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## Contents

<table>
<thead>
<tr>
<th>Preliminary remarks</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part A</strong></td>
<td><strong>6</strong></td>
</tr>
<tr>
<td><strong>I.</strong> Current challenges in eastern Germany</td>
<td>7</td>
</tr>
<tr>
<td>Quality of life in the eastern federal states</td>
<td>7</td>
</tr>
<tr>
<td>Economic development – convergence</td>
<td>8</td>
</tr>
<tr>
<td>A fragmented economy, structural weakness</td>
<td>8</td>
</tr>
<tr>
<td>Boosting innovative strength</td>
<td>9</td>
</tr>
<tr>
<td>Securing skilled workers</td>
<td>10</td>
</tr>
<tr>
<td>Right-wing extremism and xenophobia</td>
<td>10</td>
</tr>
<tr>
<td>Pension alignment and social unity</td>
<td>11</td>
</tr>
<tr>
<td><strong>II.</strong> Structural changes and their relevance for eastern Germany</td>
<td>11</td>
</tr>
<tr>
<td>Integration of refugees, immigration and migration</td>
<td>11</td>
</tr>
<tr>
<td>Digitisation</td>
<td>12</td>
</tr>
<tr>
<td>Energy transition</td>
<td>13</td>
</tr>
<tr>
<td><strong>III.</strong> Prospects for a policy for eastern Germany</td>
<td>14</td>
</tr>
<tr>
<td><strong>Part B Report</strong></td>
<td><strong>15</strong></td>
</tr>
<tr>
<td><strong>I.</strong> Improving economic strength, completing social unity</td>
<td>16</td>
</tr>
<tr>
<td>1. Supporting structurally weak regions</td>
<td>16</td>
</tr>
<tr>
<td>1.1. Solidarity Pact II</td>
<td>16</td>
</tr>
<tr>
<td>1.2. Key issues paper for an all-German funding system to support economically less developed regions</td>
<td>16</td>
</tr>
<tr>
<td>2. Promoting investment, innovation and internationalisation</td>
<td>17</td>
</tr>
<tr>
<td>2.1. The economic structure and research landscape in eastern Germany</td>
<td>17</td>
</tr>
<tr>
<td>2.2. Promoting investment</td>
<td>18</td>
</tr>
<tr>
<td>2.3. Start-ups</td>
<td>19</td>
</tr>
<tr>
<td>2.4. Promoting innovation and research</td>
<td>20</td>
</tr>
<tr>
<td>2.5. Internationalisation</td>
<td>22</td>
</tr>
<tr>
<td>2.6. Business clusters</td>
<td>23</td>
</tr>
<tr>
<td>2.7. Digitisation and Industry 4.0</td>
<td>23</td>
</tr>
<tr>
<td>3. Labour market and securing skilled workers</td>
<td>24</td>
</tr>
<tr>
<td>3.1. Situation on the labour and training market in eastern Germany, employment development</td>
<td>24</td>
</tr>
<tr>
<td>3.2. Measures to integrate refugees into the labour market</td>
<td>27</td>
</tr>
<tr>
<td>3.3. Measures to secure skilled workers</td>
<td>29</td>
</tr>
<tr>
<td>4. Income, wealth, pensions</td>
<td>35</td>
</tr>
<tr>
<td>4.1. Companies covered by collective bargaining and wage trends</td>
<td>35</td>
</tr>
<tr>
<td>4.2. Minimum wage</td>
<td>36</td>
</tr>
<tr>
<td>4.3. Income and wealth situation of private households</td>
<td>38</td>
</tr>
<tr>
<td>4.4. Pensions and pension alignment</td>
<td>41</td>
</tr>
</tbody>
</table>
II. Securing the performance of the eastern federal states and municipalities, warranting basic vital services ................................................................. 41
  1. Performance of the federal states and municipalities .................................. 41
     1.1. Financial situation of the eastern federal states and municipalities .... 42
     1.2. Re-regulation of federal revenue equalisation .............................. 43
  2. Infrastructures: energy, communication, transport .................................... 43
     2.1. Infrastructures as the framework for economic growth .......... 43
     2.2. Energy infrastructure ......................................................... 43
     2.3. Digital infrastructure ......................................................... 44
     2.4. Transport infrastructure ..................................................... 44
  3. Quality of life in urban and rural areas, basic vital services in rural areas ...... 45
     3.1. Demographic parameters .................................................... 45
     3.2. Family life in east and west ................................................ 49
     3.3. Urban development ............................................................ 50
     3.4. Provision of housing .......................................................... 52
     3.5. Rural development ............................................................. 53
     3.6. Agriculture ................................................................. 54
     3.7. Privatisation of land ............................................................ 54
     3.8. Health and care ................................................................. 54
     3.9. Tourism ................................................................. 57
     3.10. Sport ................................................................. 57
     3.11. The promotion of culture ................................................... 58

III. Ongoing reappraisal of the history, promoting cohesion ............................... 59
  1. Addressing the history of the GDR .................................................... 60
     1.1. Reappraisal of the SED dictatorship and future handling of State Security documents 60
     1.2. Commemoration and celebrations ........................................ 62
  2. Diversity of active citizenship ............................................................ 62
     2.1. Active citizenship in eastern Germany .................................... 63
     2.2. Promoting active citizenship ................................................ 63
  3. Preventing extremism and promoting democracy ..................................... 65
     3.1. Extremism and xenophobia in eastern Germany .............. 65
     3.2. Strengthening democracy .................................................. 66

Part C: Economic data of the new federal states in 2016 ...................................... 68
Directory of figures

Figure 1: R&D spending by industry and the public sector (as a percentage of GDP)......................................................... 20
Figure 2: Unemployment trend from 1995 to 2015........................................................................................................... 24
Figure 3: Pupils with special learning needs as a percentage of all pupils of compulsory school age (support rate) according to federal states 2014/2015.................................................................................................................. 33
Figure 4: Businesses with collectively bargained salaries and wages as a percentage of all businesses, and employees in businesses with collectively bargained salaries and wages as a percentage of all employees in eastern and western Germany from 1998–2015......................................................................................... 35
Figure 5: Equivalence-weighted net annual income........................................................................................................ 39
Figure 6: Development of poverty risk ratios in eastern and western Germany with respect to an all-German poverty risk threshold................................................................................................................. 39
Figure 7: Unequal distribution of net income in east and west (Gini coefficient)............................................................... 40
Figure 8: Total net wealth of private households............................................................................................................. 40
Figure 9: Population age structure in 1990, 2014 and 2030 by age group......................................................................... 46
Figure 10: Development of total birth rate from 1990 to 2014, new and old federal states................................................ 47
Figure 11: Distribution of financial support by the Federal Government to promote urban development from 1991 to 2015 to eastern and western Germany in terms of population................................................................. 51
Figure 12: Life expectancy at birth, divided into new and old federal states .................................................................. 55
Figure 13: Deaths caused by cardiovascular diseases (ICD-10: 100–199) in Germany, 1990–2014 .................................................. 55
Figure 14: Share of volunteers in eastern and western Germany....................................................................................... 63
Directory of tables and maps

Table 1: Living conditions in the German federal states Quality of life ranking (1 = best value) ............................................................... 7
Table 2: Support programmes geared to promote investment .................................................................................................................. 18
Table 3: Support programmes with a focus on start-ups .......................................................................................................................... 19
Table 4: Unemployment rate as a percentage of the civil labour force in percent .................................................................................. 25
Table 5: Number of unemployed according to length of unemployment and legal areas ............................................................................ 25
Table 6: Number of people in jobs requiring social insurance contributions (key date: 30 June) ...................................................................... 26
Table 7: Training market ............................................................................................................................................................................... 27
Table 8: Measures to promote the share of women in employment .......................................................................................................... 31
Table 9: Measures to acquire vocational qualifications ............................................................................................................................. 32
Table 10: Measures to attract and inform international skilled professionals .......................................................................................... 34
Table 11: Minimum collectively bargained wages under the Posted Workers Act and Temporary Employment Act in € per hour .................................................................................................................................................. 37
Table 12: Unadjusted gender pay gap for 2006 to 2015 ........................................................................................................................................... 38
Table 13: Foreign population by federal state on 31 December 2014 ............................................................................................................. 65

Notes on the delineations used

New federal states, territorial states in eastern Germany: 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

Whenever deviations had to be made from these, it has been noted.
Preliminary remarks

Part A
More than 25 years have passed since German reunification. Since then, the Federal Government has continued to pursue the constitutional aim of creating equal living conditions in eastern and western Germany. Equal, however, does not mean identical. The focus is more on the comparability of living and development opportunities. With a view to eastern Germany, this essentially means overcoming the imbalances and disadvantages that stem from the former division of Germany. This is an aim that has not yet been fully achieved today despite the considerable progress already made. It therefore remains a central challenge to continue the economic levelling process and to foster equal living conditions.

It must be noted that there are increasing differences in the course of development within eastern Germany. In addition to the east-west analysis, all-German phenomena and challenges are becoming more relevant. The challenges that exist in eastern Germany are the result of both the division of Germany and the transformation processes as well as being a consequence of structural changes that affect the entire country. This also becomes clear in this report. Part A initially addresses the current challenges in eastern Germany and structural changes. Part B describes the Federal Government’s measures to overcome these challenges.  

I. Current challenges in eastern Germany

Quality of life in the eastern federal states

Living conditions in the eastern federal states have improved significantly since reunification and have converged in east and west. Just like all other regions in Germany, living conditions in eastern Germany today have specific strengths and weaknesses. This is shown in concise form in a recent study by the OECD⁴ that distinguishes eleven dimensions, thus providing insight into the quality of living conditions, from education and incomes to housing and personal assessments regarding life satisfaction.

A comparison of the eastern federal states with the southern, western and northern federal states shows that their specific strengths can be found in education for the working population. Environmental quality and the quality of housing are today also higher in the eastern federal states than in the majority of other federal states. Compared to conditions in the GDR, the improvements that have been achieved in these areas especially are enormous.

That being said, there are more dimensions where the eastern federal states are still below average when compared to

<table>
<thead>
<tr>
<th>Table 1: Living conditions in the German federal states</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of life ranking (1 = best value)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Eastern region</strong> (federal states: BB, BE, MV, SM, ST, TH)</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Work</td>
</tr>
<tr>
<td>Income</td>
</tr>
<tr>
<td>Security</td>
</tr>
<tr>
<td>Health</td>
</tr>
<tr>
<td>Environment</td>
</tr>
<tr>
<td>Civic engagement and governance</td>
</tr>
<tr>
<td>Access to services</td>
</tr>
<tr>
<td>Housing conditions</td>
</tr>
<tr>
<td>Community</td>
</tr>
<tr>
<td>Life satisfaction</td>
</tr>
</tbody>
</table>

Source: Own diagram based on the OECD (2016)

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1 This report has been issued since 1997 on behalf of the German Bundestag (Bundestag Document 13/3643; see also Bundestag Document 16/10852, No. 17) in order to provide information on the Federal Government’s policy to ‘level people’s social, economic, political and cultural living conditions in a united Germany’.


3 Any financial burdens will be counter-financed within the respective budgets of the individual plans affected. Any measures referred to in this report that have a financial impact do not prejudice any current or future budget negotiations.

the other federal states. This is the case, on the one hand, with health (in terms of life expectancy), civic engagement (in terms of polling rates), and access to services (in terms of broadband availability). Although huge changes have also taken place in these fields since reunification, people in the eastern federal states report a lower level of life satisfaction. On the other hand, this also applies to the indicators for people’s material situation which remain lower in western Germany due to the income and labour market situation. Living conditions is the dimension where the regions’ economic performance is expressed directly, and in the eastern federal states this is still far below the average recorded for all of the western federal states.

Economic development – convergence

The convergence of economic strength in the east and west is an important precondition for the further levelling of private household incomes and of the respective (per capita) tax strength of the federal states and municipalities. When seen in terms of the customary indicators, such as gross domestic product (GDP) per capita or gross domestic product per gainfully employed person, this convergence has come a long way since reunification. Between 1991 and 2015, for instance, gross domestic product per capita rose from 42.8% to 72.5% of the level recorded by the western federal states. However, economic strength per capita in eastern Germany is still around 27.5% lower than in western Germany. Compared to the economically less developed old federal states, the gap is somewhat smaller but still remains significant.

In recent years (2011 – 2015), gross domestic product per capita increased by a nominal 12.4% in the new federal states and in western Germany by 10.0%. Economic strength per capita therefore rose slightly more than in western Germany. Stronger growth is needed in order to achieve faster levelling of economic strength.

In terms of overall economic momentum – measured on the basis of the rate of growth of gross domestic product (GDP) – the economy in eastern Germany grew in real terms over the past 15 years by 17.2% which was, however, slightly lower than in western Germany (18.1%). In 2015, the economy of the territorial states in eastern Germany increased in real terms by a mere 1.5% while the economy in western Germany rose by 1.7%. This means that in 2015 real growth in eastern Germany, including Berlin, totalled 1.9% and was therefore slightly higher than the growth recorded by western Germany. This was, however, due to Berlin’s considerable momentum of 3.0%.

One reason for this relatively moderate growth is the less favourable development of the population in the east which impacts, for instance, the growth of production potential and overall economic demand and thus affects economic growth. Since 2000, the eastern federal states have lost 6.4 percent of their population; however, the biggest losses were suffered by the eastern territorial states (–9.3%) while Berlin’s population rose significantly (+5.6%). In the western federal states, population figures rose by 1.6%.

All in all, it must be noted that over the past 15 years the eastern federal states have recorded weaker economic growth than the western federal states with much less favourable population development. The gap that still exists in economic strength is owed to many factors, including structural aspects specific to eastern Germany’s economy. The economic catch-up process in eastern Germany and hence also the process of convergence have slowed down considerably in recent years. The Federal Government remains determined to accelerate economic growth and promote the levelling process further.

A fragmented economy, structural weakness

Eastern Germany’s economy is very ‘fragmented’. Although the number of companies employing a workforce of more than 249 rose by almost 13% in the years from 2008 to 2013 (while this figure remained almost flat in the old federal states), in 2014, only a third of those employed in the industrial sector in eastern Germany worked for companies with a workforce of 250 or more (whereas in western Germany, this figure was more than half). When it comes to companies with a workforce of 500 or more, the employment share in western Germany is more than twice as high as in eastern Germany. Almost none of the major players have their headquarters in eastern Germany.

The fragmented economic structure and the lack of company headquarters are the key aspects that explain the gap that still exists in economic strength per capita between eastern and western Germany. In addition to other factors, these two aspects also affect the weak economic structures in the eastern German regions.

5 Gross domestic product includes the value of all goods and services produced within an economic territory over a certain period of time. This corresponds to the gross value added of all economic areas plus taxes minus subsidies on products. Gross value added, which is estimated at basic prices, is calculated for each economic area on the basis of gross production value at basic prices minus intermediate consumption at purchasers’ prices.

6 With a view to the territorial states in eastern Germany, the difference totals more than 32%. In 2015, the economic strength of the new federal states rose to 67.36% in relation to the old federal states (in 2014, this figure was 67.05%).
The indicators used by the Joint Programme for the Improvement of Regional Economic Structures map Germany’s overall structural weaknesses. These indicators include the level of earnings, the unemployment rate, infrastructure and employment prospects.

Based on these indicators, there are still very many, very weak regions in the eastern federal states. Of the 138 regions in Germany that are classified as being structurally weak, 62% are located in eastern Germany even though eastern Germany accounts for only 30% of Germany’s territory and 20% of its population. But it is not just the rural areas that are structurally weak, even the economically strongest cities in the new federal states are not on a par with the strength of structurally comparable cities in western Germany.

Boosting innovative strength

Technological progress and innovation are the global drivers of economic growth and structural change, both at economic and at regional level. The success of economies, regions and companies in the 21st century is largely dependent on innovative strength. The same can be said for eastern Germany.

Innovation is largely the result of systematic research and development (R&D). R&D at companies, universities, public research institutions and also in collaboration projects generates new knowledge that forms the basis for potential innovation.

More than 25 years after reunification, there are still considerable differences between eastern and western Germany when it comes to R&D. This is particularly true with regard to R&D expenditure by industry. While private-sector expenditure on R&D for the whole of the Federal Republic accounts for approx. 1.95% of GDP, this share is much lower in the new federal states, i.e. only 0.96% of GDP.\(^8\) Berlin, with 1.5%, is the leader among the eastern federal states; followed by Saxony and Thuringia with around 1.1% and last-place Saxony-Anhalt with 0.4%.

The fragmented economic structure is an important reason for the low level of R&D expenditure by industry because such expenditure is largely borne by bigger companies. It also makes networking R&D activities more difficult because large companies often act as a link and hub for regional industrial and business networks. The absence of large companies therefore creates a bottleneck for successful collaboration between small and medium-sized enterprises and research facilities in eastern Germany. Small companies, on the other hand, very rarely cooperate when it comes to R&D activities. One reason for this reluctance is probably that small companies tend to introduce ‘applied’ incremental innovation where there is very limited need to cooperate with public research institutions. Moreover, the R&D budgets of small companies are – due to size – relatively small for individual projects. Larger projects would involve a relatively much higher risk for these companies.

But even within the company size categories, there is also an east-west disparity. The reason for this is that R&D is usually concentrated at a company’s headquarters. The major companies in eastern Germany are frequently production sites of companies that have their headquarters outside eastern Germany so that fewer R&D activities are conducted there. This leads to a relatively low level of transfer effects from knowledge and skills which could also have a regional impact.

All in all, the fragmented economic structure is a serious obstacle to growth for the economy in eastern Germany.

That being said, however, many regions of eastern Germany have a relatively well-developed public university and research sector. While the all-German share of R&D by the public research sector accounts for approx. 0.9% of GDP, public expenditure on R&D is higher in all of the eastern federal states. In Berlin, R&D by the public research sector accounts for 2.1% of GDP and in Saxony 1.5%; even Saxony-Anhalt, which has the lowest public R&D expenditure in terms of GDP, is above the all-German average with 1.0%.\(^9\) The potential generated by this creates a good foundation for developing a competitive economy.

This is why the Federal Government is committed to promoting networks and supporting stable, self-supporting structures and institutions.\(^10\) Promoted networks could, at least partially, replace the role otherwise assumed by large companies, and they could simplify collaboration and hence help to promote the transfer of knowledge and technology. Specialised, regional economic institutions, powerful Chambers of Industry and Commerce, an education system tailored to occupational needs and an outstanding technology transfer infrastructure could additionally strengthen effective and future-enabled exchange between the individual stakeholders in both private and public research and the companies in the private sector applying this knowledge.

Since R&D and innovation are key preconditions for competitive strength and growth, leveraging innovation potential that has not yet been exhausted, especially at small compa-

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7 According to the demarcation of the assisted area under the Joint Programme for the Improvement of Regional Economic Structures (assisted area map).
8 Source: DESTATIS 2014.
9 Source: DESTATIS 2014.
10 Section Part B, I.2.4. and I.2.6.
nies, could help to counteract the structure-related backlog in productivity. The Federal Government is backing this with a host of support programmes.11

Securing skilled workers

The availability of qualified, skilled workers is an important prerequisite for economic growth. That’s why securing a sufficient supply of skilled workers is a strategic challenge faced by all developed economies. This holds particularly true for eastern Germany in light of its long-term decline in population figures. If the economy there is to continue to grow strongly despite the declining number of workers, the labour potential that does exist must be fully utilised if possible. This means ensuring sufficient qualification.

In terms of formal education, the level of qualification in the eastern federal states is at present relatively high: 33% of the working population in the east have a university degree (29% in western Germany). The proportion of the working population without any qualifications totals 7% in the east, i.e. half that of the west. With a view to securing a sufficient supply of skilled workers in the future, however, it must be noted that the eastern federal states are faced with particular challenges that result from the slump in birth rates in the 1990s and the wave of migration, especially of young and well-qualified people, that began after reunification and has only recently come to a halt. This applies particularly to rural regions outside of urban centres.

We can therefore expect to see a decline in the number of skilled workers in eastern Germany. Although there was more than one applicant for every apprenticeship available in 2014/2015, supply and demand are increasingly diverging. There are also significant discrepancies between the federal states. Mecklenburg-Vorpommern and Thuringia have more apprenticeships than applicants and there are far fewer apprenticeships available in Berlin. There are still fewer companies in eastern Germany offering apprenticeships than in western Germany.

In addition to strengthening school education, specific support for professional qualification will also be needed in future along with tailored placement programmes.12

Right-wing extremism and xenophobia13

In the early 1990s, a shocking degree of right-wing extremism, xenophobia and intolerance had already emerged in reunified Germany. Xenophobic, racist and right-wing attacks, such as those in Rostock-Lichtenhagen or Hoyerswerda, sent shock waves through Germany, alarming many citizens.

Similarly dreadful attacks, like those that took place in Mölln and Solingen, were already proof that xenophobia existed in the west too. However, for many years now statistics have shown that in terms of population figures, xenophobic and right-wing extremist attacks are more frequently recorded in eastern Germany. As documented in the 2015 Annual Report on the Protection of the Constitution and based on every one million citizens, the figures for the violent attacks motivated by right-wing extremism in Mecklenburg-Vorpommern (58.7), Brandenburg (51.9), Saxony (49.6), Saxony-Anhalt (42.6), Berlin (37.9) and Thuringia (33.9) are much higher than the average figure for the western federal states (10.5).

The formation of the right-wing terror group ‘Nationalesozialistischer Untergrund’ (NSU), which is suspected of being responsible for the brutal killing of ten people and a bomb attack, highlights the fact that an extremist milieu had formed, out of which a terror cell was created.

In the past year, the number of right-wing extremist and xenophobic attacks has risen sharply. In 2015, extremist crime rose to its highest level since the reporting service for politically motivated crimes was introduced in 2001. In addition to countless attacks on refugees and their shelters, violent clashes, such as those in Heidenau and Freital, have become a symbol of hardening xenophobia. The protests against accepting refugees clearly showed that the line between civic protest and right-wing extremist types of agitation is becoming increasingly blurred.

