	37.0	65.0	23.9	15.6	1.1
<b>New federal states <sup>2</sup></b>	<b>201.2</b>	<b>0.0</b>	<b>55</b>	<b>94</b>	<b>35.6</b>	<b>64.9</b>	<b>25.0</b>	<b>12.7</b>	<b>3.1</b>
Schleswig-Holst.	36.0	-0.1	43	103	40.0	78.4	34.8	6.6	5.3
Hamburg	68.6	-3.3	24	194	31.4	80.2	31.5	6.7	4.1
Lower Saxony	204.7	0.9	46	145	45.9	81.7	38.9	4.7	4.4
Bremen	27.7	13.3	39	211	61.1	57.8	30.1	8.7	11.3
North Rhine-Westph.	331.9	-0.5	57	120	44.1	78.5	35.6	8.7	4.1
Hesse	109.8	-0.5	45	145	50.4	82.9	34.6	6.3	3.8
Rhineland-Palatinate	92.0	0.2	56	130	53.3	74.9	37.2	5.4	5.1
Baden-Württemb.	349.6	1.1	76	152	55.1	76.2	33.9	9.2	3.1
Bavaria	349.8	2.0	56	170	52.3	83.1	38.0	10.1	1.4
Saarland	27.5	-2.5	48	187	48.2	70.7	36.9	8.9	9.5
<b>Western Germany</b>	<b>1,597.6</b>	<b>0.7</b>	<b>56</b>	<b>144</b>	<b>49.2</b>	<b>80.4</b>	<b>36.6</b>	<b>8.2</b>	<b>3.6</b>
Berlin	24.9	-0.7	20	126	57.5	56.5	29.9	11.0	5.3
<b>Germany</b>	<b>1,799.0</b>	<b>0.6</b>	<b>56</b>	<b>134</b>	<b>47.7</b>	<b>77.6</b>	<b>24.8</b>	<b>9.3</b>	<b>3.8</b>

1 Working Group for National Accounts of the Federal States. As at: November 2016/February 2017.

2 In the case of unemployment figures, labour force participation rate, industrial turnover, companies, employees, export ratio: new federal states including Berlin.

3 Active population (= gainfully active persons + unemployed persons) aged 15-65 years (ILO concept); labour force participation = share of the labour force in the resident population of working age (15 to 65 years).

4 Employed persons aged 15 to under 65 years according to federal states, results of the 2016 Microcensus. From 2011 onwards, estimations are based on the population update on the basis of the 2011 census; the results can only be compared to a limited extent with previous years. From 2016, sample updated on the basis of the 2011 Census, the results are comparable only to a limited extent with those from previous years. Source: Federal Statistical Office

5 Federal Employment Agency, unemployed persons according to eastern/western Germany, monthly figures for January 2017; new federal states incl. Berlin, old federal states excl. Berlin. Rate based on total civilian labour force.

6 In goods-producing and mining enterprises with 20 employees or more, new federal states incl. Berlin; statistical classification of economic activities (WZ) of 2008.

7 Share of foreign sales in total sales.

8 Share of total expenditure in the federal state budget (only core federal state budgets (excl. extra budgets, excl. municipalities, excl. special-purpose associations); instead of Germany: federal states together, figures from Federal Ministry of Finance, as at July 2017.

9 Based on manufacturing plants with 20 employees or more in September 2015.

10 As no current population data for 2016 was available at the time of printing, the figures are based on 2015.

Sources: Federal Statistical Office, Federal Employment Agency, Working Group for National Accounts of the Federal States and for Calculation of Gainfully Active Persons.