The Federal Government is addressing these worrying developments with full determination because developments like these could jeopardise social peace in eastern Germany.

In this context, the fight against crime is extremely important. The investigation by the Federal Public Prosecutor aided by the Federal Criminal Office into the suspected formation of a terrorist society against the ‘Gruppe Freital’ and the ‘Old School Society’ show that the Federal Government security forces are proceeding with determination and rigour against right-wing extremism and xenophobia.

Prohibitive measures are also important in this context. The malicious right-wing extremist platform ‘Altermedia Deutschland’ and the neo-Nazi association ‘Weisse Wölfe Terrorcrew’, for instance, have now been banned. The Federal Government is also strongly involved in the proceed-

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11 See Part B, I.2.4.
12 See Part B, I.3.3., Measures to secure skilled workers.
13 Regarding left-wing extremism, see Part B, III.3.1. Extremism and xenophobia in eastern Germany.
ings by the German Bundesrat to ban the National Democratic Party of Germany (NPD).

Xenophobia, right-wing extremism and intolerance are a serious threat to both social and economic development in the new federal states. The only way for eastern Germany to have good development prospects is as a liberal-minded region in which everyone living there can feel at home and participate in society.

But strengthening social cohesion is not just a task for the Federal Government, it also requires commitment on the part of all stakeholders in society. Citizens, companies and retailers, associations and communities have a shared interest in leaving little or no space for xenophobia, extremism or violence. The vast majority of people in eastern Germany support democracy and tolerance. These people must be aided and encouraged to openly and visibly stand up against right-wing extremist threats so that a vociferous minority can no longer dominate and distort the overall picture.

Rejecting opinions that are hostile to both people and democracy calls for civil courage, be it in clubs and associations, at the workplace or in everyday situations. But people in eastern Germany already demonstrated their civil courage, bravery and determination in the dramatic days and weeks of 1989. It is important that this tradition be continued in the future.

**Pension alignment and social unity**

Following reunification, when the east German social security scheme was transferred to the west German statutory pension insurance system, the economic differences and the different types of pensioners’ career histories meant that transitional regulations had to be introduced which, at that time, were thought to be of a short to medium-term nature. According to these provisions, from 1 July 1990, pensions were not only converted 1:1 from East German to West German marks, but were also raised to a net pension level that was comparable to that of the old federal states. After two further pension adjustments, the Act Extending the Pension Legislation to the Acceding Territories came into effect on 1 January 1992, granting 96% of pensioners another increase in their pensions. With this Act, the legislator had decided that the development of pensions in the eastern federal states should also be in line with wage developments and that separate legal areas for calculating and adjusting pensions were to be introduced for a transition period. Back then, in the early 1990s, hardly anyone expected that this transition period would last more than 25 years. This must be taken into account when criticism is expressed regarding the fact that different laws still apply to one central social sector. The revaluation of pensions in eastern Germany did much to ensure social peace and was a remarkable feat of solidarity which deserves recognition. Now, more than 25 years after German reunification, the aim of the Federal Government is to calculate pensions in east and west on the same basis. This is essential for the completion of social unity.

The Coalition Agreement hence foresees complete alignment of pensions by the end of the Solidarity Pact and 30 years after German unity. The roadmap to complete alignment is to be laid down in a final pension law conversion act.

The highest pension adjustment in 23 years was carried out on 1 July 2016, raising the current pension level in the east from 92.6% to 94.1% of the current pension level in the west. In July 2016, a draft final pension law conversion act was tabled together with a report on the status of the alignment process. This draft act foresees complete alignment by 2020 and is currently in the first phase of consultation within the Federal Government.

**II. Structural changes and their relevance for eastern Germany**

The annual reports of recent years have addressed demographic change and how it impacts the development of the eastern federal states in detail. Besides demographic change, there are also other structural changes which are of paramount importance for development in the east. The following section explores the opportunities and challenges in conjunction with migration, digitisation and the energy transition.

**Integration of refugees, immigration and migration**

In 2015, many people came to Germany seeking protection against war, persecution and bitter hardship. In 2016, this continued but on a much smaller scale. The integration into society and the labour market of people seeking protection who have a chance of permanent residence is a huge challenge for all levels of government and for society as a whole, and one that calls for joint supportive efforts.

Migration is an old yet global phenomenon that comes in many different forms. Over the past 70 years, there have been different waves of migration that have affected Germany in general and the eastern federal states in particular: flight and displacement after the end of World War II, the flight of millions of people from the GDR to the Federal Republic.

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14 See Part B, III.2.2. and III.3.2.
15 This took place on the basis of the Alignment of Pension Rights Act.
of Germany, the acceptance of ethnic German resettlers and east to west migration in the years after reunification. The eastern federal states hence have their own unique experience, both of the reasons for migration and of how to deal with its consequences.

At present, there are various migration flows that are relevant for the eastern federal states and for Germany as a whole. These include the migration of people from other EU countries and, at the present time especially, taking in, caring for and integrating refugees. According to statistics, a net figure of around 150,000 foreigners migrated to eastern Germany in 2015 and one third of them were asylum seekers. All of the federal states were involved in housing and taking care of refugees on the basis of their tax strength and the size of population. This poses basic challenges to different degrees for the federal states and municipalities.

In the years to come, the primary task will be to integrate refugees seeking shelter into society and the labour market. It is therefore essential that these refugees learn German and obtain an education and professional qualifications. The migration of qualified workers and people from other EU countries, in particular, could help to counteract the decline in population, the ageing society and the increasing lack of skilled labour in the structurally weak regions of eastern Germany. Since many refugees are under the age of 30, this is generally a good precondition for qualification and further education.

That being said, simply learning the language and a profession is not enough for migrants to find a permanent place in society and to contribute to society with their knowledge, skills and willingness to work. Instead, in the interest of real integration, we must find a way for migrants to choose a long-term future in eastern Germany. But this means that eastern Germany will need a better culture of welcome and recognition, good infrastructure and a sufficient number of training places and jobs for migrants and its native population.

If the eastern federal states want to make use of the opportunities of migration, they will have to develop the conditions needed. This also includes the chance of finding a new home where migrants can contribute their skills. Integration should not be focused solely on the labour market. Integration into society as a whole is much more important, both in rural and in urban areas. Migrants moving to the eastern federal states tend to choose the bigger cities, a fact that is largely due to the structural weakness of many rural regions where housing, care and integration of migrants into the labour market and society are particularly difficult. However, it is rural areas and smaller municipalities that have structural advantages that should be put to greater use. Smaller areas are less anonymous, people know each other and they organise themselves in clubs. The housing situation is also less tense here. These are generally good preconditions for making newcomers quickly feel at home. An open and actively tolerant population can provide the basis for mutual trust and cohesion.

The Integration Act, which for the most part came into effect on 6 August 2016, provides the legal foundation for the allocation of places of residence to recognised refugees. The federal states can now allocate a specific place of residence for a limited period of three years to recognised refugees who have not yet found jobs requiring social insurance contributions or who are still training. This move will help to prevent segregation and promote integration. Generally speaking, however, successful integration is not something that can be achieved through rules and regulations, instead it must be shaped and practised.

The rise in xenophobic and right-wing extremist attacks in recent years poses a threat to this important process and to social peace in eastern Germany. At the same time, the opportunities that migration brings with it might very well be lost in areas that are particularly in need of new people due to demographic developments.

**Digitisation**

The spread of digitisation throughout all areas of life is extensively changing how we work and do business. Production workflows are being matched more efficiently, digital information exchange and cloud computing are making work more flexible in terms of time and place, online shopping and platform services are changing consumer behaviour and opening up new sales markets. This development is leading to progress in productivity, economic growth and new jobs; new businesses, sectors and business models are emerging. However, structural change of this kind that is driven by technology brings with it many changes that companies, sectors and regions have to adapt to.

The eastern federal states with their many rural regions, which are structurally weak in comparison to other regions, now have to face the challenges and opportunities of digitisation. Up to now in Germany, big cities and urban settlements have been the ones to benefit from digitisation. But it is precisely these sparsely populated regions outside the conurbations where digitisation would open numerous possibilities that have only been used to a limited extent up to now, if at all.

Due to their poor accessibility and ongoing economic weakness, rural areas in eastern Germany are particularly hard hit by the migration of young and highly qualified people and the consequences of demographic change for basic vital services.
The different aspects of digitisation could help to improve the accessibility of rural areas, making them more appealing as a place to live and work. Telework, for instance, enables people to work irrespective of location so that moving house for work reasons or commuting can be avoided, at least in part. The Internet also provides new, improved and more convenient consumption, entertainment and education options, especially for rural populations. Even healthcare can be made easier and improved through e-health services. Rural areas will have to be made more appealing in order to put a halt to the exodus of qualified people and to strengthen the companies already operating there.

From an economic perspective, the possibilities offered by developments now widely referred to as ‘Industry 4.0’ and ‘Work 4.0’ will create opportunities for rural areas. Thanks to digitisation, companies can connect their production workflows across products, factories and sectors, develop new business models and exchange information irrespective of time and place. Simplified networking with other companies, and even with universities and research institutions, can foster innovative processes.

Finally, municipalities that are financially burdened by lower trade tax revenues and higher expenditure due to an ageing society can also benefit from digitisation. This is true, for instance, with a view to the cost-efficient provision of digital public services.

That being said, it is still early days for digitisation or the implementation of Industry 4.0 in eastern Germany’s economy. One reason for this is the patchwork structure of the economy in eastern Germany. Up to now, smaller companies have been less inclined to implement Industry 4.0 projects and have less general knowledge regarding digitisation of the economy. One of the Federal Government’s declared goals is to make small and medium-sized enterprises, in particular, more aware of the technological and economic potential and challenges offered by digitisation and to achieve more widespread use of innovative broadband applications by companies and the general population. The lower level of Internet use in the territorial states in eastern Germany compared to western Germany also shows how much catching up is needed in the east. The municipalities could take on a pioneering role here, as explained above, by providing digital public services.

In order to stay competitive in terms of digitisation and to exploit the potential referred to above, installing a powerful broadband infrastructure nationwide is a top priority. This is the only way to achieve the best-possible use of digital applications, something that is also necessary from the perspective of social policy. Nationwide broadband makes home-office jobs an option, even in rural areas in eastern Germany, so that family and working life can be reconciled. Broadband networks are also essential for the digital supply and education of older people. Their options for participation are rapidly becoming important due to demographic developments, especially in rural areas in the new federal states. These are the areas where considerable effort is still needed in order to warrant widespread coverage with 50Mbps.

### Energy transition

The energy transition is one of Germany’s biggest projects for the future. It involves the comprehensive redesign of energy supply in Germany by the year 2050.

This transformation brings with it many opportunities and challenges for the German economy as a whole, but also specifically for the new federal states. New jobs will be created in the fields of energy efficiency and renewable energy. There are also many export opportunities for internationally competitive products in these fields.

Eastern Germany is in a good position to use renewable energy, especially the northern areas of eastern Germany, which are close to the coast. Their rural nature and relatively sparse population density offer considerable potential for expansion, particularly for wind power, which is already being used to a certain degree. When it comes to the renewable energy share in gross energy consumption, some of the new federal states, such as Mecklenburg-Vorpommern, Saxony-Anhalt and Brandenburg, are already leading the field on an all-German scale. The new federal states have gone to great lengths in the past and have created extraordinarily good conditions for expanding renewable energy. The production and operation of renewable energy plants have become important industries. On an all-German level, the proportion of companies working in renewable energy is particularly high in the new federal states. Around a quarter of all jobs in renewable energy throughout Germany are to be found in the new federal states. However, a large part of the value added from the field of plant production is generated in the old federal states.

In addition to opportunities, the energy transition also poses problems. The increase in renewable generation capacities

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16 See also Part B, I.2.4. and I.2.7.  
means that electricity grids throughout Germany now have to be expanded significantly. Especially in the rural regions of the new federal states, with their sparse population density and lack of industrial production, average network charges are higher than the all-German average. One reason for this is the extensive installation of renewable energy under way there and that the costs of the necessary expansion of the grid and grid use are distributed amongst relatively few users.

The energy transition also has consequences for conventional power plants. Although the eastern federal states are not affected directly by the shutdown of nuclear power plants, the low price level on electricity exchanges, which is also being fuelled by renewable energy expansion, is putting pressure on fossil-fuel power plants. The related structural change in the coal-mining regions is a social challenge which both the Federal Government and the federal states take seriously. For the many thousands of people working in the coal-mining industry in eastern Germany, it is important that the energy transition be implemented in a socially compatible manner by restructuring and developing new fields of employment and by making use of the new possibilities for economic development. Regional economic support can help to make the restructuring process easier. Opportunities are emerging, for instance, in the construction and operation of renewable energy plants, energy efficiency and the control of energy system elements using information and communication technologies.

III. Prospects for a policy for eastern Germany

Much has been achieved in the past 27 years for eastern Germany, for German unity and hence for the entire country. This progress must be recognised without trying to gloss over the shortcomings that still exist. The completion of German unity remains our joint task.

Eastern Germany still has certain structural characteristics which, among other things, are preventing the economic levelling process from moving any faster. These characteristics include structural economic deficits, especially the fragmented structure of the economy which significantly impacts, for instance, the innovative strength of the economy. Another factor is demographic development and the related, impending lack of skilled labour. With a view to these factors, any reinforcement of the regional differences within Germany must be prevented. For this reason, the Federal Government still aims to accelerate the economic levelling process in order to create equal living conditions throughout Germany.

The Federal Government’s policy for eastern Germany aims to promote German unity by taking these factors into account. With its Solidarity Pact II, the Federal Government will continue to support economic development in the eastern federal states and, even beyond 2019, will strengthen structurally weak regions in east and west as part of an all-German support programme.

As part of the re-regulation of financial relationships between the Federal Government and the federal states, the way is currently being paved for the time after 2019 when Solidarity Pact II expires and hence for the further development of eastern Germany. When it comes to achieving the goal of equal living conditions in the eastern and western federal states, an efficient financial transfer between the federal states is just as essential as efficient and viably financed social security systems. This transfer is ultimately also an important basis for securing basic vital services and for economic growth in all regions.

Equal living conditions is not just a constitutional goal, but is also essential for securing social cohesion in Germany.

The big challenges currently facing society as a whole in Germany can only be overcome if all of the country’s regions have good prospects for development. The goal is a united, strong Germany anchored in a united Europe and marked by social cohesion. This is the only way to shape the huge changes that are taking place today.

Gaps and cracks in social cohesion are dangerous and pose a threat to all other progress and achievements. Active reappraisal of the past is an elementary precondition for a living democracy. This means making the painful experiences under dictatorship in the GDR understandable for those who did not experience it first hand. The Federal Government therefore supports a culture of remembrance and commemoration in which reappraisal of the dictatorship in the GDR is being continued with determination and the suffering of the victims is fittingly acknowledged. Dialogue with victims’ associations is just as much part of this concept as memorial work, promoting research into dictatorship in the GDR and a diverse range of offerings as part of political education.20

One very important aim must be to take a decisive stance against right-wing extremism and xenophobia and to support those who are committed to an open, tolerant and democratic Germany. If we fail to achieve this, eastern Germany’s appeal as an economic centre will also suffer badly. On the other hand, sound economic development, equal opportunities and personal prospects are important when it comes to reducing susceptibility to right-wing extremist thinking.

20 See Part B, III.1.
Part B

Report
I. Improving economic strength, completing social unity

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. Economic strength per capita has almost reached the average for the European Union. This is a considerable achievement.

When compared on an all-German level, however, there is still a considerable gap, even now 25 years after German unification. Gross domestic product per capita amounts to 72.5% of the comparable figure for western Germany. This means a higher unemployment rate, lower wages and salaries and lower tax revenues.

The most apparent and, in economic terms, most important reason for this difference is the fragmented economy in eastern Germany and the lack of large company headquarters. Eastern Germany’s medium-sized companies are generally smaller and there are only a few large companies. There are practically no big international companies based in the new federal states, but it is the larger companies that often invest heavily in research and development and in innovation. Big companies are also 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. There are also other factors that contribute to the gap between the eastern and western federal states. These factors include the lower population density in the new federal states, Berlin’s relatively weak economy due to its history, as well as demographic development.

That’s why improving economic strength in the new federal states and other structurally weak regions in Germany continues to be a central goal for the Federal Government.

1. Supporting structurally weak regions

1.1. Solidarity Pact II

The specific measures by the Federal Government to overcome structural weaknesses in eastern Germany are compiled in Solidarity Pact II. Under this Pact, the Federal Government is specifically supporting the catch-up process in eastern Germany until the end of 2019. The supplementary allocations by the Federal Government for special requirements contained in what is known as basket I are designed to cover special burdens caused by a divided Germany for the large infrastructure backlog and to compensate for the disproportionately low financial strength in the eastern federal states. The disproportionately higher payments by the Federal Government in what is known as basket II are allocated to the political fields agreed to with the federal states: economy (€742 million in 2014), innovation/research/education (€864 million in 2014), transport (€290 million in 2014) as well as housing and urban development (€281 million in 2014). Particularly when it comes to promoting investment and innovation, emphasis is placed on promoting the competitive strength and growth of companies in eastern Germany.

1.2. Key issues paper for an all-German funding system to support economically less developed regions

Despite the progress made in the reconstruction of eastern Germany and in the handling of the structural transformation in formerly industrialised and rural regions of the old federal states, considerable regional disparities continue to exist in Germany. It is therefore necessary to continue supporting economically less developed regions even after Solidarity Pact II expires in order to create equivalent living conditions. That’s why in the Coalition Agreement the partners agreed to draw up the basics in this legislative period for the further development of an all-German support system for economically less developed regions after 2019.

With the key issues adopted early in May 2015, the Federal Government is highlighting its regional policy responsibility, proposing a comprehensive and integrated all-German funding system for the period beginning in 2020. Measures to strengthen the potential for growth and innovation in economically less developed regions form the central element of this funding system along with additional measures to promote infrastructure and basic vital services. The common denominator of the funding system instruments is that they are either aimed exclusively at economically less developed regions, have funding preferences for economically less developed regions or that a disproportionately high level of funding flows to these regions. The heads of the eastern federal states welcomed the key issues of the Federal Government at their conference in April 2016. An expert report on regional policy starting from 2020, which was jointly commissioned by the Federal Government and the federal...
states, was published in June 2016. This report also supports a comprehensive regional policy approach with the Joint Programme for the Improvement of Regional Economic Structures (GRW) as the anchor programme. Certain proposals in the report, especially those for adapting funding for infrastructure and innovation, were already implemented in August 2016 by amending the GRW coordination framework. The key issues of the Federal Government and in the report form the basis for further discourse with the federal states on how to shape an all-German funding system.

2. Promoting investment, innovation and internationalisation

2.1. The economic structure and research landscape in eastern Germany

The economy in eastern Germany has undergone remarkable structural change over the past 25 years. Following the severe slump in industrial production and the boom in construction in the first years after reunification, the structure of the economy in the eastern federal states has in many respects continued to move closer to that of western Germany. Industry has once again become significantly important in eastern Germany and industrial centres have developed, such as the semi-conductor industry in Dresden. Cluster and network initiatives are supporting this trend. Successful industrialisation is one of the most important fundamentals for economic development. The Federal Government supports this approach, for instance, through the Dialogue with Industry – East series of events with the Chambers of Industry and Commerce. These events showcase practical examples of successful industrialisation strategies.

That being said, there are still considerable differences in economic structure. Companies in eastern Germany are more focused on semi-finished goods which generate less value added. Many of these companies are also dependent on a parent company in western Germany and are therefore restricted in terms of their development. Eastern Germany’s fragmented economy and the lack of large independent companies, as previously explained, are the central factors of structural weakness in eastern Germany. Compared to the average for western Germany, eastern Germany has fewer research-driven branches of industry and large companies, which generally carry out more R&D than small companies. This ultimately means that not only is economic strength lower than in western Germany, the export rate is also lower and there are relatively few research and development activities carried out by the private sector. This structural weakness hinders an above-average growth process which would be necessary in order to continue fast convergence with the economic strength of western Germany.

For continued sustainable development it is now essential for small and medium-sized enterprises (SMEs) to have access to the specific competencies of the research landscape in eastern Germany but also integrated into all-German innovation networks and sector-based innovation systems. One particular strength in this context is the well-developed level of public and university-based research and development in the eastern federal states. This offers an important advantage and good preconditions for developing a competitive economy. That being said, however, companies must want and be able to make use of the potential available in order to achieve growth.

Against this background, the Federal Government 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.

In light of relatively weak growth in eastern Germany’s economy, the Federal Government is employing a host of economic support measures to strengthen the path of economic development in the new federal states. Companies in eastern Germany benefit from these nationally orientated measures which can be essentially broken down into three areas: promoting investment, innovation and internationalisation. The support programmes are primarily designed for small and medium-sized enterprises. 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.

27 The share of gross value added (without construction) in total value added in eastern Germany totals 19.9% (2015) and is higher than the average 19.1 % recorded for the EU28.
28 For more details, see sections 2.5 Internationalisation and 2.6 Business clusters below.
29 Two events: in Magdeburg on 30 June 2016 and in Leipzig on 19 November 2015.
31 See the Annual Report on the Status of German Unity in 2015, p. 33 et seq.
32 See Part C of this report.
2.2. 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 2 provides an overview of the programmes\textsuperscript{33} designed primarily to promote investment.

In Germany and therefore also in eastern Germany, external financing is traditionally carried out via commercial banks. The Federal Government’s programmes are available in those areas where financing offers are in short supply. These are often public support 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, redemption from liability for the commercial bank. In addition to all-German programmes, there are also ERP regional development programmes\textsuperscript{34} 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.

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 big guarantee programme has been set up specifically for the new federal states for guarantee amounts of €10 million, so that bigger investment projects can be secured. The Federal Government and the 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 were 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 Founder Fund and the Coparion fund.\textsuperscript{35} But even the investments of medium-sized investment companies, which are present throughout Germany and whose investments are backed by Federal Government and federal state guarantees, are helping to strengthen the equity position of companies.

Non-redeemable grants are also provided by the Federal Government and the federal states under the Joint Programme for the Improvement of Regional Economic Structures (GRW). Article 91a Basic Law\textsuperscript{36} states that this Joint Programme 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 an all-German regional indicator model which, in accordance with European regulations, determines which region in Germany belongs to the assisted areas and the amount of

Table 2: Support programmes geared to promote investment

<table>
<thead>
<tr>
<th>Borrowed capital promotion programme</th>
<th>Equity promotion programme</th>
<th>Subsidies</th>
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</thead>
<tbody>
<tr>
<td>ERP regional development programme</td>
<td>ERP investment programme</td>
<td>The Joint Programme for the Improvement of Regional Economic Structures (GRW)</td>
</tr>
<tr>
<td>KfW corporate loan</td>
<td>ERP/EIF growth facility</td>
<td></td>
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<tr>
<td>Guarantees and counter-guarantees by the Federal Government</td>
<td>Mezzanine umbrella fund for Germany (MDD)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Micro-mezzanine funds Germany</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own diagram

\textsuperscript{33} 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 the Economic Affairs Ministry \url{www.foerderdatenbank.de}, and on the business portal of the Economic Affairs Ministry \url{www.bmwi-unternehmensportal.de}.

\textsuperscript{34} The ERP (European Recovery Program) 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. This money comes from the Marshall Plan and is managed by the Federal Ministry for Economic Affairs and Energy.

\textsuperscript{35} See also section 2.3.

\textsuperscript{36} Article 91a Basic Law states that the federal states are responsible for the improvement of regional economic structures, but that the Federal Government participates when this task is important to society as a whole and when federal participation is necessary for the improvement of living conditions.
support funds for which the respective federal state qualifies. The Federal Government and the federal states share the costs equally. For 2016 alone, this means a volume of more than €1.2 billion (including €24 million from the Federal Government’s investment package which does not expire until 2018). Around 80% of the GRW 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) in the 2014–2020 funding period. Of this figure, approximately €13.4 billion is going to the regions of eastern Germany. The lion’s share is allocated to the federal state programmes where it will be used, among other things, to supplement the GRW funds.

2.3. 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 Table 3). Since founders often have little or no experience in company management, the offers to promote consultancy services or to teach entrepreneurial know-how are 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.

The Federal Government’s basic programmes for start-ups, which are financed by the ERP Special Fund, are used in the following way in eastern Germany: in 2015, around €51 million, and hence around 19% of the commitment volume under the ERP start-up loan – start money, went to companies in eastern Germany, under the ERP start-up loan – universal, around €360 million (around 11%) and under the ERP capital for start-ups around €35 million (around 26%).

Around 31% of young, innovative companies, who between 2013 and June 2016 were classed as eligible for support by the INVEST programme, had their place of business in the new federal states, with 21.9% based in Berlin.

Thanks to the improved terms for support under the EXIST business start-up grant and EXIST transfer of research, it was possible to step up the number of recipients with an on average higher support volume in 2015. Under the

### Table 3: Support programmes with a focus on start-ups

<table>
<thead>
<tr>
<th>Financing</th>
<th>Knowledge and practical assistance</th>
<th>Other support</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outside capital</strong></td>
<td>● EXIST</td>
<td><strong>Strengthening entrepreneurial spirit</strong></td>
</tr>
<tr>
<td>● ERP start-up loan (start money/universal)</td>
<td>● Support for consultancy services for trades companies by chambers and trade associations</td>
<td>● Founder competition – digital innovation</td>
</tr>
<tr>
<td>● ERP capital for start-ups</td>
<td>● Promotion of entrepreneurial know-how</td>
<td>● Entrepreneurial spirit in schools initiative</td>
</tr>
<tr>
<td>● Micro-loans for Germany</td>
<td>● German Accelerator Programme</td>
<td>● German start-up week</td>
</tr>
<tr>
<td><strong>Equity/investment capital</strong></td>
<td></td>
<td><strong>Company succession</strong></td>
</tr>
<tr>
<td>● Coparion</td>
<td></td>
<td>● Nexxt initiative for company succession with a succession exchange</td>
</tr>
<tr>
<td>● ERP/EIF umbrella fund</td>
<td></td>
<td></td>
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<tr>
<td>● ERP start fund</td>
<td></td>
<td></td>
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<tr>
<td>● European Angels Fund (EAF)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>● High-tech Founder Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>● INVEST – venture capital grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Miscellaneous</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Start-up grant according to Social Code III</td>
<td></td>
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</tr>
</tbody>
</table>

Source: Own diagram

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37 European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD).
38 ERDF/ESF approx. €9 billion; EAFRD approx. €4.4 billion.
39 The ERP Special Fund is financed by funds from the Marshall Plan and is managed by the Federal Ministry for Economic Affairs and Energy, see also footnote 34.
programme sections EXIST business start-up (more than €17 million) and the EXIST transfer of research (more than €23 million), around 20% of the total volume of support was granted to start-up teams at universities in eastern Germany.

In 2015, the High-tech Founder Fund (HTGF), a seed stage investor, provided first-time financing in 21 cases with a volume of around €10 million in the eastern federal states. This corresponds to a commitment volume of around 54% of HTGF’s 40 overall first-time financing commitments in 2015.

2.4. Promoting innovation and research

An efficient research infrastructure and productive corporate research and development (R&D) are decisive factors for the competitiveness of companies and permanent jobs in eastern Germany. R&D expenditure as a percentage of GDP is much lower in eastern Germany than in western Germany. On the other hand, however, many regions of eastern Germany have a relatively well-developed public university and research sector.

The Federal Government has supported the development of efficient R&D in the economy of the new federal states since the mid-nineties with a coordinated package of measures. These measures aimed and continue to aim at creating and enhancing the technological competitiveness of companies in eastern Germany, restructuring industry-related R&D capacities, strengthening innovative SMEs and creating a business-related infrastructure which promotes R&D. The resultant efficient structure that has now emerged must be maintained and further developed. When it comes to promoting entrepreneurial R&D and innovation in eastern Germany, the focus should continue to lie on networking potential sources of skills and knowledge from the world of business, research and science, so that small and medium-sized enterprises will be encouraged to make greater use of the abundant public research infrastructure. In addition to the assistance measures intended for Germany as a whole, the Federal Government is activating the innovation potential of companies in eastern Germany through the programmes listed below.

Figure 1: R&D spending by industry and the public sector

![Diagram of R&D spending by industry and the public sector]


To find out how this is related to the restructuring of the economy in eastern Germany in the early 1990s, refer to the Annual Report of the Federal Government on the Status of German Unity in 2015, p. 38.
INNO-KOM-Ost programme

Since its launch in January 2009 up to the end of 2015, the INNO-KOM-Ost programme – promotion of external non-profit industrial research facilities in eastern Germany has pledged to support 1,434 R&D projects with funds amounting to around €421 million. INNO-KOM-Ost has been given a positive evaluation by scientific institutions. An extension of the programme to economically less developed regions in western Germany is planned starting in 2017.

go-digital

The aim of the three modules of the go-digital pilot project (Internet marketing, digitised business processes and IT security) is to prepare SMEs and skilled crafts companies for technological and social developments in online trade, for the growing digitisation of day-to-day business and the growing demand for security in digital networking. In one pilot project in the Saxony region, for instance, experience is being gathered on these topics over a period of six to nine months. Support is available here for external consultancy services provided by authorised consultants directly on the premises of the SMEs. This support can cover up to 75% of costs.

Entrepreneurial Regions

The range of support measures bundled under the Entrepreneurial Regions umbrella brand, with the aim of establishing and expanding specific technological, scientific and business expertise in eastern Germany, is geared to different points in the innovation process:

The Innovative Regional Growth Cores or Growth Core Potential programme is intended to strengthen regional entrepreneurial alliances with shared technology or problem-solving platforms. Since 2001, more than 50 growth cores and 39 growth core potentials have been supported with more than €400 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 2021: at least €335 million).

InnoProfile-Transfer is designed to strengthen technology transfer by supporting cooperation between young researchers and regional companies. Up until 2019, €123 million will be available to support 23 market-orientated 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 will promote the establishment of new, networked 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 consortium to implement their strategies.

Since 2016, work has been underway to develop Entrepreneurial Regions into an all-German innovation development concept to support regions facing particular challenges in their economic development.

Priority for SMEs

The Priority for SMEs ten-point programme launched in January 2016 aims to boost the number of SMEs involved in top-level research, reach SMEs that have little or no experience with public funding and hence promote innovation by SMEs.

One element of this programme is to further develop the successful SME Innovative model that addresses eastern Germany’s particular industry strengths in nine technology fields, such as electronics systems and photonics/optical technologies. 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 2,300 small and medium-sized enterprises throughout Germany. Around a quarter of these funds went to research stakeholders in the eastern federal states.

As part of the ten-point programme, formats that have been successfully implemented in eastern Germany will also be taken and established in other parts of Germany. The aim of promoting SME Innovation Forums is to bring SMEs together with research institutions and other stakeholders in order to develop and promote new ideas and business models across different industries, technologies and disciplines.
Institutional support for research

The non-university research institutes backed by the Federal Government and the federal states are the cornerstones of eastern Germany’s research landscape. Support for 18 Fraunhofer institutes and many other facilities and branches, as well as the various institutes of the Leibniz Association43 accounts for a large part of the disproportionate payments made by the Federal Government under Solidarity Pact II.

Some of the outstanding institutions located in eastern Germany include, for example, the Leibniz Institute for Natural Product Research and Infection Biology – Hans-Knöll Institute (HKI) in Jena44, Museum für Naturkunde Berlin (MiN)45, the High Performance Centre for Functional Integration of Micro/Nanoelectronics46 and the Fraunhofer Institute for Applied Optics and Precision Engineering (IOF) in Jena. The latter is now the centre of an excellent research infrastructure, comprising private companies, the university and research institutes, that is a sought-after model for other developments.

Research Campus initiative

As part of the ‘Research Campus – Public-Private Partnership for Innovation’ initiative (term: 2011 – 2027), support will be 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.47 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.

As part of this initiative, some €45 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 183 cooperation projects at nine research campuses and 89 of these are participating in the research campuses in eastern Germany.

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 or technical services.48

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-orientated programme that is open to all technologies and sectors with very little red tape and swift procedures. The companies’ projects are predominantly concentrated on future technologies: digitisation, energy and resource efficiency, health research and medical technology, smart mobility as well as renewable energy are the areas where many SMEs see market opportunities. As a result, increased research activities not only increase companies’ competitiveness but also speed the rate at which technological challenges are mastered.

Cooperation with research institutes is the most popular project form for companies. ZIM therefore plays a major role in expanding cooperation between research and business and in increasing technology transfer. Due to the positive impact of this programme and the many project applications that are worth supporting, the Federal Government has repeatedly increased its budget for ZIM in recent years which climbed to €543 million in 2016.

2.5. Internationalisation

The economy in eastern Germany is less internationalised than in western Germany.49 This means that eastern Germany has fewer exports and production and supplies there are primarily destined for the domestic market. This leads to weaker economic efficiency, but more than that, it limits the potential for growth because the only possible demand comes from domestic customers. The economy in eastern Germany is hence unable to benefit to the same extent from the growth potential of foreign markets and from the international division of labour. This is why the international integration of the eastern German economy is a decisive step towards increasing eastern Germany’s economic strength. The international strategy pursued by the Federal Govern-

43 38 of the 88 institutes of the Leibniz Association are based in eastern Germany.
44 In the field of antibiotic research.
45 With ground breaking work on biodiversity discovery, evolution and impact research.
46 In which four Fraunhofer institutes from Saxony and the technical universities in Dresden and Chemnitz have come together.
47 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.
48 See also the Annual Report of the Federal Government on the Status of German Unity in 2015, p. 40
49 See the export figures in Part C of this report.
ment 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 location marketing in favour of the new federal states. The company supports the internationalisation of the economy in eastern Germany 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. 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.

Companies in eastern Germany also have access to the entire range of tried-and-tested foreign trade promotion measures. The network of foreign trade chambers has an extremely important role to play here. This network supports the activities of German companies in foreign markets at 130 locations in 90 countries around the globe with market and product consultancy. These foreign trade chambers have close ties with GTAi’s foreign network. 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 Market Development Programme has become extremely important for companies in eastern Germany; this programme promotes information events on foreign markets, business travel for entrepreneurs, as well as buyer and information trips by foreign decision makers. The programme reaches small and medium-sized enterprises that have not yet finally decided whether business abroad is worth their while. Since it was launched in 2012, the modules of the measures offered were almost all disproportionately used by companies in eastern Germany.

2.6. Business clusters

Berlin and the new federal states are today among the world’s most attractive locations for research and development. Innovative industrial clusters and networks are a central aspect in the development of eastern Germany as a business location and even as a competitive global location 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. 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 well as clusters that emerged from the Federal Government’s excellence cluster competition, i.e. Cluster Cool Silicon in Dresden in the field of microelectronics, BioEconomy in Halle that is exploring the topic of renewable raw materials and Solarvalley Mitteldeutschland which is working on photovoltaics.

As an excellence measure of cluster policy, the go-cluster programme that was initiated in mid-2012 currently brings together Germany’s best 99 innovation clusters that are pioneers in innovation and reflect Germany’s enormous expertise in numerous industries and fields of technology. Twenty three of these excellence clusters are eastern German cluster initiatives. In fact, every third new cluster included in the programme is 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/phononics along with electrical engineering, measurement technology and sensor technology.

2.7. Digitisation and Industry 4.0

Digitisation has also made its way into industry in eastern Germany. Industry 4.0 refers to the linking of industrial production with state-of-the-art information and communication technology, as well as to new business models, products and services in general. This is where the Digital SMEs programme comes into play. This programme supports the digital transformation of the German economy by making small and medium-sized enterprises, in particular, aware of the technological and economic potential and the challenges of digitisation, including Industry 4.0. In light of its fragmented structure, the economy in eastern Germany can benefit especially from this approach. At present, ten SME 4.0 Centres of Excellence are being set up throughout Germany as part of the SME 4.0 – Digital Production and Work Processes initiative. These centres offer companies practice-orientated digitisation know-how as well as specific demonstration and testing opportunities to match their regional priorities. Two centres of excellence in Berlin and Chemnitz are already up and running. A third centre is to start in Ilmenau in the autumn. In 2017, further centres of excellence are to close regional and topic-related gaps and will be available to industrially weak regions in eastern Germany that are economically less developed.
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

Labour market development in recent years has been very positive. The number of people in jobs has continued to rise. In 2015, Germany recorded the highest level of employment since reunification and in eastern Germany the highest level since 1992. As in the previous year, employment was driven by strong growth in the number of people in jobs requiring social insurance contributions.

Last year, as in previous years, the annual unemployment rate for the year declined once again. In 2015, eastern Germany recorded a rate of 9.2% and western Germany 5.7%. Within 20 years, this figure has declined by 4.7 percentage points in eastern Germany and by 9.5 percentage points compared to the all-time high in 2005. The enormous difference in figures between eastern and western Germany, which was still more than 10 percentage points in 2001, has now declined significantly to 3.5 percentage points.

However, this positive trend in employment development has not always been to the benefit of the unemployed. The steep rise in employment was partially fed by an increase in the number of migrants looking for jobs.

The unemployment rate among women totals 8.7% in eastern Germany and 5.6% in western Germany and is hence slightly lower than the rate of 9.6% (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 4).

It must be noted that the unemployment rate for older people in eastern Germany fell by almost one percentage point in 2015.

Since 2008, long-term unemployment throughout Germany has declined by a good fifth to 1.04 million (average figure for 2015). Compared to the previous year, its share in overall unemployment declined by 0.3 percentage points in eastern Germany.

The number of unemployed people entitled to basic benefits for job-seekers and receiving unemployment benefit II declined throughout Germany by almost 1.5% against the previous year. In eastern Germany, this figure declined by as much as 3.6%.

Figure 2: Unemployment trend from 1995 to 2015

Source: Own diagram based on statistics from the Federal Employment Agency
Employment trend

The number of people in jobs in Germany has risen once again and in 2015 this figure totalled 40.3 million people, the highest level since reunification. The eastern federal states (including Berlin) account for a good 7.6 million or 19% of this figure. This marks the highest level of employment in the eastern federal states since 1992 after around 8.8 million people were still without jobs there in 1991 (21.9% of the working population in Germany). Between 1991 and 1992, employment in the eastern federal states declined significantly as a result of the economic transformation process. The rise in employment that then followed after 1992 was much weaker than in western Germany due to demographic developments and greater progress in productivity. It was hence no longer possible to compensate for the transformation-related losses in employment of the early 1990s.

The number of people in jobs requiring social insurance contributions in relation to the overall population rose again slightly (see Table 6), as did the employment rate.

Table 4: Unemployment rate as a percentage of the civil labour force in percent

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6.7</td>
<td>6.4</td>
</tr>
<tr>
<td>Western Germany</td>
<td>5.9</td>
<td>5.7</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>9.8</td>
<td>9.2</td>
</tr>
<tr>
<td>Men</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6.8</td>
<td>6.6</td>
</tr>
<tr>
<td>Western Germany</td>
<td>6.0</td>
<td>5.8</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>10.1</td>
<td>9.6</td>
</tr>
<tr>
<td>Women</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6.6</td>
<td>6.2</td>
</tr>
<tr>
<td>Western Germany</td>
<td>5.9</td>
<td>5.6</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>9.3</td>
<td>8.7</td>
</tr>
<tr>
<td>Younger people (from 15 to 25)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Western Germany</td>
<td>5.1</td>
<td>4.8</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>8.9</td>
<td>8.2</td>
</tr>
<tr>
<td>Older people (from 55 to 65)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7.9</td>
<td>7.3</td>
</tr>
<tr>
<td>Western Germany</td>
<td>6.8</td>
<td>6.5</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>11.5</td>
<td>10.6</td>
</tr>
</tbody>
</table>

Source: Federal Employment Agency

Table 5: Number of unemployed according to length of unemployment and legal areas

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Unemployed</td>
<td>2,898,388</td>
<td>2,794,664</td>
</tr>
<tr>
<td>Western Germany</td>
<td>2,074,553</td>
<td>2,020,503</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>823,835</td>
<td>774,162</td>
</tr>
<tr>
<td>Long-term unemployed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,076,752</td>
<td>1,039,281</td>
</tr>
<tr>
<td>Western Germany</td>
<td>771,165</td>
<td>754,130</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>305,586</td>
<td>285,151</td>
</tr>
<tr>
<td>Unemployed according to legal areas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Code III</td>
<td>933,224</td>
<td>858,610</td>
</tr>
<tr>
<td>Western Germany</td>
<td>708,991</td>
<td>662,369</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>224,234</td>
<td>196,241</td>
</tr>
<tr>
<td>Social Code II</td>
<td>1,965,164</td>
<td>1,936,055</td>
</tr>
<tr>
<td>Western Germany</td>
<td>1,365,563</td>
<td>1,358,134</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>599,601</td>
<td>577,921</td>
</tr>
</tbody>
</table>

Source: Federal Employment Agency

Between 2014 and 2015, the number of people in jobs requiring social insurance contributions in eastern Germany rose by 1.4% to 5.8 million. Both women (increase of 1.6%) and men (increase of 1.3%) benefited almost equally from this development. Women account for almost half of the working population in eastern Germany.

In eastern Germany, the percentage of people working in part-time jobs requiring social insurance contributions is higher than the average for all of Germany (total: 26.6%, east: 28.2%).

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%, total rate: 69.8%) and among men 74.8% (west: 78.4%, total rate: 77.7%).