## 4.3. National accounts in an East-West comparison

		Western Germany		New federal states		New federal states in relation to western Germany in %		Share of new federal states in Germany as a whole, in %	
		1991	2015	1991	2015	1991	2015	1991	2015
Resident population <sup>1</sup>	1,000	61,912.5	65,640.3	14,624.7	12,551.4	23.6	19.1	18.3	15.4
Gainfully active persons (domestic)	1,000	30,300	35,327	6,787	5,887	22.4	16.7	17.5	13.7
Employees (domestic) <sup>2</sup>	1,000	27,210	32,305	6,439	5,317	23.7	16.5	18.3	13.5
Unemployed <sup>4</sup>	1,000	1,596	1,979	1,006	712,202	63.0	36.0	38.6	26.5
<b>Gross domestic product (GDP)</b> (in current prices) <sup>2</sup>	€ bn	<b>1,404.6</b>	<b>2,654.6</b>	<b>107.4</b>	<b>348.6</b>	<b>7.6</b>	<b>13.1</b>	-	
GDP per capita (in current prices)	€	22,687	39,187	7,342	26,829	32.4	68.5	-	
GDP per gainfully active person (in current prices)	€	46,356	72,814	15,821	57,199	34.1	78.6	-	
GDP per gainfully active person, per hour of work (in current prices) <sup>3</sup>	€	37.62	53.69	26.40	41.91	70.2	78.1	-	
GVA per gainfully active person, per hour of work (in current prices) <sup>3</sup>	€	33.84	48.33	23.74	37.72	70.2	78.0	-	
<b>Compensation of employees</b> <sup>2</sup>	€ bn	<b>731.8</b>	<b>1,348.9</b>	<b>84.8</b>	<b>177.8</b>	-	-	<b>9.9</b>	<b>11.1</b>
Compensation of employees per employee	€	26,869	40,887	13,164	32,383	49.0	79.2	-	-
Compensation of employee per hour of work <sup>3</sup>	€	24.28	31.70	17.61	25.22	72.5	79.6	-	-
Gross wages and salaries <sup>2</sup>	€ bn	598.1	1,104.0	71.3	147.7	-	-	10.2	11.3
Gross wages and salaries per employee <sup>2</sup>	€	21,980	34,176	11,086	27,784	50.4	81.3	-	-
<b>Gross investment in plant per capita</b> <sup>5</sup>	€	<b>5,300</b>	<b>7,600</b>	<b>3,300</b>	<b>5,300</b>	<b>62</b>	<b>70</b>	-	-
Capital stock per gainfully active person <sup>7</sup>	€	229,251	402,701	84,608	353,344	37	88	-	-
Capital stock per capita <sup>7</sup>	€	112,195	216,477	39,264	166,628	35	77	-	-
						<b>New federal states/ old federal states in %</b>			
<b>Unit wage costs</b> <sup>8</sup>	%	<b>71.75</b>	<b>65.59</b>	<b>74.18</b>	<b>66.86</b>	<b>3.4</b>	<b>1.9</b>	-	-

1 Population in 2015: Country data as of February 2017 as per Statistical Classification of Economic Activities (WZ) 2008.

2 Values for 2016.

3 Figures for 1991 according to ESA 1995. Figures for 2015 (revision in 2014) according to ESA 2010. New federal states including Berlin. The figures according to the 2014 revision of the National Accounts are available from the year 2000 onwards and are not recalculated for any years prior to 1991.

4 Values for 2016, Der Arbeits- und Ausbildungsmarkt in Deutschland – Monatsbericht Juni 2017, p.68-69.

5 1991, 2014, figure derived using in-house calculations for 1991 and 2014.

6 1991, 2014, here: gross fixed assets at the end of the year at replacement prices in relation to the annual average number of gainfully active persons (calculations as at November 2016/February 2017, WZ 2008).

7 1991, 2014, here: Gross fixed assets at the end of the year at replacement prices per capita (calculations as at November 2016/February 2017, WZ 2008).

8 Employee compensation per hour of work in relation to gross value added per gainfully active person, per hour of work, in current prices.

Sources: Working Groups for National Accounts of the Federal States and for Calculation of Gainfully Active Persons at Federal and at Federal-State Level; Federal Employment Agency; Federal Statistical Office; figures and relationships: in-house calculations.



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