These figures are closely linked to the jobs held by parents. There is still a big difference here 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. 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. Only 12% of families in western Germany have this kind of employment situation. In western

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50 According to analyses of the microcensus.
51 This takes into account a working age of between 15 and up to 65 according to place of residence.
Germany, the sole male breadwinner model is much more widespread among two-parent families than in eastern Germany (30% compared to 22%). 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. The majority of working single parents in eastern Germany work almost completely full-time (54%) while the majority of single parents in western Germany work between 15 and 32 hours a week. However, single parents are more frequently unemployed in the new federal states (36% compared to 32% in the old federal states).52

On the whole, more mothers in the new federal states have a job and work more hours than in the old federal states. In eastern Germany, 70% of mothers are employed compared to 66% in western Germany.53 In the new federal states, 37% of working mothers work more than 32 hours, but this is the case for only 16% of working mothers in the old federal states.54 In eastern Germany, working mothers work on average 33 hours a week, much more than mothers in western Germany (25 hours a week).55 The differences are particularly striking for mothers with small children: while 42% of mothers in eastern Germany with the youngest child under the age of three have a job, this is the case for only 33% in the west. In eastern Germany, 21% of working mothers with the youngest child under the age of three work at least 32 hours a week and 19% work between 15 and 32 hours a week in part-time jobs. In the west, on the other hand, 17% of these mothers work between 15 and 32 hours a week in part-time jobs but only 7% work more than 32 hours a week.56

Mothers in the new federal states return to work faster after the birth of a child, taking parental leave for an average of around 15 months. On average, mothers in the old federal states take leave for a good six months longer.57 After parental leave, more couples in eastern Germany than in western Germany with children under the age of six opt for a working situation in which both parents work full time. For 34% of couples in eastern Germany, both parents were in full time employment after parental leave while this is the case for only 11% of couples in western Germany.58

By the time a child has reached the age of two, the average number of hours worked by mothers in eastern Germany is already almost twice as high as in western Germany. The average employment rates for mothers in eastern and western Germany only start to converge more after children have reached the age of twelve. These differences are also likely to be caused by better conditions regarding the compatibility of family and career thanks to a much wider childcare infrastructure in eastern Germany for small children up to school age.59

### Table 6: Number of people in jobs requiring social insurance contributions (key date: 30 June)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>16,240,821</td>
<td>16,504,172</td>
</tr>
<tr>
<td>Women</td>
<td>13,933,684</td>
<td>14,267,125</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>5,681,674</td>
<td>5,763,102</td>
</tr>
<tr>
<td>Men</td>
<td>2,859,504</td>
<td>2,896,630</td>
</tr>
<tr>
<td>Women</td>
<td>2,822,170</td>
<td>2,866,472</td>
</tr>
<tr>
<td>Full-time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>22,090,825</td>
<td>22,577,749</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>4,066,852</td>
<td>4,133,585</td>
</tr>
<tr>
<td>Part-time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,739,729</td>
<td>8,186,415</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>1,537,075</td>
<td>1,626,973</td>
</tr>
</tbody>
</table>

Source: Federal Employment Agency

52 Microcensus special evaluation s15235. Calculation by Prognos AG.
53 Microcensus 2014.
54 Microcensus 2014.
55 Microcensus 2013.
56 BMFSFJ, Dossier Müttererwerbstätigkeit, 2015, 3rd edition, p. 42
57 Allensbach Institute, 2014, IfD survey 7208.
58 Allensbach Institute, 2015, Weichenstellungen für die Aufgabenteilung in Familie und Beruf, p. 38.
59 In western Germany, the child care ratio for children under the age of three totalled 28.2% on 1 March 2015, in eastern Germany, this figure remained almost unchanged at around 52%. When it comes to requests by parents for child care, demand for children's day care services was much higher in the eastern federal states (58.1%) than in western Germany (39.5%). For children aged between three and five years, 95.3% of parents made use of a child day care facility (key date: 1 March 2015). The child care ratio for this age in eastern Germany was 96.6% and slightly higher than the 95.0% in western Germany, BMFSFJ, Dossier Müttererwerbstätigkeit, 2015, 3rd edition, p. 40. In the eastern federal states, more full-day child care facilities were booked while shorter child care hours were more popular in the western federal states, BMFSFJ, Kindertagesbetreuung Kompakt Ausbaustand und Bedarf 2015.

Developments on the training market

The number of vacant apprenticeships on the training market is rising in both east and west while at the same time there are still many applicants unable to find apprenticeships.
The number of registered applicants for training positions has declined in eastern Germany. All in all, there were 520,000 registered apprenticeships in the 2014/2015 reporting year (key date: 30 September 2015), 16% of which were in eastern Germany (see Table 7).

### Table 7: Training market

<table>
<thead>
<tr>
<th></th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Registered applicants for apprenticeships since the start of the respective reporting year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>559,431</td>
<td>549,098</td>
</tr>
<tr>
<td>Western Germany</td>
<td>466,202</td>
<td>456,591</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>90,164</td>
<td>89,260</td>
</tr>
<tr>
<td><strong>Registered applicants for apprenticeships without a place since the start of the respective reporting year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>20,872</td>
<td>20,712</td>
</tr>
<tr>
<td>Western Germany</td>
<td>16,574</td>
<td>16,341</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>4,088</td>
<td>4,341</td>
</tr>
<tr>
<td><strong>Registered apprenticeships since the start of the respective reporting year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>511,613</td>
<td>520,010</td>
</tr>
<tr>
<td>Western Germany</td>
<td>426,841</td>
<td>435,178</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>84,555</td>
<td>84,594</td>
</tr>
<tr>
<td><strong>Registered vacant apprenticeships since the start of the respective reporting year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>37,101</td>
<td>40,960</td>
</tr>
<tr>
<td>Western Germany</td>
<td>30,161</td>
<td>33,411</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>6,657</td>
<td>7,482</td>
</tr>
</tbody>
</table>

Source: Federal Employment Agency

In September 2015, a total of around 41,000 apprenticeships were left vacant, 18% of them in eastern Germany. The share of vacant positions in eastern Germany hence remained unchanged against the previous year. The total number of vacant apprenticeships has risen, however, not just in Germany as a whole but also in eastern Germany, a development that is probably due to the fall in the number of applicants. Due to demographic developments in eastern Germany, the number of applicants compared to apprenticeships, which was still very high a few years ago, has fallen steeply and currently remains stable at a low level. These demographic developments are leading to a significant decline in the number of school leavers as well as people completing apprenticeships and graduating from university, especially in the eastern federal states. Training positions are also remaining vacant because the career aspirations of applicants do not match the training on offer. The situation with vacant training positions varies significantly depending on the type of skilled occupation and the region.

At the same time, there are also a number of applicants unable to find training positions. In September 2015, there were almost 21,000 applicants unable to find vocational training, with eastern Germany accounting for 21% of this figure.

### 3.2. Measures to integrate refugees into the labour market

In 2015, many people came to Germany seeking protection against war and persecution. Providing housing and care, as well as registering refugees, posed an enormous challenge for the Federal Government, the federal states and the municipalities and also required the involvement of the Federal Armed Forces.

From January to December 2015, a total of 476,649 applications for asylum were submitted to the Federal Office for Migration and Refugees (BAMF). During that same period, a total of 282,726 cases were decided by BAMF. Of these applicants, 140,915 were recognised as refugees. More than 90% of all recognised refugees come from eight of the most important non-European asylum seeking countries (TOP 8).

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61 The share corresponds to that of September 2010.
62 In line with the motto of overall responsibility on the part of government, the Federal Armed Forces had a key role to play in providing shelter, care and in registering refugees, thus lessening the burden on structures that were at times already heavily laden down. In the eastern federal states alone, up to 1,700 members of the Federal Armed Forces provided support in a total of 33 projects.
63 In 2015, these were: Afghanistan, Eritrea, Iraq, Iran, Nigeria, Pakistan, Somalia and Syria.
Over the course of 2016, the number of people seeking asylum declined considerably: while almost 92,000 were still recorded in January 2016, the figure had fallen to approx. 16,000 in July 2016.

Integrating those who find permanent or long-term protection in our country into the labour market is a key challenge that we now have to master and one that will not yield success until later in the medium to long-term future. If we can manage to successfully integrate these people into the labour market, the challenges of the refugee situation can be transformed into opportunities and the hoped-for skilled manpower potential of those seeking protection can be put to use. In this sense, the migration of those seeking protection could prove to be an opportunity for eastern Germany. The conditions for integration into the labour market are good. Development on the labour market is stable and jobs are available.

Legal frame of reference

The Federal Government aims to closely combine asylum application processes and labour market integration so that the required integration measures can be initiated as early as possible. In particular, the laws introduced to expedite asylum procedures, to improve data exchange and for the introduction of accelerated asylum procedures, which came into effect between October 2015 and March 2016, have stepped up the rate at which asylum applications are processed and have improved labour market integration.\(^{64}\)

The Integration Act, which for the most part came into effect on 6 August 2016, is based on the principle of supporting and demanding. The aim of this act is to employ government measures in order to support the integration into society and the labour market of those people who have a good chance of remaining in the country while at the same time demanding effort on their part in the integration process. The conditions for successful integration into the labour market have also been improved through numerous measures. Quickly learning enough German for everyday life and work is a basic precondition for participating in society and for quickly gaining a foothold on the labour market. Compared to earlier migrants, today’s refugees face greater language and cultural barriers due to the structure of their countries of origin. That’s why the government language development services have been expanded, their content improved and funding increased. With the promotion of occupational German language skills financed by the Federal Government, it is now easier to combine language learning with training, employment and active labour market policy measures.

Other improvements will be achieved with the Integration Act and the related framework ordinance. Access to the labour market will be improved through support during the priority check. It is now already possible for highly qualified and skilled people to take up jobs in bottleneck professions without a priority check. Furthermore, priority checks are being waived in defined agency districts (133 out of 156) of the Federal Employment Agency. In order to already provide low-level access to the labour market during the current asylum procedure, government funds are being used each year up to 2020 in order to create 100,000 work opportunities for those who qualify for benefits under the Asylum Seekers Benefits Act. This is being implemented under the Refugee Integration Measures labour market programme that will run until the end of 2020 and is managed by the Federal Employment Agency.

Even greater support is provided for refugees who start and complete occupational training. With the Integration Act, certain instruments to promote training, depending on residence status and prior duration of stay, have been temporarily opened up and greater legal certainty is now ensured both during and after successful qualification.

Those seeking protection are entitled to all benefits granted as part of basic benefits for jobseekers (Social Code II). Of the TOP 8 asylum seeking countries, which account for more than 90% of all recognised asylum seekers, a total of 93,666 people received first-time basic benefits for jobseekers in the period from January to December 2015, including 17,380 in eastern Germany (including Berlin). The focus of integration into the labour market hence lies with the local job centres. Suitable personnel resources and funds have been earmarked in the 2016 federal budget in order to ensure that this is implemented at local level.

Programmes and cooperation

For the 2015 to 2018 funding period, the Integration through Qualification (IQ) support programme has been supplemented by ESF Qualification Within the Context of the Federal Recognition Act. The programme is being implemented at regional level in 16 federal state networks that offer advice on recognition and qualifications and develop adaptive training measures tailored to specific needs. In order to cover the need for support among refugees, the programme received an additional €19 million in Federal Government funding. This funding is being used in eastern Germany by the federal state networks, for instance, for the sub-projects entitled Information and Advisory Offices for Recognition in the Federal State of Thuringia (IBAT), for the...
Diversity is a Top Priority project in Brandenburg in which participants train at companies as mentors, as well as for the Bridge for Academics in Chemnitz project in Saxony (specialist training and profession-related language training for migrants).

As part of the Federal ESF Integration Directive, 41 projects are being supported in the Integration of Asylum Seekers and Refugees priority area. These projects aim to involve companies and/or public agencies in finding jobs or training for asylum seekers and refugees and to improve the structure of access to work and training. In eastern Germany, for instance, the following project alliances are being promoted under this priority area: RESQUE continued (Saxony), Jobbrücke PLUS (Saxony-Anhalt) and BLEIBdran (Thuringia). The measures in project work focus on individual advice related to the labour market taking special circumstances into account, measures that target (re-)starting education or training, improving the structure of access to jobs and training, including training provided by job centres and job agencies, measures for companies, as well as support for access to benefits under the regular assistance systems and other special programmes, preparation for company training, qualification as well as job and training placement.

Under the umbrella of the Alliance for Initial and Further Training 2015 – 2018, stakeholders in Federal Government, the business community, trade unions and the federal states also agreed on central measures to integrate refugees and asylum seekers into work and training which were laid down on 18 September 2015 in a declaration entitled Together for the Prospects of Refugees. The stakeholders agreed on additional language and integration courses, the establishment of ‘welcome guides’ to mediate between businesses and refugees65, the integration of refugee children and young people into general education or vocational schools as well as fast access to these measures for tolerated foreign citizens and asylum seekers with a good chance of remaining in the country. At their annual summit meeting in June 2016, the Alliance partners agreed on additional measures with a focus on nationals and young people seeking protection.66

The Companies Integrating Refugees network identifies, highlights and strengthens commitment by companies to refugees and their integration. The purpose is to support companies that are already committed and to make their efforts even more effective. Companies that want to become involved are provided with ideas and specific paths and contacts are established with potential partners and experts on-site. More than 100 eastern German companies (out of a total of 800) are currently involved in this company network.

The Federal Government supports access for suitable refugees to third-level education, for instance, through information services for refugees on studying in Germany, accelerated checking of university entrance qualification as well as financing study preparation measures at preparatory colleges and universities. Since 1 January 2016, tolerated asylum seekers and holders of residence permits on certain humanitarian grounds have already been able to apply for benefits after 15 months under the Federal Education Assistance Act.

One training initiative offers recognised adult Syrian refugees training within Germany and on a voluntary basis provided by the Federal Armed Forces in skills that can be used for general civilian purposes. The German language skills acquired in this way are essential in ensuring successful integration. Up to 120 places in three training alliances are available throughout Germany, including 60 in the so-called eastern training alliance.

3.3. Measures to secure skilled workers

Qualified professionals are the key to economic development in the eastern federal states. One indicator for the growing scarcity of skilled workers is the steep increase in the number of registered job vacancies. This figure rose from around 47,000 in 2000 to 110,000 in 2015. The number of jobs offered in eastern Germany which could not be filled rose slightly in the first half of 2015 to 20,000. The share of companies with vacant positions totalled 41% (36% in western Germany). In eastern Germany, the building trade and business-related services were particularly affected by this development. Vacant jobs become a problem when companies remain unable to find the right people over a longer period of time. Throughout Germany, certain occupations and some health and nursing professions suffered from bottlenecks.67

Even though the lack of skilled workers has not reached a nationwide level, there is already a need to act. Small and medium-sized enterprises, in particular, see themselves confronted with a lack of skilled labour in the occupations referred to above. The measures by the Federal Government to secure skilled workers and the potential of various labour market groups are hence particularly important for eastern Germany too.

65 See also the measures to secure skilled workers below.
66 Among other things, the situation of data on the status of education and qualification among refugees is to be improved, the training path strengthened, the control instruments of the Federal Employment Agency relevant for training are to be examined and vocational schools are to be supported as a place for language learning.
In its quest to secure qualified professionals, the Federal Government has already identified fields of action for securing qualified professionals and has underpinned these with extensive measures. The objectives and measures of the Federal Government are regularly reviewed by the ‘departmental working group on skilled workers for the future’ and the measures are further developed.

Through various initiatives, the Federal Government is also promoting exchange and advice on matters related to securing skilled workers.

For instance in October 2015, a nationwide, decentrally organised skilled workers’ week was held as part of the Partnership for Skilled Workers68 involving all participating partners and more than 300 events throughout Germany, including events in Dresden, Leipzig, Schwerin and Frankfurt an der Oder.

In response to the different levels of regional demand for skilled workers, the Federal Government supports the Skilled Workers Innovation Office for the Region which offers extensive advice, information and event services in order to identify, categorise and qualify regional networks for securing skilled workers.69

The Centre of Excellence on Securing Skilled Labour provides primarily small and medium-sized companies with practical information and guides on how to secure skilled workers, on legal matters and on support and funding offers for integrating asylum seekers and refugees. The Initiative New Quality of Work (INQA) backed by leading social partners provides companies and administrations with specific consultancy services to promote their work culture and to gain a strong position in competition for skilled workers.

In order to secure skilled workers, measures are used to promote and exploit the potential of the various labour market groups.

Women in jobs and improved compatibility for parents

The Federal Government has adopted a diverse range of measures in order to increase the share of women in jobs, both in terms of quality and quantity and across the entire pattern of employment, and therefore to create fair income prospects over the course of a woman’s life. Although the share of women in jobs is by comparison higher in eastern Germany, and the share of atypical employment is lower than in the west, even here it is, however, still below the share of men in jobs.70 Mothers, in particular, often reduce the number of hours they work for a certain period of time in the hope that they can return to more hours later, but then find that this is not always possible.

The Perspective Re-entry action programme launched in 2008, which is centred around the Federal ESF Perspective Re-entry – Developing Potential programme, is committed to promoting equal opportunities, especially for women, and greater partnership in the allocation of care giving responsibilities in family and professional life. The special situation faced by mothers with a migration background is also addressed in the Federal ESF programme entitled ‘Strong in the work place – migrant mothers get on board’71.

With the ‘Success Factor Family’ corporate programme, the Federal Government is working together with Germany’s leading industrial associations (BDA, DIHK, ZDH) and the German Trade Union Confederation (DGB) to achieve its aim of a family-friendly working world. As part of this programme, a corporate network of the same name has been set up. With more than 6,000 members, this is Germany’s biggest platform for all employers who are interested or already involved in reconciling work and family. The tremendous importance of reconciling work and family for the social stability and economic success of Germany and hence of eastern Germany too is the starting point for the Memorandum on Family and the Working World – NEW Reconciliation which was presented in September 2015 within the scope of the programme.72

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68 The Partnership for Skilled Workers is a joint initiative by the Federal Government, the Federal Employment Agency (BA), BDA, DGB, IG Metall, IG Bergbau, Chemie, Energie, DIHK and ZDH that aims to recognise and mobilise existing potential even better. Emphasis is placed here on the four most important groups with potential: women, older people, people with a migration background and people with few qualifications. In addition to bundling existing offers, improved dissemination of best practice examples from everyday corporate life is of prime importance here.

69 The 580 networks that are currently active have successfully brought together stakeholders close to the labour market, such as job agencies, job centres, municipalities, chambers of industry and commerce, associations and companies, and have also triggered joint initiatives to secure skilled workers at regional level.

70 See 3.1 above. Situation on the labour and training market in eastern Germany, employment development.

71 Under this programme, the Federal Government in cooperation with the job agencies/job centres and other local stakeholders has been supporting around 90 projects since 2015 that support women (re-)entering the labour market, see www.starkimberuf.de.

72 Ten guiding principles have been drawn up by stakeholders from politics, industry and the unions, expressing their joint commitment to reconciling work and family for women and men, for instance, through flexible working-hour models. The memorandum offers the basis and orientation for other future activities by these partners to promote a family-friendly working world.
Reducing long-term unemployment

In order to further reduce long-term unemployment, the Federal Government also supports integration into the labour market and social participation with measures and programmes that go beyond normal support measures. The Federal ESF programme to integrate long-term unemployed persons claiming benefits under Social Code II with funding amounting to €885 million up to the year 2020 is helping to integrate long-term unemployed persons into the first labour market. In the current ESF funding period, this programme especially benefits the federal states in eastern Germany as transitional regions. A total of 62 job centres in the territorial states in eastern Germany are involved in implementing this programme. With the help of the Federal ESF programme, the eastern federal states are planning to integrate 4,720 long-term unemployed persons into the general labour market. By July 2016, around 1,910 long-term unemployed people had received support under this programme.73

With the Social Participation in the Labour Market programme introduced in May 2015, the Federal Government aims to improve social participation for people who are furthest removed from the labour market. Furthermore, their prospects for employment on the general labour market are to be improved. Support is provided for employment relationships that are also competition-neutral and in the public interest. One focus of support is on beneficiaries who need special support due to illness. Members of a shared household with children are another important target group with a view to social participation. This programme is a pilot programme. 105 job centres, including 36 in eastern Germany, were selected to take part in the programme.

Thanks to its excellent start, this Federal programme will be expanded once again at the turn of the year 2016/2017 and 5,000 additional places will be added.

Education and further training

For the Federal Government, education and further training continue to be central elements of labour market policy and of great importance when it comes to securing skilled labour, both now and in the future. Strengthening the dual system of vocational training is also the goal of the Alliance for Initial and Further Training 2015 – 2018 signed at the end of 2014. The Federal Government has several measures in place to take effect in different areas by bringing school leavers, young adults and skilled workers together with companies. Two central measures have already been launched by the Federal Government, i.e. the statutory basis for increasing training assistance, which came into effect on 1 May 2015, and the new Support Instrument of Assisted Vocational Training which will run until 2018. Assisted vocational training enables disadvantaged young people and their training companies to be supported intensively and continuously before and during a company apprenticeship.

Another initiative in this context is the Graduation and Continuation – Education Chains up to Vocational Qualification. Backed by successful support measures, career orientation services and the transition from school to work are to be brought together in a holistic, regionally matched support system and established as a coordinated approach in the federal states. This will be laid down in agreements to be signed by all the federal states. Various different support measures are available, including mentoring for the transition to the labour market, the voluntary coaching approach of the VerA initiative to avoid training drop-outs and the vocational orientation programme (BOP).

In order to leverage the untapped potential for skilled manpower, the ESF pilot programme of the Federal Government: Career Change – Men and Women in Early Childhood Education and Care (2015 – 2020) provides support in eastern

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73 Source: Statistics from the Federal Employment Agency; preliminary data and extrapolated.

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### Table 8: Measures to promote the share of women in employment

<table>
<thead>
<tr>
<th>Perspective Re-entry action programme</th>
<th>Strong in the workplace</th>
<th>Success factor family corporate programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Federal ESF programme to advise on and accompany re-entry to the labour market</td>
<td>- Individual advice and introduction to qualifications and re-entry to the first labour market</td>
<td>- Innovative success stories and experience reports on family-aware HR policy</td>
</tr>
<tr>
<td>- At 22 locations</td>
<td>- In 90 projects</td>
<td>- Knowledge platform for practical examples, studies and guides</td>
</tr>
<tr>
<td>- Boost awareness among employers: promote potential and secure skilled labour</td>
<td>- Binding cooperation with job agencies/job centres and other local stakeholders</td>
<td>- Network office at the German Chamber of Industry and Commerce: free advice and support</td>
</tr>
<tr>
<td>- Support offers</td>
<td>- <a href="http://www.starkimeruf.de">www.starkimeruf.de</a></td>
<td>- Memorandum on Family and the Working World – NEW Reconciliation: commitments by partners</td>
</tr>
<tr>
<td>- <a href="http://www.perspektive-wiedereinstieg.de">www.perspektive-wiedereinstieg.de</a></td>
<td></td>
<td>- <a href="http://www.erfolgsfaktor-familie.de">www.erfolgsfaktor-familie.de</a></td>
</tr>
</tbody>
</table>

Source: Own diagram
Germany for six pilot projects, out of a total of 12 throughout Germany, under which career changers can train as state-recognised educators and find paid jobs requiring social insurance contributions at a child day-care centre.

The Federal Government’s ESF JOBSTARTER plus programme provides support for regional projects that primarily offer their services to SMEs, helping them to recruit skilled labour and tap into new target groups for vocational training. In 2015, a total of 15 new projects under the JOBSTARTER plus programme and another eight projects under the predecessor programme were active in the new federal states and Berlin. In light of the dramatic slump in the number of people leaving school, especially in eastern Germany, these projects are particularly relevant for dual vocational training and for securing young skilled workers for companies. Moreover, regional networks have also developed from project work in the new federal states.

Around 180 consultants from the Federal Government’s ESF Right Candidate for the Job programme support SMEs when it comes to recruiting German and foreign young people with no refugee status for training positions. They also advise businesses with a view to creating a culture of welcome, especially for foreign trainees and skilled professionals, as well as migrants already living in Germany.

Table 9: Measures to acquire vocational qualifications

<table>
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<tbody>
<tr>
<td>● 2014 – 2018 a total of around €1.3 billion</td>
<td>● Improving dual vocational training</td>
<td>● Regional projects to secure skilled manpower in SMEs</td>
<td>● Creating paid training paths in education suitable for adults and/or improving existing structures</td>
</tr>
<tr>
<td>● ESF programme of the Federal Government: Career entry support: some 27,000 places in the eastern federal states, approx. 4,500 places in Berlin at around 90 schools</td>
<td>● Paving the way to training for adolescents with and without a migration background and for young refugees (in 2015, almost 5,000 young people throughout Germany already received support through the Assisted Vocational Training measure).</td>
<td>● Establishing new regional networks, e.g. Schweriner JOBSTARTER-Forum and JOBSTARTER-Kunststoff-Allianz</td>
<td>● Increasing the number of skilled (especially male) workers/opportunities for entering an occupation for people willing to change their careers and for older people</td>
</tr>
<tr>
<td>● VerA initiative: voluntary support for young people with difficulties in vocational training: Between 2009 and 2014 approx. 4,500 measures, including 845 in the eastern federal states (336 in Berlin).</td>
<td>● <a href="http://www.aus-und-weiterbildung-sallianz.de">www.aus-und-weiterbildung-sallianz.de</a></td>
<td>● The JOBSTARTER east regional office coordinates initiatives for the transition between school and training in the eastern federal states</td>
<td>● 12 projects/6 in eastern Germany</td>
</tr>
<tr>
<td>● BOP: analysis of potential and work experience in a workshop. Since 2008, 970,000 school pupils from all over Germany, including around 220,000 from the new federal states.</td>
<td>● <a href="http://www.bildungsketten.de">www.bildungsketten.de</a></td>
<td>● <a href="http://www.jobstarter.de">www.jobstarter.de</a></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Own diagram.*

One example of this is JOBSTARTER-Forum in Schwerin. Three earlier projects in the new federal states have come together and are now working in JOBSTARTER-Kunststoff-Allianz.
2015, 28 of the 169 consultants in total working at chambers and other organisations in industry and commerce worked in eastern Germany.

Since spring 2016, around 150 people working as ‘welcome guides’ have been supporting small and medium-sized enterprises when it comes to recruiting refugees to fill vacant training positions and jobs. These welcome guides foster willingness among companies to take on and thus integrate refugees for internships, training and jobs. They additionally help companies to create and develop a culture of welcome. The welcome guides work at a total of 100 chambers and other organisations in industry and commerce. Thirty out of the total of 150 welcome guides are currently active in eastern Germany.

The geographic focus of the Federal Government’s Support for Disadvantaged Young People programme is the assistance areas of the Social Cities urban development programme and other disadvantaged areas where the situation for young people is particularly difficult. With the ESF programme entitled Education, Economy, Work in the Neighbourhood – BIWAQ, the Federal Government is helping cities and municipalities with economic and social disadvantages to combine labour market development measures with investments in urban development. As part of the Netzwerk SCHULEWIRTSCHAFT Ostdeutschland initiative, local cooperation between schools and the business community in eastern Germany has been stepped up since April 2016 and the transfer of good practices is being promoted including approaches to integrate young refugees.

Inclusion

When it comes to achieving inclusion, the federal states are faced with an enormous development task in terms of both education and policy that is already shaping the school landscape to a large extent. The recommendation by the Standing Conference of Ministers of Education and Cultural Affairs on 20 October 2011 for the Inclusive Education of Children and Young People with Disabilities in Schools created the foundation for equal participation of people with disabilities in education. The recommendation provides the framework for greater inclusion in education, in both general education facilities and vocational schools. Starting with a changed understanding of disability and the principles of participation and barrier-freedom, emphasis is placed on the responsibility borne by general education facilities for all children and adolescents with and without a disability. This change in perspective towards inclusion, which has not only taken place in education, also takes into account the UN Convention on the Rights of Persons with Disabilities that has been in effect in the Federal Republic of Germany since March 2009. According to the UN Disability Rights Convention, the aim must be to shape all areas of educational policy and life to include people with disabilities.

Figure 3: Pupils with special learning needs as a percentage of all pupils of compulsory school age (support rate) according to federal states 2014/2015

| Source: KMK statistics on special educational needs in schools 2005 to 2014 |
In the new federal states, the support rate for school pupils with special learning needs ranges from 6.6 to 10.6% (all-German average: 7%). The percentage of pupils in special schools and the share of inclusive enrolment at other general education facilities have risen in almost all the federal states. Both the number and the share of pupils with special learning needs who do not visit special schools have more than doubled nationwide since the 2000/01 school year: in 2014/15 around every third child 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\(^{75}\) of 5% has not yet been reached. In 2014, this rate totalled 4.7% and was generally spread equally across the old and new federal states (including Berlin). Significant shifts did occur, however, with a view to the percentage of people with disabilities employed in the private sector. While public-sector employers in both eastern and western Germany equally 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.

**Higher Education Pact**

With the Higher Education Pact 2020, the Federal Government and the federal states are investing additional funds in expanding study opportunities in order to support academic education.\(^{76}\) The aim is to provide the younger generation with the opportunity to study in higher education, to ensure that there are enough up-and-coming researchers and to boost Germany’s innovative power. In the period from 2016 to 2023, the Federal Government will contribute a total of €12.4 billion to the costs of expanding study opportunities in Germany. Of this figure, €1.45 billion (11.7%) is earmarked for the new federal states, and together with Berlin €2.42 billion (19.5%). In 2016, the new federal states will receive €263.1 billion, and together with Berlin €430.4 billion. The eastern German states therefore benefit disproportionately from the Higher Education Pact: their share in public funding exceeds the share of additional new students who will begin studying at universities in the eastern German states between 2016 and 2020.\(^{77}\)

**Migration of international skilled labour**

It must be said that the migration\(^{78}\) of international skilled labour from countries both inside and outside the EU is an essential part of meeting present-day and future demand for skilled labour. That’s why in recent years Germany’s labour market has been opened up and procedures simplified in order to attract skilled professionals with certain qualifications from non-EU member states. The introduction of the Blue EU Card\(^{79}\) and the job-seeker’s visa in August 2012 were key measures, 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. After this freedom of movement was granted, the majority of immigrants who came to Germany in recent years were from other EU member states.

**Table 10: Measures to attract and inform international skilled professionals**

<table>
<thead>
<tr>
<th>Make it in Germany web portal</th>
<th>Working and Living in Germany hotline</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Landing pages entirely in English, German, Spanish and French, with selected information provided in nine other languages</td>
<td>- Specific information and advice for skilled workers willing to emigrate or how have already emigrated</td>
</tr>
<tr>
<td>- An average of 220,000 visitors every month (since 2012, total of more than 10 million visitors)</td>
<td>- Joint measures by the offices involved and the Federal Employment Agency</td>
</tr>
<tr>
<td>- Job exchange information pages, videos, as well as information provided directly by e-mail, in chats or via the hotline and as an app</td>
<td>- Multi-lingual advisory services on four different areas:</td>
</tr>
<tr>
<td>- Information on visa rules for labour migration, possibilities for learning the language, practical tips for entry and residence, and much more</td>
<td>- Job search, work and occupation</td>
</tr>
<tr>
<td><a href="http://www.make-it-in-germany.com">www.make-it-in-germany.com</a></td>
<td>- Recognition of foreign qualifications</td>
</tr>
<tr>
<td></td>
<td>- Entry and residence</td>
</tr>
<tr>
<td></td>
<td>- Learning Germany</td>
</tr>
<tr>
<td></td>
<td>- Tel.: 030 1815-1111</td>
</tr>
</tbody>
</table>

Source: Own diagram.

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

76 In the third and final programme phase of the Higher Education Pact, which came into effect in 2015, the Federal Government and federal states will provide study courses for some 760,000 additional new students by 2020 compared to 2005. This will ensure a demand-based offering of courses for the future and provides the universities with planning certainty throughout the entire third funding phase, including full funding up to 2023.

77 According to the forecast by the Standing Conference of Ministers in 2014, this totals 4.3% without Berlin and around 12% with Berlin.

78 See also II.3.1., Demographic situation.

79 This report has been issued since 1997 on behalf of the German Bundestag (Bundestag Document 13/3643; see also Bundestag Document 16/10852, No. 17) in order to provide information on the Federal Government’s policy to ‘level people’s social, economic, political and cultural living conditions in a united Germany’.
Alongside the legal framework, additional measures were launched to make the German labour market even more attractive for skilled labour, to inform people about legal ways to migrate and to help create a lived culture of welcome. These measures include, for instance, the Make it in Germany portal and the Working and Living in Germany hotline provided by the International Placement Services of the Federal Employment Agency and the Federal Office for Migration and Refugees.

With the Study & Work initiative, together with the Donors’ Association for the Promotion of Sciences and Humanities in Germany, regional networks are being supported to integrate international university students and graduates and to assist them in the transition to the labour market. Since 2015, ten regional university networks are being supported for a period of two years, six of these universities are in the new federal states.

4. Income, wealth, pensions

4.1. Companies covered by collective bargaining and wage trends

The number of companies in eastern Germany that are covered by collective bargaining has risen slightly in the recent past. Forty-nine percent of employees work for eastern German companies that are covered by an association or company collective agreement. In western Germany, this is the case for 59% of employees. This marks a slight decline in collective bargaining. 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 (21% in western Germany).

The alignment of collectively agreed wages and salaries with those in western Germany has reached a level of around 97%. In those areas where collective bargaining takes effect, collective wages and salaries are almost equal in east and west.

The gross average wage – outside collective bargaining rules – per full-time equivalent80 for eastern Germany in June 2015 rose by €120 to €2,600 against the previous year.81 Compared to western Germany (€3,210), this is a level of 81% (previous year: 78%). This means that the difference in wage levels decreased slightly in 2015. This development is also related to the introduction of the statutory minimum wage because disproportionate increases in wages are recorded by sectors where many employees are paid only a minimum wage.

Figure 4: Businesses with collectively bargained salaries and wages as a percentage of all businesses, and employees in businesses with collectively bargained salaries and wages as a percentage of all employees in eastern and western Germany from 1998 – 2015

Source: Source: IAB Establishment Panel, Eastern Germany 2015, 20th wave

80 The full-time equivalent is a temporal value which specifies the number of employees converted into full collectively bargained working time.
81 This was the result of representative data of the Establishment Panel of the Institute for Employment Research (IAB) which was based on surveys conducted among businesses.
4.2. Minimum wage

On 1 January 2015, a generally valid gross minimum wage of €8.50 per hour came into effect as required under the Minimum Wage Act. According to the Minimum Wage Act, a Minimum Wage Commission made up of employers and workers agreed on 30 June 2016 to increase the minimum wage to €8.84 from 1 January 2017. The minimum wage will then be revised every two years. This Minimum Wage Commission is solely responsible for deciding on the minimum wage amount. The Commission fixes the minimum wage amount to follow the collective bargaining trend.

Four million jobs in Germany were affected by the introduction of the minimum wage. A good quarter of these jobs, i.e. 1.1 million, were in eastern Germany. This means that 22% of all jobs in eastern Germany were affected by the introduction of the minimum wage. The percentage affected in western Germany was 8.9% and hence much lower. This also means that the minimum wage has a much stronger impact on businesses in eastern Germany: 38% of businesses in eastern Germany have raised wages to at least €8.50 due to the statutory minimum wage (17% in western Germany). The reach of the minimum wage in both eastern and western Germany is particularly large in the retail and repair sectors and other services that fall under the hotel and hospitality sector.

According to a survey, around a quarter of businesses in eastern Germany affected by the minimum wage responded to its introduction by reducing working hours and increasing their prices (western Germany: 20 or 12%, resp.). Other measures, such as lay-offs or postponing investment, remained singular events.

The number of people in jobs earning less than €8.50 declined steeply after the minimum wage was introduced. It was also found that in the new federal states, where wage levels are lower than in western Germany, there was a relatively greater decline solely in low-paid jobs. Compared to the figure on 31 December 2014, the seasonally adjusted number of solely low-paid jobs fell by approx. 3.9% in January 2015 while a corresponding decline of only around 1.6% was recorded in western Germany. At the same time, it is apparent that the introduction of the minimum wage has led to more low-paid jobs being converted to jobs requiring social insurance contributions. A regional comparison of jobs converted to jobs requiring social insurance contributions highlights that this was seen the most in those areas where the decline in low-paid jobs was the strongest. Women in particular benefited from this conversion.

These first analyses and findings, however, are no replacement for the evaluation to take place in 2020 according to the Minimum Wage Act.

In addition to the statutory minimum wage, the collective bargaining partners from 15 sectors came together in May 2015 and negotiated sector-specific minimum wages which the Federal Ministry of Labour and Social Affairs has declared binding for all employers in the respective 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 will be 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. All in all, however, the number of jobs affected in the transition period by sector-specific minimum wages that are below the general minimum wage remains limited. According to the results of the IAB Establishment Panel for 2015, only 0.7% of all businesses employ people who fall under one of the exemptions for personal scope. In total, less than 1% of all employees are affected by these exemptions. The table below shows the sector-specific collectively agreed minimum wages on 1 May 2016. There are still considerable differences in the majority of minimum wages in east and west. In eastern Germany, the minimum wage ranges from €7.90 to €13.30. Increases were recorded in all sectors compared to the previous year.

The introduction of the minimum wage is also likely to be partially responsible for the decline in the gender pay gap by one percentage point compared to previous years. In 2015, the average gross hourly wage for women throughout Germany was €16.20 and hence 21% less than for men (€20.59). There are still considerable differences here between the old and new federal states because in terms of sectors, occupations, qualifications, and most importantly, career histories, women and men in western Germany differ from those in eastern Germany. In 2015, the unadjusted gender pay gap totalled 8% in the new federal states compared to 23% in the old federal states. According to the Federal Statistical Office, however, the adjusted gender pay gap in western and eastern Germany, was near comparable (west: 7%, east: 9%).

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82 Source: Destatis.
83 Source: Destatis.
84 Data provided by businesses as part of the representative survey of the IAB Establishment Panel, Eastern Germany 2015, 20th wave, June 2016
85 IAB Establishment Panel, Eastern Germany 2015, 20th wave, June 2016
86 Source: Arbeitsmarktspiegel project of the Institute for Employment Research.
87 Source: Arbeitsmarktspiegel project of the Institute for Employment Research.
Table 11: Minimum collectively bargained wages under the Posted Workers Act and Temporary Employment Act in € per hour

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment/wage group</th>
<th>1 May 2016</th>
<th>Next level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste disposal</td>
<td>Minimum wage</td>
<td>9.10</td>
<td>From January 2017</td>
</tr>
<tr>
<td>Construction industry</td>
<td>Worker</td>
<td>11.25</td>
<td>11.30</td>
</tr>
<tr>
<td></td>
<td>Skilled worker</td>
<td>14.45</td>
<td>14.70</td>
</tr>
<tr>
<td></td>
<td>Berlin: 14.30</td>
<td></td>
<td>14.55</td>
</tr>
<tr>
<td>East</td>
<td>Minimum wage</td>
<td>11.05</td>
<td>11.30</td>
</tr>
<tr>
<td>Training and further education</td>
<td>Educational employee</td>
<td>14.00</td>
<td>14.60</td>
</tr>
<tr>
<td>West with Berlin</td>
<td>Educational employee</td>
<td>13.50</td>
<td></td>
</tr>
<tr>
<td>Roofing trade</td>
<td>Minimum wage</td>
<td>12.05</td>
<td>12.25</td>
</tr>
<tr>
<td>Meat industry</td>
<td>Minimum wage</td>
<td>8.60</td>
<td>8.75</td>
</tr>
<tr>
<td>Industrial cleaning</td>
<td>Inside and upkeep cleaning</td>
<td>9.80</td>
<td>10.00</td>
</tr>
<tr>
<td>West with Berlin</td>
<td>Glass and facade cleaning</td>
<td>12.98</td>
<td>13.25</td>
</tr>
<tr>
<td>East</td>
<td>Inside and upkeep cleaning</td>
<td>8.70</td>
<td>9.05</td>
</tr>
<tr>
<td>Roofing trade</td>
<td>Glass and facade cleaning</td>
<td>11.10</td>
<td>11.53</td>
</tr>
<tr>
<td>Scaffolding trade</td>
<td>Minimum wage</td>
<td>10.70</td>
<td>11.00</td>
</tr>
<tr>
<td>Agriculture and forestry</td>
<td>Horticulture Minimum wage</td>
<td></td>
<td>From January 2017</td>
</tr>
<tr>
<td>West</td>
<td></td>
<td>8.00</td>
<td>8.60</td>
</tr>
<tr>
<td>East</td>
<td></td>
<td>7.90</td>
<td>8.60</td>
</tr>
<tr>
<td>Painting and decorating trade</td>
<td>Unskilled worker</td>
<td>10.10</td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>Skilled worker</td>
<td>13.10</td>
<td></td>
</tr>
<tr>
<td>Berlin</td>
<td>Skilled worker</td>
<td>12.90</td>
<td></td>
</tr>
<tr>
<td>East</td>
<td>Skilled worker</td>
<td>11.30</td>
<td></td>
</tr>
<tr>
<td>Nursing care sector</td>
<td></td>
<td></td>
<td>From January 2017</td>
</tr>
<tr>
<td>West with Berlin</td>
<td></td>
<td>9.75</td>
<td>10.20</td>
</tr>
<tr>
<td>East</td>
<td></td>
<td>9.00</td>
<td>9.50</td>
</tr>
<tr>
<td>Cash and security services</td>
<td>Mobile services</td>
<td>11.80–15.73</td>
<td></td>
</tr>
<tr>
<td>West (regionally differentiated)</td>
<td>Stationary services</td>
<td>10.11–12.92</td>
<td></td>
</tr>
<tr>
<td>East with Berlin</td>
<td>Mobile services</td>
<td>11.24</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stationary services</td>
<td>9.33</td>
<td></td>
</tr>
<tr>
<td>Laundry services for contract</td>
<td></td>
<td></td>
<td>From July 2016</td>
</tr>
<tr>
<td>West</td>
<td>Minimum wage</td>
<td>8.50</td>
<td>8.75</td>
</tr>
<tr>
<td>East with Berlin</td>
<td>Minimum wage</td>
<td>8.00</td>
<td>8.75</td>
</tr>
<tr>
<td>Textiles and clothing industry</td>
<td>Minimum wage</td>
<td>8.50</td>
<td>8.50</td>
</tr>
<tr>
<td>West with (West) Berlin</td>
<td></td>
<td>8.25</td>
<td>8.75</td>
</tr>
<tr>
<td>East with (East) Berlin</td>
<td></td>
<td>11.35</td>
<td>11.40</td>
</tr>
<tr>
<td>Brick and stone mason trade</td>
<td>Minimum wage</td>
<td>11.00</td>
<td>11.20</td>
</tr>
</tbody>
</table>
Data from the quarterly survey of earnings are not suitable for precisely quantifying the impact of the minimum wage on the pay gap. What this data does show, however, is that hourly wages among women are up 2.3%, which is stronger than the 2.0% increase for men, and that this trend is due to the large increase of women in unskilled (up 3.4%) and semi-skilled (up 3.5%) jobs that are affected by the minimum wage. This is particularly apparent in the eastern federal states where the increase in earnings for women in unskilled (up 8.9%) and semi-skilled (up 7.2%) jobs was unusually high. Moreover, the 7.6% share of unskilled female workers is two percentage points higher than the corresponding share among men (5.6%). Earnings for all women were up by 4.3% on average, a significantly higher rise than for men (up 3.7%). The previous trend towards a growing gender pay gap has been interrupted, also thanks to the minimum wage.

The Federal Government is determined to give more credence to the principle of ‘same wage for same or equivalent work’. The Coalition Agreement aims to introduce a law for greater transparency.

### 4.3. Income and wealth situation of private households

When it comes to private household income and wealth, differences still exist between eastern and western Germany although a marked, albeit non-linear, convergence has been observed since reunification.

Following strong convergence of the average equivalence-weighted annual net income in the first years after reunification (see also Figure 5), the convergence process came to a standstill in the mid-nineties. The income gap increased in the first half of the new millennium during a weak period in the economy as a whole. A gradual convergence has been observed again since 2005. It must be noted that the cost of living in the eastern federal states is lower due to the lower price level.

Between 2000 and 2005, the at-risk-of-poverty rate rose much more significantly in the new federal states than in western Germany. Since 2005, the figure has remained almost constant in both parts of the country, so that it is around seven percentage points higher in the new federal states than in western Germany. This gap, however, is cut by half if the different costs of living in the two parts of the

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Table 11: Minimum collectively bargained wages under the Posted Workers Act and Temporary Employment Act in € per hour (Continued)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment/wage group</th>
<th>1 May 2016</th>
<th>Next level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower wage limit according to section 3 of the Temporary Employment Act</td>
<td>Temporary work</td>
<td>8.80</td>
<td>From June 2016</td>
</tr>
<tr>
<td></td>
<td>West</td>
<td>8.80</td>
<td>9.00</td>
</tr>
<tr>
<td></td>
<td>East with Berlin</td>
<td>8.20</td>
<td>8.50</td>
</tr>
</tbody>
</table>

Source: Own diagram.

Table 12: Unadjusted gender pay gap for 2006 to 2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Germany (%)</th>
<th>Old federal states (%)</th>
<th>New federal states (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>21</td>
<td>23</td>
<td>8</td>
</tr>
<tr>
<td>2014</td>
<td>22</td>
<td>23</td>
<td>9</td>
</tr>
<tr>
<td>2013</td>
<td>22</td>
<td>23</td>
<td>8</td>
</tr>
<tr>
<td>2012</td>
<td>22</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>2011</td>
<td>22</td>
<td>24</td>
<td>7</td>
</tr>
<tr>
<td>2010</td>
<td>22</td>
<td>24</td>
<td>7</td>
</tr>
<tr>
<td>2009</td>
<td>23</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>2008</td>
<td>23</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>2007</td>
<td>23</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>2006</td>
<td>23</td>
<td>24</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Destatis, 2006 structure of earnings survey; estimated updates on the basis of the results of the quarterly survey of earnings.

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88 According to a survey by the Federal Institute for Research on Building, Urban Affairs and Spatial Development, BBSR, the price level in the eastern federal states in 2005 was on average approx. 6% lower than in the western federal states. The gap between eastern and western Germany is much smaller for real household incomes than for economic strength per capita (see Part A).

89 It is an indicator of a relatively low position in income distribution. In order to be able to compare the available income of individuals in households of different size and type, household incomes are needs weighted and converted to equivalence income. 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 (so-called at-risk-of-poverty threshold). The effects of material benefits and services are not considered even if they sustainably 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 5: Equivalence-weighted net annual income

Source: German Institute for Economic Research (DIW Berlin), Socio-Economic Panel (SOEP)

Figure 6: Development of poverty risk ratios in eastern and western Germany with respect to an all-German poverty risk threshold

Source: German Institute for Economic Research (DIW Berlin), Socio-Economic Panel (SOEP)
Moreover, developments over the past ten years show that greater growth and higher employment have improved the chances of participation both in eastern and western Germany.

If separate at-risk-of-poverty rates are used for eastern and western Germany, the at-risk-of-poverty rate in eastern Germany is lower than in western Germany. The reason for this is that net income in the new federal states is less

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**Figure 7: Unequal distribution of net income in east and west (Gini coefficient)**

![Gini coefficient graph](image)

Source: German Institute for Economic Research (DIW Berlin), Socio-Economic Panel (SOEP)

**Figure 8: Total net wealth of private households**

![Net wealth graph](image)


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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.

Whilst private households in western Germany have an average of €140,000 in real estate and financial assets at their disposal, the wealth of households in eastern Germany totals around €61,000 and is, on average, only almost 44% of that of households in western Germany. The gap between eastern and western German households has, however, narrowed distinctly over the course of time. In 1993, the wealth of eastern German households amounted to only 29% of that of western German households.

4.4. Pensions and pension alignment

As the most important pillar of social security in old age, the statutory pension insurance system is of great significance in the new federal states because, to a greater extent than in western Germany, it is the main and often sole source of income in old age. In light of the continued low level of wages in eastern Germany, there are still differences in the bases for calculating pensions in the east and west. In other words, the current pension value, assessment ceiling and reference figure are lower. To compensate for this, the insured incomes in eastern Germany are rated higher for pension calculations.

The pension adjustment on 1 July 2016 increased statutory pensions in the eastern federal states by 5.95% and by 4.25% in the western federal states. The current pension value (east) rose on 1 July 2016 from €27.05 to €28.66. This marked an improvement in the (east) pension value ratio to the value in western Germany (from 1 July 2016 = €30.45) from 92.6% to 94.1%.

This ultimately means that between 1 July 1991 and 1 July 2016 the current pension value (east) increased from €10.79 to €28.66 and has hence almost tripled since the transition of pensions. The current pension value (west) rose by 44% over the same period. The gap in pension values that still exists between east and west has narrowed since the transition of pensions from around 51% to around 94.1%. This is a very positive result and mirrors the successful economic development of the eastern federal states since reunification.

At around €1,071 for men and €818 for women, average monthly pension benefits in eastern Germany are higher for men and women than average pension benefits in western Germany (status 31.12.2014). These higher average values in eastern Germany are largely due to the longer, and often completed, insurance histories of today’s pensioners in the eastern federal states. While an average pension-relevant period of 40.6 years formed the basis for monthly pension benefits for men in the old federal states as of 31 December 2014, 44.6 years was the basis in the new federal states. In the case of women, this difference is even more striking with 28.1 years forming the basis in the old federal states compared to 40.0 years in the new federal states. Added to this is the fact that pensions in the new federal states also contain pension components related to supplementary and special pension systems of the former GDR that were transferred to the statutory pension system.

Further special structural aspects of pensioners’ career histories in the west reinforce the difference in average pensions in east and west. For example, more pensioners in western Germany were civil servants or self-employed compared to eastern Germany. These groups tended to have built up fewer vested rights in the statutory pension system, but were usually able to acquire pension rights as civil servants, for instance, or make other additional private provisions for old age. This is another reason why average pension benefits are relatively higher in the new federal states and relatively lower in the old federal states. In western Germany, however, more pensioners often draw income from other sources.

The Coalition Agreement foresees complete alignment of pensions by the end of the Solidarity Pact and 30 years after German unity. In this context, all of the key figures for calculating pensions in east and west will then also be harmonised.

In July 2016, a draft final pension law conversion act was tabled, together with a report on the status of the alignment process. This draft act foresees complete alignment by 2020 and is currently in the first phase of consultation within the Federal Government.

II. Securing the performance of the eastern federal states and municipalities, warranting basic vital services

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 2016, will remain so in the years to come. That being said, tax strength in the eastern federal states is still significantly lower than in the western federal states. At the same time, tax revenues under Solidarity Pact II will be reduced considerably over the coming years as planned. In order to secure the long-term performance ability of the eastern federal states and municipalities, the financial relationships between the Federal Government and the federal states will have to be re-regulated after 2019.
1.1. Financial situation of the eastern federal states and municipalities

Tax revenue and income situation in the federal states

Primary tax revenues in the territorial states in eastern Germany\(^{91}\) amounted to €1,089 per capita in 2015. In the same year, this figure was €1,979 per capita in the western territorial states and €1,713 per capita in the financially weak western territorial states\(^{92}\). The eastern territorial states therefore achieved 64% of the level of the financially weak western territorial states in 2015.

Federal revenue equalisation is essential for the performance of the eastern federal states and municipalities. If this is taken into account, a different picture emerges: total revenues of the territorial states and municipalities in eastern Germany total €5,775 per capita for 2015 and so are higher than those in the financially weak territorial states and municipalities in western Germany (€5,228 per capita).\(^{93}\) This is largely due to Federal Government allocations. It is primarily thanks to Solidarity Pact II that the eastern territorial 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 €5.1 billion in 2015 to €4.3 billion in 2016 and then to €2.1 billion in 2019.

High per capita allocations from the EU Structural Fund also contribute to the eastern federal states’ higher level of income. These funds are also being tapered off, however. In the current funding period (2014 to 2020), almost €9 billion will be available for the new federal states, corresponding to around 64% of funding in the previous period.

Financial situation of the municipalities

Municipal tax revenues\(^{94}\) per capita in eastern Germany still only just reach 60% of the revenues in western Germany.

That’s why investment appropriations and other ongoing federal state appropriations are highly disproportionate in the eastern German municipalities and are currently around a third higher than in the western German municipalities.

At just under €2,580 per capita in 2015, the total income of municipalities in the eastern territorial states reached around 87% of the level in the western territorial states. This also demonstrates the importance of the support provided by revenue equalisation and Solidarity Pact II.

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 pension benefits and reductions in earning capacity\(^{95}\), participation by the Federal Government in the operating costs of expanding children’s day care for children under the age of three\(^{96}\) as well as stepped-up support in conjunction with the cost of accommodation and heating under Social Code II.\(^{97}\)

With the Act to Promote Investment by Municipalities with Inadequate Financial Resources, which came into effect on

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\(^{91}\) Federal-state tax revenues before distribution of turnover tax and revenue equalisation, i.e. from income tax, corporation tax, trade tax apportionment and from federal state taxes (in delineation to the Revenue Equalisation Act) and without VAT and primary VAT equalisation.

\(^{92}\) In 2015, these were Lower Saxony, North Rhine-Westphalia, Rhineland-Palatinate, Saarland and Schleswig-Holstein.

\(^{93}\) It should be noted that, on average, municipalities in eastern Germany are financially very weak so that they are much more dependent on federal-state financial allocations than municipalities in western Germany.

\(^{94}\) 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.

\(^{95}\) Financially weak municipalities benefit especially from these measures. In the period from 2012 to 2017 alone, this 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 in 2012.

\(^{96}\) Participation has been successively increased and since 2015 has totalled an annual €845 million. From 2016 to 2018, an additional €550 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 2017 will total around €8.5 billion.

\(^{97}\) Municipalities in a particularly difficult financial position, especially due to high social spending, will benefit disproportionately from the €0.5 billion increase from 2015 to 2016 and the increase of €1 billion in 2017. Since 2014, the Federal Government’s all-German average participation rate has totalled 28.2%. The Federal Government is also currently contributing to spending on education and participation with a special all-German average participation rate of 3.8%. The latter regular participation quotas for the years 2015 to 2017 mean Federal Government relief for municipalities amounting to around €14.1bn.
30 June 2015, the Federal Government is helping to counteract weak investment by municipalities in a weak financial position. For this purpose, the Federal Government is to make an additional €5 billion available between 2015 and 2018 to strengthen investments by municipalities. The draft bill to amend the Act to Promote Investment by Municipalities, which is currently in the parliamentary process, aims to extend the funding period by two years up to 2020.

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

1.2. Re-regulation of federal revenue equalisation

The statutory provisions for federal revenue equalisation, i.e. the Standards Act, the Revenue Equalisation Act, Solidarity Pact II and other financial regulations between Federal Government and federal states expire in 2019. The debt brake (compliance with the upper limit for structural net borrowing) already applies to the Federal Government this year and to the federal states beginning in 2020.

It was agreed in the Coalition Agreement that in this legislative period the course would be set to re-regulate the financial relationships between the Federal Government and the federal states. Both the Federal Government and the federal states have now laid down their proposals in detail. These proposals are quite similar both in terms of finance and concept. Negotiations are currently still underway.

These negotiations must take into account the lower tax strength of the eastern federal states and municipalities, which results from economic differences and which is likely to persist even after 2019. The aim remains to create equivalent living conditions for all of Germany.

2. Infrastructures: energy, communication, transport

2.1. Infrastructures as the framework for economic growth

When it comes to quality of life and the success of a company, infrastructures are essential in the fields of energy, communication 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. That being said, 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 thrifty use of energy and the continued expansion of renewable energy sources are the two core strategies that are to drive Germany’s energy transition. Affordable, secure and environmentally friendly energy supply are the three goals that form the pillar of 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.

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98 Between 2015 and 2018 (and up to 2020 after the amended act comes into force), the Federal Government will grant financial aid to the federal states under a ‘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 community share in VAT.

99 Since 1 January 2016, under the Act to Accelerate Asylum Procedures, the Federal Government has been bearing part of the asylum costs for refugees, from the time of their registration up to the time their case is decided by BAMF, and for rejected asylum seekers (part payment of €2.8 billion for 2016). 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 child refugees (€350 million per year) and the improvement of child care (a total of around €2.0 billion between 2016 and 2018).

100 For instance, unbundling resources, local transport funding and financial assistance for sea ports.
Just how important the new federal states are for the energy transition can be seen in the energy produced there which 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-Vorpommern, Brandenburg and Saxony-Anhalt. Brown coal is 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 big expansion of renewable energy also poses challenges for grid expansion. On the one hand, the expansion and volatility of electricity generation using wind and solar energy increases demand for sufficiently large distribution and transmission networks. On the other hand, eastern Germany exports electricity to western Germany, particularly to the electricity consumption centres in southern Germany. This places additional pressure on grid expansion.

Another marked feature for eastern Germany are the often relatively high network charges. One reason for this is the state-of-the-art grid infrastructure which is quite young compared to that of western Germany. However, as investments are stepped up to replace grids in western Germany, these differences will gradually disappear. Moreover, differences in network charges are less about an east-west gap and now have more to do with differences between urban and rural areas. This is largely due to the fact that in rural regions, with their sparse population density, the high grid costs caused by the integration of renewable energy must be borne by the few customers connected. The picture is completely different in several eastern German cities where network charges are relatively low.

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 energy 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 2016. As part of the so-called south-west interconnection from Halle to Schweinfurt together with the line from Redwitz to Grafenrheinfeld, Thuringia energy 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 for these lines have not yet been finalised. All in all, around 1,300 kilometres of lines will be installed for network expansion and reinforcement projects in the new federal states. Thuringia energy 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 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 grid 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.101

2.4. Transport infrastructure

Between 1991 and 2015, just under €284 billion from the federal budget was invested in the German railway network, the federal highways and canals and as part of the Municipal Transport Funding Act. Of this sum, €94 billion was invested in the new federal states.

German Unity Transport Projects, Trans-European Transport Networks

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 €40 billion,
includes nine railway and seven motorway projects as well as one canal project. By the end of 2015, around €35.4 billion was invested in these projects, most of which are now 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). VDE 9 is to be largely completed before the end of 2016. The new line between Ebensfeld and Erfurt is to go into operation in 2017, as will certain sections of the extended line in the VDE 8.1 project.

Of the VDE road projects, a total of around 1,930km of new or extended roads were built by the end of 2015, and another 40km are currently under construction. This means that roughly 98% of projects have been completed or are currently underway. In April 2016, work began on the eight-lane expansion of a section of the A10 (VDE 11). 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 canal link between Hanover 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 Elb-Havel canal have been completed, Magdeburg and Brandenburg will be already fully accessible (2.80m) in 2017 until the project is completed. When it comes to investments in rail, the focus is on extending the regional transport network, but also on new lines. The A 44 between Kassel and Eisenach.

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 major regional centres 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.

Local transport

In addition to efficient transport routes, local public transport is an important part of modern mobility. In an effort to secure long-term financing for passenger rail transport, the Federal Government and the federal states have reached an agreement on the level of regionalisation funding. This means that between 2016 and 2031 the federal states will receive a total of €8.2 billion each year from the federal budget along with an annual dynamic increase of 1.8% beginning in 2017. Up until 2031, the federal states will hence have more than €150 billion at their disposal to provide comprehensive, high-quality local public transport.

3. Quality of life in urban and rural areas, basic vital services in rural areas

3.1. Demographic parameters

Demographic change is, and will continue to be, one of the biggest challenges facing eastern Germany, especially in rural, economically less developed regions. In the long term, the rising age of the population and its rapid rate of decline will continue and be much higher than in the old federal states. To add to this, the ongoing economic disparities and feasibility problems with infrastructure and basic vital services are significantly exacerbating the challenges of demographic change in the new federal states.

Population development

In 2015, around 20% of Germany’s population lived in the eastern federal states (around 12.5 million in the five territorial states and around 3.5 million in Berlin). Although population figures in the eastern territorial states have been stable since 2013, thanks to migration from abroad, the population there can be expected to decline further by around 6% during the projection period. According to the results of the 13th coordinated population projection, which did not, however, fully take into account the high net immigration of 2015, this decline could be as high as around one million people (7%). In the territorial states in western Germany, population figures are expected to remain flat or to increase slightly, while significant increases in population are expected for the city states of Berlin (10%) and Hamburg (7%).

103 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.
104 The results of the 13th coordinated population projection by the Federal Statistical Office and the statistical offices of the federal states (basis: 31 December 2013) – Variant 2: Continued trend based on higher immigration.
Population age structure

The shift in relations between age groups in the coming years will be much greater in eastern Germany than in the west. The share of people of a working age\textsuperscript{105} will be much smaller while the share of people over the age of 65 will rise steeply.

At the end of 2014, around 16\% of the population in the new federal states was under the age of 20 and 60\% 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. People aged between 20 and under 65 could decline to around 51\% of the population and people over the age of 64 in the territorial states in eastern Germany could 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 until 2060.\textsuperscript{106} To put it bluntly, eastern Germany is ageing faster than western Germany.

\textbf{Figure 9: Population age structure in 1990, 2014 and 2030 by age group}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{population_age_structure.png}
\caption{Population age structure in 1990, 2014 and 2030 by age group}
\end{figure}

\textsuperscript{105} 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.

\textsuperscript{106} See the press release by the Federal Statistical Office of 7 September 2015.
Fertility and mortality

In 2014, the birth rate in Germany increased for the third time in succession (Fig. 10). At an average of 1.54 children per woman, this figure was higher in the new federal states than in the old federal states (1.47). Once again, Germany’s highest birth rate of 1.57 children per woman was recorded in Saxony.¹⁰⁷

The current increase in the birth rate, however, will not be able to stop the decline or ageing of the population in the long or even medium term. In order to replace the previous generation, couples need to have an average of more than two children (total birth rate of 2.1 children per woman) who, for their part, would also need to have at least two children. With a birth rate of around 1.5 children per woman, only around two thirds of the parent generation will be replaced.

Moreover, the number of potential mothers is likely to sink, beginning 2020 at the latest, because the relatively small birth cohorts of the 1990s will reach their mid-20s to mid-30s when fertility is particularly high. According to the results of the latest population projection, this means that up to the year 2030 the number of births can be expected to decline by approx. 22 % in the new federal states and approx. 4 % in the old federal states.¹⁰⁸

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 expectancy¹⁰⁹, the mortality rate can be expected to increase. There were, for instance, 62,500 more deaths than births in the new federal states in 2015. By 2030, this figure could rise to approx. 100,000 per year. It is also unlikely that immigration will be able to close the gap between the number of births and deaths.

Domestic migration

Total migration between all of the federal states in 2015 was on the whole positive for eastern Germany (an increase of 7,201, including Berlin with 2,672) and, for the first time, also for the territorial states in eastern Germany (up by 4,259). The federal states of Brandenburg and Saxony noted significant population gains from other federal states. Mecklenburg-Vorpommern also recorded a positive migration balance, albeit to a lesser extent.¹¹⁰ In Saxony-Anhalt and Thuringia, however, the migration balance remained negative.

The trend in east-west migration has been positive and is now almost level.

Figure 10: Development of total birth rate from 1990 to 2014, new and old federal states


¹⁰⁸ Results of the 13th coordinated population projection by the Federal Statistical Office and the statistical offices of the federal states (basis: 31 December 2013) – Variant 2: Continued trend based on higher immigration.
¹¹⁰ Brandenburg: up by 8,921 persons; Saxony: up by 6,249 persons; Mecklenburg-Vorpommern: up by 338 persons.
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, periphery areas.

Foreign migration

Many foreigners came to Germany in 2014 and especially in 2015. On the whole, Germany noted a positive foreign migration balance of 550,000 persons in 2014 and of 1.1 million in 2015. This high migration surplus led to a rise in population in Germany.

The new federal states have also benefited from this trend. Each of the five territorial states noted a positive balance in immigration and emigration beyond Germany’s borders. In 2014, a positive foreign migration balance of around 54,000 persons was recorded for the new federal states followed by around 147,000 in 2015.

Despite the gains in migration from abroad, there is still a considerable east–west gap when it comes to the share of foreigners in the population. The proportion of foreigners in 2014 totalled around 11% in the old federal states and was almost three times higher than the figure of around 3% in the new federal states. In rural regions, the percentage of foreigners is still much lower than in urban areas.

It is very difficult to forecast the long-term trend in the balance of foreign migration and its implications for population development. It can be assumed, however, that even the continuation of annual net immigration from abroad at the same high level will not be able to prevent the age of the population from rising. The current age structure is decisive for population development in the coming decades, however, high migration gains will not be able to slow down the rate at which the population is ageing.

The Federal Government’s demographic strategy

On 2 September 2015, the Federal Government adopted the new version of the 2012 demographic strategy under the motto Every Age Counts – Greater Prosperity and Better Quality of Life for all Generations. In light of demographic change, the task now is to secure prosperity and participation in society and to create ways in which individual skills can be developed and expanded. This applies to all of the key areas of life and includes the promotion of equal living conditions.

The new version of the demographic strategy takes into account valuable experience and results gained through the related dialogue and working group process. This process has been supplemented with important activities in the current legislative period.

The working group entitled Strengthening Regions Affected by Demographic Change – Boosting the Quality of Life in Rural and Urban Areas is currently working on flexible and innovative approaches to securing basic vital services, on options for the internal development of municipalities taking monument protection and cultural heritage into account, on promoting active citizenship and on how to make use of migration as an opportunity.

Since 2014, the Youth Shaping the Future working group has been drawing up recommendations for a demographic policy in rural areas that considers the needs of young people. The study entitled Focusing on Young People – Coping with Demographic Trends at the Regional Level is one basis. The recommendations of this working group are drawn up with young people and in cooperation with four districts, two in eastern and two in western Germany.

As a result of the rapid rate of population development in the new federal states, it is particularly important there that the consequences of demographic change be lessened and

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111 See also I.3.2., Measures to integrate refugees into the labour market, and I.3.3., Migration of international skilled labour.
114 See also III.3.1. below, Table 13, Percentage of foreigners by federal state 31 December 2014 from the Federal Government’s Migration Report 2014, Appendix, page 238.
116 In the accompanying dialogue and working group process for the demographic strategy, various working groups have, since 2012, been meeting with representatives from the federal states, municipalities, the business sector and society in order to discuss and flesh out selected topics.
117 They have identified the following areas for action: cohesion of families and generations, local services and youth work, mobility, broadband Internet and mobile radio, role models for young people on the public and political stage, participation by young people, education, working world, integration and diversity.
the regions opened up for sustainable future prospects. Since the eastern federal states have already spent two decades gathering extensive experience in how to deal with demographic challenges and have developed approaches to these problems, they can assume a pioneering role in this context.

3.2. Family life in east and west

Family and children continue to be very important for the population in east and west.118 That being said, however, there are still differences in the actual family forms. Although married parents continue to be the most frequently found family form in both eastern and western Germany, there are in fact more life partnerships and single parents in eastern Germany than in western Germany.119 For young women and men, children are equally important in east and west.120 A trend can be seen when it comes to expectations for parents. Since 1991, egalitarian attitudes to the distribution of roles between women and men have increased in eastern and western Germany. However, these attitudes are more deeply rooted in the east. 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. In 1991, this was the case for only 56% in western Germany and 67% in eastern Germany.121 With a view to working mothers, egalitarian attitudes have increased in both east and west. 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.122

This impacts claims for parental benefits (Elterngeld and ElterngeldPlus), for instance, and how the reconciliation of family and work is evaluated.

Since parental benefit was introduced in 2007, more than one in three fathers (34.2% in 2014) now receive parental benefit. With a view to fathers claiming parental benefit (father’s involvement), one eastern federal state, i.e. Saxony, became a pioneer in the 2014 birth year with a father’s involvement rate of 44%. Thuringia came third with 40.5% behind Bavaria in second place with 42%. Greater father’s involvement also supports mothers returning to work: the employment rate for mothers whose partners are not (currently) on parental leave (36%) is more than twice as high as that of mothers whose partners are not (currently) on parental leave (17%). Since 2007, parental benefit has also led to an increase in mothers of one and two-year-old children in employment, while parents make use of the breather enabled by parental benefits in the first year of a child’s life.

In the fourth quarter of 2015, the parental benefit (ElterngeldPlus) introduced for births after 1 July 2015 was already applied for or claimed by 16.3% of parents throughout Germany. In the eastern federal states, the percentage of claims for this new parental benefit totalled 16.8% and was slightly higher than the all-German average while the percentage in the old federal states fell slightly short totalling 16.1%. The percentage in many regions is higher, reaching as high as 26.9% in Thuringia, followed by Rhineland-Palatinate in second place with 22.3% and Lower Saxony coming third with 21.1%. The partnership bonus that was introduced with the new parental benefit (ElterngeldPlus) reached an all-German rate totalling 4.4% in the 4th quarter of 2015. During the partnership bonus period, both parents work between 25 and 30 hours a week parallel for a period of four months and receive another four months support for this period through the ElterngeldPlus benefit. In the new federal states, 6.4% of parents have applied for or received the partnership bonus while the share in the old federal states is 4.4%, on a par with the all-German average. Some of the eastern federal states have particularly high numbers of parents claiming the partnership bonus, for instance Brandenburg (10.8%), Berlin (10%) and Saxony (5.7%). Hamburg has a share of 10.0%, Baden-Württemberg 5.7% and Rhineland-Palatinate 4.8%.

Better reconciliation of family and work is the most important family policy issue for 79% of parents. People in eastern Germany consider reconciliation to be more difficult both in general and within their own families: 75% of the population in eastern Germany and 64% in western Germany state that on the whole it is difficult to reconcile family and work in Germany. While almost half of parents with children under the age of 18 in the west (47%) are satisfied with their own reconciliation of work and family, this is the case for barely one third of parents in the east who state that work and family can be well reconciled within their own families.123 Irrespective of the better childcare services

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118 This is particularly valid for young people. In 2014, 72% of eastern Germans and 70% of western Germans between the age of 18 and 30 believe that they need a family to be happy. WZB/Federal Statistical Office (2016): Datenreport 2016 p. 75.
120 94% of eastern Germans and 93% of western Germans between the age of 18 and 30 without children hope to have children. Young people in eastern Germany without children hope to have an average of 2.0 children while the same 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.
122 Federal Institute for Population Research Familienleitbilder in Deutschland, p. 19.
in the east, this is also related to generally higher expectations regarding the reconciliation of family and work: in eastern Germany, more mothers also want to work full time or longer in part-time employment than in the west.

The reconciliation of family and work is essential for Germany’s social stability and economic success. The Federal Government is hence aiming to modernise the working culture for women and men in different phases of life and to create greater options for the working population when it comes to shaping how they work and live. The focus here 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 world.

These goals are also the focus of the NEW Reconciliation of Family and Work and the Success Factor Family corporate programme which were laid down in September 2015 in a joint memorandum with Germany’s leading industrial associations (BDA, DIHK, ZDH). The Federal Government has also introduced specific measures to boost the share of women in employment.

In light of the greater dissatisfaction in eastern Germany with the current reconciliation of family and work and considering how important qualified labour is for the economic catch-up process there, these approaches could be of enormous importance for eastern Germany by helping to improve the reconciliation of family and work, boost the number of women in employment and make the locations there more attractive.

### 3.3. Urban development

Demographic development poses enormous challenges for urban development. This is particularly true considering the faster rate of demographic change for Eastern Germany.

As a joint task borne by the Federal Government, the federal states and municipalities, urban development grants are an important part of urban development policy. For all urban development grant programmes from 1990 right up to 2015, the new federal states received financial support amounting to around €8.1 billion. This is commensurate with a share of approximately 63% in total funds. Even if more Federal Government funds have been flowing to western federal states than to eastern federal states since 2009, the eastern German share is still disproportionally high measured in terms of population (see Figure 11). The specific problems faced by the new federal states have been, and still are being, taken into account through a greater commitment of funds per capita compared with the old federal states.

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

In 2016, the Federal Government continued to support urban development at a high level. A sum of €607 million has been earmarked in the federal budget for this purpose. This means that cities and 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. Support for eastern German municipalities is by the same token disproportionately higher than its ratio to the population (see Fig. 11).

Under the Protection of Urban Architectural Heritage programme, measures were implemented in 238 municipalities of the eastern federal states in the period from 1991 to 2015. Federal Government funding totalling some €2.2 billion was available for this purpose. The programme is being continued in 2016 with funding amounting to €103 million. €65 million alone is used for measures in the new federal states. The funds are used here in city 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 Reconstruction – East programme, 483 municipalities received Federal Government funds totalling €1.5 billion in the period from 2002 to 2014. The programme was continued at a higher level in both 2015 and 2016. According to the Coalition Agreement, the Urban Reconstruction – East and Urban Reconstruction – West programmes are to be merged into an integrated urban reconstruction programme under consideration of the Solidarity Pact, basket II. This is to take place on the basis of the joint evaluation of the two programmes that was completed in 2016.

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124 See I.3.3. above, Share of women in employment.
125 See I.3.3. above, Share of women in employment.
126 The programme was launched in 1991 by the Federal Government to stop the decay of historical inner cities.
127 At the heart of the programme are efforts to make city centres and neighbourhoods merit preserved 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.
The Social Cities programme was, and continues to be, of great importance for eastern Germany due to the structural weaknesses that, in part, still exist there. From 1999 to 2015, the Federal Government provided funding totalling some €1.4 billion. The share of the eastern federal states (including Berlin) was around €317 million. Federal Government funding of some €140 million is available for 2016.

The Social Cities programme provides municipalities with assistance for urban development investments in residential environments, infrastructure and housing quality. Disadvantaged, structurally weak parts of cities and districts are to be stabilised with programme funds and the quality of life improved. Key aims include more generational justice and more family-friendly neighbourhoods, an improvement in integration and participation and social interaction between neighbourhoods.

Figure 11: Distribution of financial support by the Federal Government to promote urban development from 1991 to 2015 to eastern and western Germany in terms of population

Source: Urban development funding database of the Federal Institute for Research on Building, Urban Affairs and Spatial Development
With the urban development grant programme entitled Smaller Towns and Municipalities – Regional Cooperation and Networks, the Federal Government helps towns and municipalities to master complex social, economic and ecological challenges. By 2015, 498 measures had been funded nationwide, 117 of which were in the new federal states. The Federal Government has earmarked €65 million for the programme in 2016.

In the 2015 federal budget, a total of €50 million was earmarked for the Promotion of Investments in National Urban Development Projects programme in addition to another €100 million under the Federal Government’s Investing in the Future programme. Twelve out of the total of 46 programmes supported with funding amounting to some €29 million are located in the new federal states.

Under the National Urban Development Projects programme, some €41 million has been made available again for 2016. A total of 17 projects will receive support, seven of which are in the new federal states with a volume of around €10.5 million.

### 3.4. Provision of housing

The impacts of demographic change and changed forms of living have been determining developments on the housing market in eastern Germany for many years now.

In light of this, the number of vacant homes will continue to increase in the majority of regions in eastern Germany. On the other hand, ongoing urbanisation has also now led to demand for new homes in some eastern German cities. The number of building approvals for a good 62,000 homes in eastern Germany in 2015 shows increased demand for new homes, particularly in cities with population increases, such as Berlin and its surrounding areas, Dresden, Jena, Weimar, Erfurt and Leipzig. The housing bottlenecks are reflected in the regional development of rents. Rents in eastern Germany have risen by a good 20% since 2010 to an average price of €6.37 per square metre. This is especially due to regions with excess demand where the trend in rent prices was above average.

The housing policy of the Federal Government is based on a triad of strengthening investment activity, supporting social housing construction and flanking this with rent legislation and social policy. The Federal Government has derived the Housing Campaign based on the recommendations by the Alliance for Affordable Living and Building which was set up by the Federal Government. With a package of measures that includes the provision of construction land, revising building regulations in order to identify potential for simplification and housing allowances, the Federal Government has set the framework for the speedy provision of urgently needed housing.

In eastern Germany too, housing assistance has been an essential element of socially responsible housing policy. In growth regions, the construction of favourably priced homes is primarily assisted. By contrast, in regions with balanced housing markets, the adaptation of homes to contemporary standards is assisted, for instance, through energy renovation or conversion measures for the elderly. In November 2015, for instance, the conditions for support under the KfW’s Housing for the Elderly programme were improved. Furthermore, funding is now also available for security measures, which were already part of the programme, irrespective of conversion for the elderly. Moreover, social housing assistance targets home ownership, particularly for families with children. Since 2007, social housing assistance has been the responsibility of the federal states. To compensate for the elimination of earlier Federal Government assistance, 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 went to eastern Germany (including Berlin). As part of the Act Introducing Expedited Asylum Procedures, the Federal Government has increased annual compensation by another €500 million for the years 2016 to 2019. This means that each year more than €1 billion is now available for social housing. Of this figure, €386.9 million goes to eastern Germany (including Berlin). During their talks in July 2016 on participation by the Federal Government in the costs of integration, the Federal Government and federal states agreed to once again increase annual compensation by another €500 million for 2017 and 2018.

Housing benefits will be improved in order 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 will benefit from this in particular because the recipient rate, in terms of all households in the new federal states, is twice that of the old federal states.

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129 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.

130 Funding is provided to projects with special national reach and quality, such as cultural heritage buildings of extraordinary value as well as projects belonging to the Green in the City initiative.

131 The projects are located in Bernau, Leipzig Dessau-Roßlau, Gotha, Berlin (standard programme) as well as in Rudersdorf, Rostock, Hoyerswerda, Lutherstadt Wittenberg, Quedlinburg, Gera and Berlin (Investing in the Future programme).

132 The projects are located in Berlin (2x), Cottbus, Wismar, Quedlinburg, Amt Wachsenburg and Weimar.
3.5. Rural development

Demographic change has already made deep inroads in many rural areas and regions located on the periphery of eastern Germany. In areas where a weak economy and labour market have meant poor economic development, a lack of jobs and a lack of work prospects have motivated many young people to move to cities and urban centres. While some rural regions are prospering, there are many municipalities in eastern Germany where shrinkage and ageing have solidified over a number of years. If these trends continue in the future, there will be even greater problems with the utilisation and economic efficiency of structural and technical infrastructures. Furthermore, the ageing population will increase demand for social and cultural facilities. In regions that are economically less developed and particularly hard hit by demographic change, warranting affordable basic vital services to meet needs and strengthening social cohesion have become enormous challenges. In addition to a coordinated approach in all areas of politics, support is needed on all levels of government in order to ensure, even in times of demographic change, that rural, structurally weak regions have future prospects as places to live and work and as places for recreation and culture, and also to maintain quality of life and equal living conditions in these regions.

That’s why, in the coming years, the Federal Government will actively support rural regions, helping them to overcome the enormous challenges posed by structural and demographic change. In its demographic strategy, the Federal Government has placed special emphasis on strengthening rural and urban regions hardest hit by demographic change, many of which are located in the new federal states.

When it comes to promoting rural infrastructures, the further development of the Joint Task for the Improvement of Agricultural Structures and Coastal Protection (GAK) focuses on regions where considerable efforts are needed to ensure basic vital services. With the amendment of the GAK Act in 2016, the basis for support is to be extended. Additional funding for infrastructures, reuse of village buildings, setting up basic services, micro-enterprises for basic vital services, as well as environmental and nature conservation measures will help to promote the development of rural areas. The goal is to create prospects for people in rural regions. The Act focuses on measures that are important for everyone. The Federal Government has made additional GAK funding available for measures that belong to the extended basis for support. In 2016, GAK funds were increased by a total of €60 million.

Pilot and demonstration projects

The Federal Government is supporting rural regions in various pilot and demonstration projects by testing innovative development measures on a national scale in order to identify future options for support.

The ‘Land(auf)Schwung’ pilot project, which is part of the Federal Government’s Rural Development programme launched in 2015, 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 vital services, and to actively shape demographic change. The districts of Elbe-Elster, Greiz, Mittelsachsen, Stendal and Vorpommern-Rügen are supported in eastern Germany.

The pilot project for the long-term securing of supply and mobility in rural areas was launched in 2016. This picks up from earlier projects, such as Regions Creating a Future and the Regional Provision of Vital Services Action Programme, and aims to help regions to shape their offers and infrastructures for basic vital services and local supply in a manner that is fit for the future through innovative linking of supply and mobility (cooperation area concept). Eighteen regions with 23 participating districts are taking part in this pilot project. Eight pilot regions are located in the new federal states.

The pilot project MORO digital – Digital infrastructure as a factor of regional development 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.

### European Agricultural Fund, Agricultural Structure and Coastal Protection Joint Programme

EU funds, as well as funds from the Federal Government and federal states are available to promote the development of rural areas.

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.

133 See 3.1 above. Demographic parameters.
134 For more details, see the Annual Report of the Federal Government on the Status of German Unity in 2015, p. 146 et seq.
The Rural Infrastructure initiative focuses on the small towns in rural regions, their situation and their future. To coincide with this, a new research field entitled Potential of Small Towns in Peripheral Areas was launched early in 2015 under the Experimental Housing and Urban Development programme. Over a period of three years, eight municipalities will be supported through pilot projects, enabling them to identify their potential for development and to shape future processes for themselves and the surrounding areas. Four of these pilot projects are located in eastern Germany: Bad Lobenstein, Großschönau, Mücheln and Rodewisch. The municipalities are representative of 917 peripheral small towns throughout Germany.

3.6. Agriculture

Following the huge restructuring process that took place after reunification, the farming, forestry and fishing industry in the new federal states has successfully managed to take its place on the European single market. The Federal Government has contributed to this success through suitable legal framework conditions and agricultural policy alongside targeted funding measures. In terms of its share in gross value added of the economy as a whole, this sector has a greater weight in the new federal states than in western Germany.

Between 2013 and 2015, the farming, forestry and fishing sector in the new federal states accounted for a share of 1.2% in gross value added of the economy as a whole (Germany: 0.6%). Mecklenburg-Vorpommern recorded 2.9% 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 €32,823 in gross value added per worker for the years 2013 to 2015 and is hence 19% higher than the all-German average.

While the number of farms in eastern Germany has remained relatively stable since the turn of the century (following a rise in the 1990s), structural changes in agriculture in the old federal states has led to a significant decline in the number of farms there. The average size of farms, viewed from a regional perspective, shows a considerable gap between east and west and a gap between north and south, both in the new and the old federal states. In 2013, the size of farms in the old federal states ranged between 74 hectares of land for farming in Schleswig-Holstein and 24 hectares in Baden-Württemberg and Bavaria, while the size of farms in the new federal states ranged between 284 hectares in Mecklenburg-Vorpommern and 144 hectares in Saxony. In that same year, Germany had around 1,500 farms with 1,000 and more hectares of land used for farming. Ninety-seven percent of the land worked by these farms was located in the new federal states.

3.7. Privatisation of land

The privatisation of formerly state-owned agricultural and forest land in the five eastern German territorial states has not yet been completed. In 2015, a total of around 26,300 hectares of agricultural land and around 7,200 hectares of forestry land were sold. 4,600 hectares of agricultural land and 5,700 hectares of forestry land were sold according to the Compensation and Corrective Payment Act (EALG) to former owners and/or their descendants. This means that a total of around 841,300 hectares of agricultural land and around 590,300 hectares of forest land have been sold since 1 July 1992. As of the cut-off date of 31 December 2015, the Land Utilisation and Management Company (BVVG) still held some 156,500 hectares of farming land and around 11,800 hectares of forestry land. In summer 2015, the Federal Government and the federal states agreed, in conjunction with the revision of the notes in the minutes of the principles of privatisation, to extend the privatisation period up to 2030 and the average lot size for tendering was reduced to 15 hectares. By the end of 2015, BVVG will give greater priority to leasing rather than selling, especially as a result of restricted calls for tender.\textsuperscript{135}

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-Vorpommern, 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.

3.8. Health and care

Today’s life expectancy almost the same in east and west

With the improvements in health care, average life expectancy in eastern Germany has also increased significantly over the past 25 years.\textsuperscript{136}

\begin{footnotesize}
\textsuperscript{135} In light of the ongoing crisis on the markets for milk and pork products, BVVG is using these supporting measures, initially up to the end of 2016, in an effort to stabilise liquidity.

\textsuperscript{136} See the Annual Report of the Federal Government on the Status of German Unity in 2015, p. 132
\end{footnotesize}
Figure 12: Life expectancy at birth, divided into new and old federal states

Survey period years (no average value, instead due to methodology)

Source: Federal Statistical Office (2015), General Life Tables for Germany, the former territory of the Federal Republic, the new federal states 2010/12
New federal states: up to 1998/2000 with East Berlin, after that without East Berlin
Former territory of the Federal Republic: up to 1998/2000 with West Berlin, after that without West Berlin

Fig. 12 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: 83.12 years; new federal states: 83.11 years). With a life expectancy of 77.11 years, men in the new federal states have not quite caught up with their counterparts in the old federal states (78.41 years).

Figure 13: Deaths caused by cardiovascular diseases (ICD-10: 100-199) in Germany, 1990 – 2014
(age standardisation: old European Standard Population)

Deaths per 100,000 inhabitants

www.gbe-bund.de (as of: 11 April 2016)
New federal states: up to 1997 with East Berlin, beginning 1998 without Berlin
Former territory of the Federal Republic: up to 1997 with West Berlin, beginning 1998 with Berlin
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 the early 1990s, cardiovascular-related deaths among women and men in eastern Germany were 1.5 times higher than in western Germany. The differences recorded for 2014, on the other hand, are relatively low.

Medical care

Securing nationwide, needs-based and high-quality medical and health care services that are easily accessible is a major part of the public provision of basic vital services. This is becoming all the more 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 (especially rural) areas. For eastern Germany, this is essential due to the more serious structural problems that exist there and the higher population age.

That’s why the legislator has adopted a series of structural measures for medical care in order to ensure high-quality and needs-based care for people in rural regions.\(^{137}\)

The focus here is on incentives for doctors to open surgeries and to promote young 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, which can now be set up by the municipalities themselves, as well as to open hospitals for outpatient care.

In the field of inpatient care, the Hospital Restructuring Act, which to a large part came into effect on 1 January 2016, has stepped up measures to secure nationwide care, especially in rural regions, for instance by defining in greater detail the parameters for the use of service guarantee incentives, through financial appreciation for the differentiated provision of emergency structures as well as by setting up a structure fund for restructuring measures. Furthermore, measures to set up and expand services to cover as much of the country as possible are being implemented with the Hospice and Palliative Act. This also includes the expansion of hospice and palliative care in rural areas.

Care services

In Germany, 2.7 million people require care services, and some 700,000 of them live in the new federal states. The majority of those who need care (some 70%) are looked after at home, primarily by their daughters, daughters-in-law and other care-giving relatives. The percentage of the population in need of care in the new federal states is higher than the all-German average.

Securing the provision of care against the backdrop of demographic change is hence of special importance for the new federal states. The Federal Government has made the strengthening of care a special focal area.

The aim is to provide 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 in as far as possible. This will strengthen motivation to live and work in the regions, especially in rural areas.

Long-term care insurance is playing an important role in improving the situation of those in need of care and their relatives. The long-term care insurance benefits have been greatly improved by the first and second Long Term Care Strengthening Acts, especially by the new term to describe the need for long-term care that is to be introduced on 1 January 2017. The third Long Term Care Strengthening Act, much of which is also to come 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 Federal Government is also working to improve the boundary conditions for employing nursing staff, for instance, by the proposed modernisation of care training\(^{138}\) and other measures.\(^{139}\)

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\(^{137}\) In 2012, the Care Structure Act already created possibilities that allowed better steering of health care services through flexible requirements planning, remuneration incentives and improvements in outpatient emergency care. Following this, the Act to Strengthen the Care provided by the Statutory Health System that came into effect on 23 July 2015 introduced further measures to improve services in regions that are economically less developed.

\(^{138}\) On 18 March 2016, the German Bundestag discussed at first reading the Federal Government’s draft act to reform health care professions. This draft act aims to reform the three previous forms of health care training that were divided according to age groups into geriatric care, general nursing and paediatric nursing and to combine these three training schemes in one professional qualification.

\(^{139}\) This includes new legal regulations for determining staff requirements in health care, a statutory minimum wage in geriatric care and statutory parameters to promote the payment of collectively agreed wages. Other measures are designed to lessen the load for nursing staff by employing additional care staff at nursing homes and reducing red tape by introducing streamlined care records. Other goals include improving care by emphasizing outcome quality, PR work for a realistic picture of work in the care sector and, not least, recruiting and supporting the migration of nursing staff.
3.9. Tourism

Tourism in eastern Germany has become a strong economic factor. In some regions, rural regions in particular, this dynamic sector has become the most important source of employment.

2015 was a successful year for tourism in eastern Germany. Turnover in the hospitality industry rose in all of the eastern German states and (according to studies) so too has guest satisfaction.

A new record has now been reached here with more than 108 million overnight stays. Compared to 2014, this means an increase of around 2.7 percent in the eastern federal states (including Berlin). With more than 30 million overnight stays, Berlin generated the biggest increase (up 5.4 %) and is hence much higher than the all-German average (up 3 %). 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.

Using themes and focal areas in their tourism marketing, the federal states are competing to win visitors from Germany and abroad. Brandenburg, for instance, is successful with its marketing as a region for cycling and water sports and with a comprehensive range of events in art and culture. Together with Saxony-Anhalt, the National Garden Exhibition was held in the Havel region in 2015 and attracted huge crowds. Saxony-Anhalt also held the Cranach Exhibition to coincide with the anniversary of the Reformation. Saxony is successfully marketing the core topics of culture, cities, activities, health & well-being as well as families. Mecklenburg-Vorpommern has set it sights on tourism for families, becoming Germany’s most popular holiday destination for families. With this year’s ‘Nature holidays in Germany’ campaign, DZT is using an interactive map to draw attention to natural landscapes in the new federal states, for instance, the lakes of Mecklenburg, the Uckermark district and Saxon Switzerland.

There is potential for development in the years to come, especially in the rural and economically less developed regions where tourism is particularly important as a source of employment and income, and also for securing supply structures. Social change, changes in the system of values, technological progress as well as greater environmental awareness are (also) opening up new prospects for tourism. The aim must be to rediscover rural areas and to permanently transform them into attractive settings for culture and life.

This is the goal pursued by the project entitled ‘Destination as a stage: How does cultural tourism make rural regions successful?” The Federal Government is using this project to help rural travel regions to better market their cultural offers for tourism.

3.10. Sport

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.\(^{140}\)

While sport is largely a federal state responsibility, the support and promotion of top level sport is essentially a Federal Government task.\(^{141}\)

From today’s perspective, the merger of the different sports systems in east and west\(^{142}\) can be seen as a success. The Federal Government’s sports promotion policy is exclusively geared to sports-related aspects and necessities. A geographic distinction between east and west is irrelevant for this promotion.

\(^{140}\) See 13. Sportbericht der Bundesregierung, Bundestag Document 18/3523, p. 11.

\(^{141}\) 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.

\(^{142}\) See the Annual Report of the Federal Government on the Status of German Unity in 2015, p. 157
One focal area of the Federal Government's sports promotion programme is the establishment of sports centres for top level sport. In the preceding budget year (2015), approx. €7.3 million of the approx. €15 million in available funding went to sports facilities for top level sport in the federal states of Mecklenburg-West Pomerania, Saxony, Saxony-Anhalt, Thuringia and Brandenburg.

The Kienbaum federal sports centre in Brandenburg was taken over after the fall of the Berlin Wall and refurbished and modernised exclusively with Federal Government funding. Funds amounting to more than €60 million were invested here. This helped to make the Kienbaum federal sports centre the largest and most important facility in Germany today 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.

A total of around €17 million has been earmarked in the 2016 budget year for the six Olympic training centres in Mecklenburg-West Pomerania, Brandenburg, Saxony-Anhalt, Saxony (Leipzig and Chemnitz/Dresden) and Thuringia where a good 800 of Germany’s 4,000 national team athletes are trained. This amounts to around 45% of the €37 million in financial support available for training centres throughout Germany. Furthermore, the Federal Armed Forces also provide up to 744 places for top national team athletes in a total of 15 Federal Armed Forces sports promotion groups. The sports promotion groups in Frankenber, Frankfurt/Oder and Oberhof are the three located in the new federal states; together with the sports promotion group in Berlin, they account for around 35% of the total places supported.

In 2016, 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 amounts to €15.6 million. The Federal Government has strongly underpinned its commitment to the fight against doping in sport with the Act against Doping in Sports that came into effect on 18 December 2015 and the Second Doping Victims Assistance Act. This reinstated the fund for GDR doping victims, which had already been formally established in 2002, in order to provide financial support to those victims in the GDR who did not suffer the effects of doping until later. The GDR victims of doping who did not receive any financial support under the former Doping Victims Assistance Act are to receive the same level of compensation according to the same criteria. Under the Second Doping Victims Assistance Act, a fund of €10.5 million has now been set up.

3.11. The promotion of culture

The German Federal Cultural Foundation, established in 2002 and headquartered in Halle an der Saale, supports international cultural projects throughout Germany. In the new federal states, 1,216 projects in total were supported with funding amounting to some €75 million. Of these projects, 235 received funding amounting to around €5.1 million from the Fund to promote civic commitment to culture in the new federal states.

In preparation for the anniversary year of the Reformation in 2017, the Federal Government is supporting the Luther Decade measures and has earmarked €35 million for this in 2017. Restoration and upgrading of authentic Reformation sites are being supported under the national 2017 Reformation Anniversary promotion programme. A host of cultural projects will also be supported, ranging from low-threshold offers right through to important exhibitions in preparation for the anniversary. The focus here is on the core federal states of the Reformation (Saxony-Anhalt, Saxony and Thuringia). Some examples worth mentioning include the restoration of Hartenfels Palace in Torgau in Saxony, Wittenburg Castle Church in Saxony-Anhalt and Wartburg Castle near Eisenach in Thuringia.

Within the scope of monument protection programmes and furthermore in the case of individual, particularly important projects, the Federal Government supports efforts by the federal states who are primarily responsible for monument protection, also in eastern Germany. In this way, the Federal Government is effectively helping to ensure lasting protection for cultural landscapes and valuable monuments as witnesses to our history and as the foundation of our cultural identity. For instance, funding was made available for outstanding cultural monuments in eastern Germany, such as St. Georgen Church in Wismar and the synagogue in Görlitz. 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 Münzkabinett (Numismatic Collection) in summer 2015 and the permanent exhibition that opened in March 2015 entitled Concept and Encounter: The World around 1600.

The Federal Government also contributes to financing for Stiftung Preussischer Kulturbesitz with its museums and libraries and the related extensive building measures, such as the Humboldt Forum that is being built as the Berlin Palace, for the International Film Festival and for Akademie der Künste. The Federal Government is also contributing.

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143 In 2016, the Federal Government has made around €16 million in funds available for building sports facilities throughout Germany.
144 For details of the history of these two institutes, see the Annual Report of the Federal Government on the Status of German Unity in 2015, p. 158.
145 In brief: New federal states fund.
€200 million to the renovation of the Berlin State Opera on the ‘Unter den Linden’ boulevard and another €200 million to the second special investment programme for the Prussian Palaces and Gardens Foundation Berlin-Brandenburg.

When it comes to culture from Germany, the Bauhaus (school of design) is considered to be Germany’s most effective and successful 20th century export item. With a view to its 100th anniversary in 2019, which Germany will celebrate with partners from all over the world, the Federal Government is funding anniversary activities and the creation of suitable and permanent exhibition rooms to present the Bauhaus collections in Dessau, Berlin and Weimar. Founded in Weimar in 1919, relocated to Dessau in 1925 and pressured into closure by the Nazis in 1933, this school of design had a very short 14-year history. Yet the global influence of the Bauhaus continues to the present day.

Deutsches Meeresmuseum (maritime museum) in Stralsund is the only museum of its kind in Germany entrusted with the national task of scientifically exploring and exhibiting the ocean’s fauna and flora as well as its research and economic use by man from a national and international perspective. The Federal Government supports Deutsches Meeresmuseum, one of Germany’s most popular museums, with more than €1 million each year.

The Federal Armed Forces’ Museum of Military History, which is based in Dresden, with its diverse programme also contributes to cultural and society events for people in the region and hence to the new federal states as a centre for culture.

3.12. Nature landscapes and national natural heritage

The new federal states boast outstanding natural and cultural landscapes that include five national parks, six biosphere reserves and three nature reserves. These protected areas make a decisive contribution to maintaining biological diversity and provide a good basis for sustainable economic and, more importantly, tourist 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 precisely in the economically less developed regions of the new federal states.

The Federal Government is supporting the protection of natural wealth with two assistance programmes. Under the ‘chance.natur – Bundesförderung Naturschutz’ support programme, funding amounting to €14 million has been made available in 2016. A third of all the projects currently supported are located in the eastern German states.

Under the Biological Diversity support programme, funding amounting to €15 million has been made available in 2016. The Federal Government’s initiative to secure National Natural Heritage is doing much to protect the natural wealth of the eastern federal states. Over the past ten years, a total of around 156,000 hectares of valuable natural areas in federal ownership, including the Green Belt, were transferred to Deutsche Bundesstiftung Umwelt, the federal states as well as nature conservation foundations and nature conservation associations in order to secure them in the long term as National Natural Heritage. The areas of National Natural Heritage are primarily located in the new federal states. As part of the current, third tranche, additional areas have been secured as National Natural Heritage in eastern Germany along with many areas in western Germany too. The largest areas of natural heritage overall are located in Mecklenburg-Vorpommern, Saxony-Anhalt and Brandenburg.

III. Ongoing reappraisal of the history, promoting cohesion

The Federal Government considers itself to be responsible for the social cohesion that reflects an intact community rooted in solidarity. This cohesion is what helps to ensure that our society is liveable and ready for the future. Social cohesion is based on an understanding of values that is shaped by our free democratic basic order. Also in light of current challenges, such as the refugee situation, the Federal Government promotes democratic structures, is working to prevent violence and extremism, and supports active...
citizenship. However, social cohesion in Germany still calls for an ongoing critical review of the history of the GDR.

1. Addressing the history of the GDR

1.1. Reappraisal of the SED dictatorship and future handling of State Security documents

When it comes to reappraisal of the SED regime and the ongoing consequences of 40 years of dictatorship in the GDR, there is still a need to act. Another matter that must be addressed, for instance, is the future handling of State Security documents and of pending research projects. The Federal Government is supporting reappraisal by funding research projects and events, for example. Considerable work is being carried out here by the Federal Commissioner for the Documents of the State Security Service of the Former German Democratic Republic (BStU) and the Foundation for the Reappraisal of the SED Dictatorship – two major Federal Government reappraisal institutions. Furthermore, in spring 2016 the Federal Government's Commissioner for the New Federal States established a regular dialogue forum dedicated to political victims of the GDR dictatorship.

Future handling of State Security documents

On 12 April 2016, the expert commission set up by the German Bundestag on the future of the Agency of the Federal Commissioner for the Stasi Records handed over its recommendations to the German Parliament. The commission, chaired by former Minister President of Saxony-Anhalt, Prof. Dr. Wolfgang Böhmer, proposed that the Stasi document archive continue to exist under its own name and as a clearly independent entity under the umbrella of the Federal Archives. Moving forward, a Federal Commissioner for Reappraisal of the SED Dictatorship and its Consequences should represent victims of the communist dictatorship and their matters before the German Bundestag, the Federal Government and federal authorities. The expert commission proposed that the former Stasi headquarters in Berlin-Lichtenberg be used for plural purposes which were to be coordinated by a Dictatorship and Resistance Foundation – Forum for Democracy and Human Rights.

The proposals by the expert commission were extensively discussed in the German Bundestag. Within the scope of a hearing of the Committee on Cultural and Media Affairs on 27 April 2016, representatives of victims and the institutions involved had sufficient opportunity to comment on the proposals.

On 9 June 2016, the German Bundestag adopted a motion by the CDU/CSU and SPD coalition party groups to continue with determination the reappraisal of the SED dictatorship. Based on this, BStU and the Federal Archive are working together on a concept to permanently secure the Stasi files by transferring the Stasi document archive to the Federal Archive. This concept will be submitted to parliament for decision. After the motion was adopted, Roland Jahn was once again elected by a large majority to serve another five-year period as Federal Commissioner for the Stasi Records.

Dialogue forum on political victims of the GDR dictatorship

In addition to the Union of Victims Associations of Communist Tyranny (UOKG), the Foundation for the Reappraisal of the SED Dictatorship, the Agency of the Federal Commissioner for the Stasi Records as well as representatives of the federal state commissioners for the Stasi records of the eastern federal states are also taking part in the dialogue forum established in spring 2016 by the Federal Government’s Commissioner for the New Federal States.

Research project on Clinical Drug Research in the GDR from 1961 to 1989

The research project on Clinical Drug Research in the GDR from 1961 to 1989 at the Charité Institute for the History of Medicine aims to establish scientifically proven findings on clinical research contracted by western pharmaceutical companies in the GDR. To this end, all drug trials conducted in the GDR for western pharmaceutical companies have been documented in as far possible, examples of cases have been examined and expert interviews analysed.

In March 2016, the scientists and the scientific advisory board presented their final report. In terms of the clinical trials conducted in the GDR, their report found no systematic violations of the ethical principles and standards applicable to clinical trials at that time.

Research projects on the institutionalisation of children in the GDR

In an effort to close further knowledge gaps in the reappraisal of the history of injustice in the GDR, studies were commissioned on Forced Labour in Youth Institutions of the GDR and on Reappraising Institutionalisation in the GDR with the Involvement of Eyewitnesses. These studies are to complement and supplement existing findings on the institutionalisation of children in the GDR. The focus will also be placed on the role and responsibility of the SED regime for the injustices that took place. The results are to be available at the end of 2016.
Fund for Institutionalised Children in the GDR from 1949 to 1990

In 2015, the Federal Government and the eastern federal states increased the Fund for Institutionalised Children in the GDR to €364 million and extended the term for advising victims, processing agreements and paying benefits up to 31 December 2018. 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. Now that the fund has been increased, around 27,500 victims who registered claims by the deadline of 30 September 2014 can now receive the required assistance.

In 2019, the steering committee of the Fund for Institutionalised Children in the GDR together with the steering committee of the analogous Institutionalised Children – West Fund will present a final report that will form the basis for the further reappraisal of the institutionalisation of children in social policy.

Research project on the East German Army and the Federal Armed Forces

In an interdisciplinary research project launched last year, the Center for Military History and Social Sciences of the German Army in Potsdam 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 that is rooted in the development of military alliances in east and west. The equal weighting of the two German nations 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.

Research project on Victims of the GDR Border Regime

Unlike 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 the financial backing of the Federal Commissioner for Culture and Media, along with the federal states of Saxony-Anhalt, Lower Saxony and Hesse, the Research Association on the SED State at Freie Universität Berlin is examining and documenting victims of the GDR border regime at the former inner German border. The results of the final report are expected at the end of 2016.

Memorial to commemorate the victims of Communist tyranny

For some time now, the Victims Associations of Communist Dictatorship in the SOZ/GDR have been pushing for a central memorial to commemorate the victims of Communist tyranny. In this legislative period, the German Bundestag is planning an initiative for a monument at a central location in Berlin. 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 resultant resolution by the German Bundestag.

Events related to history of Communism and the Cold War

To coincide with the 100th anniversary of Russia’s October Revolution in 2017, the Federal Foundation for the Reappraisal of the SED Dictatorship is hosting, among other things, a series of lectures in 2016 and 2017 on the history of Communism, not least in order to remember the crimes committed in the name of this ideology and to honour its victims.

The poster exhibition entitled The Cold War. Causes – History – Consequences, which was prepared by the Federal Foundation for the Reappraisal of the SED Dictatorship together with the Berlin Center for Cold War Studies, is to invite visitors to take a more in-depth look at the global tensions between democracy and dictatorship that shaped the second half of the 20th century.

Revolution and Fall of the Wall exhibition

On 17 June 2016, the same day as the 1953 political uprising in the GDR, the Federal Commissioner for Culture and Media opened the permanent open-air exhibition entitled Revolution and the Fall of the Wall at the former headquarters of the Ministry for State Security. This exhibition, which has been prepared by the Robert Havemann Society, traces the early days, the course and consequences of the Peaceful Revolution in 1989/1990 for a wider public.

152 The Fund for Institutionalised Children in the GDR was set up with a term of five years and a volume of €40 million. The fund acts as a supplementary assistance system and is designed to help to compensate for and alleviate the persisting consequential damage from institutionalised life. In addition to individual advice, the persons concerned can receive earmarked financial benefits to alleviate the consequential damage and supplementary pension benefits due to the fact that they were unable to pay social security contributions. The costs are shared equally by the Federal Government and the eastern federal states.

153 Between 1949 and 1990, around 495,000 children and youths were 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’.

154 Soviet Occupation Zone

155 This exhibition was made possible by funding from the Federal Government, Lottostiftung Berlin and the district of Lichtenberg.
With its exhibitions, events, publications and education projects, the Robert Havemann Society is doing much to ensure that those who questioned 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 provides material on the people’s movement. The Federal Government’s budget for 2017 earmarks funding for this institution. Agreement was also reached in the Coalition Agreement to permanently secure the GDR Opposition Archive held by the Robert Havemann Society and the Peaceful Revolution 1989 open-air exhibition.

1.2. Commemoration and celebrations

25th anniversary of freedom and unity

The 25th anniversary of freedom and unity was a focal topic for the Federal Government in 2015.

Numerous events were held to honour the Peaceful Revolution in autumn 1989 in the GDR and German reunification, for instance, the discussion series entitled Old Federal States, New Federal States – Germany in Europe: Thoughts, Challenges, Perspectives. The topics included the role of German-German city partnerships, the reconstruction of eastern Germany compared to Central and Eastern Europe, the role of the media in the process of unification and the school competition with the title What was the GDR?. This series of events was carried out with Deutsche Gesellschaft e.V.

The Federal Government’s Commissioner for the New Federal States invited all of the former members of the first freely elected People’s Chamber of the GDR to attend the celebratory Decision in Freedom event held on 23 August 2015 in the shell of the Berlin Palace (Humboldt Forum). The day’s celebrations recalled the historical resolution by the first freely elected People’s Chamber to accede the GDR to the scope of the Basic Law which 25 years ago had paved the way for reunification.

On 31 August 2015, precisely 25 years after the signing of the Unification Treaty, a festive event was held in the Red Ballroom of Kronprinzenpalais, the historical site where the treaty was signed, in order to celebrate this anniversary together with all those involved in the treaty negotiations from east and west.

On the 25th anniversary of reunification, the GDR Museum in Pforzheim opened its new permanent exhibition that shows young people, in particular, what it was like to live in a dictatorship. The Pforzheim Museum is the only institution in the western federal states to deal exclusively with the reappraisal of the SED dictatorship and the division of Germany. This exhibition was made possible by funding from the Federal Commissioner for Culture and Media, the Federal Foundation for the Reappraisal of the SED Dictatorship and the federal state of Baden-Württemberg.

With its future-orientated dialogue series entitled Germany 2015: Our Country – Our Future, the Federal Government is responding to the desire for broad debate on how Germans see themselves and on Germany’s international responsibility now, 25 years after reunification. Representatives from academia, politics, culture and civil society have been invited to take part.

On 11 November 2015, a military tattoo was held at Platz der Republik in front of the Reichstag building to coincide with the 60th anniversary of the Federal Armed Forces and the 25th anniversary of the army of unity. The celebrations underpinned the role of the Federal Armed Forces as a parliamentary army and its importance in the unique historical process of transformation and integration.156

Monument to Freedom and Unity

The Monument to Freedom and Unity on Berlin’s Schlossfreiheit square that received the German Bundestag’s seal of approval on 9 November 2007 is to commemorate the Peaceful Revolution in 1989 and the restoration of German unity. However, due to the higher costs that resulted from the necessary changes in planning and additional work, building regulation requirements and the required follow-up negotiations with the planning firm, the budget committee of the German Bundestag demanded in its unanimous resolution on 13 April 2016 that the Federal Government no longer pursue this project.

2. Diversity of active citizenship

Active citizenship in Germany is both diverse and an important pillar of social cohesion and integration. The number of citizens actively involved is rising continuously even if the figure is slightly lower in eastern Germany than in western Germany.157 All in all, around 31 million people each year are involved in clubs, foundations, initiatives, cooperatives, networks, (youth) associations or in religiously motivated contexts. Around three million people are active in voluntary welfare alone, up to two million volunteers have signed up for disaster relief and around 100,000 volunteers from all age groups work in voluntary services. It is also impressive

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156 The special achievement of the Federal Armed Forces was to disband the East German Army, permanently take on former East German Army soldiers whilst simultaneously stationing units and offices in the new federal states.

157 For more details, see 2.1. Active citizenship in eastern Germany.
how many citizens become involved spontaneously, often organising themselves, for instance, to help the many refugees who came to Germany.

Without civic participation it would not have been possible to take in the more than one million refugees who have arrived since summer 2015. This has redefined the relationship between the organisations and government bodies, especially the municipalities. New priorities must now be set here, cooperation and network structures must be developed further and the integration work carried out by volunteers must be stepped up.

The Federal Government hence believes that it must support and promote all kinds of civic participation in Germany on a lasting basis and further develop a culture of recognition.

2.1. Active citizenship in eastern Germany

According to the data of the 2014 German Survey on Volunteering, more and more citizens in Germany are using their free time to become involved and to assume responsibility. Throughout Germany, more than 40% of people aged 14 years and above are involved in voluntary work. That’s ten percentage points higher than 15 years ago. The report also shows there has been a similar increase in the number of volunteers both in eastern and western Germany. That being said, volunteers are slightly more involved in western Germany than in eastern Germany. The rate of civic participation for western Germany in 2014 totalled 44.8%, for eastern Germany 38.5%.

Men volunteer more often than women, both in eastern and western Germany. School pupils as well as people with a higher education are more frequently involved in voluntary work in both parts of the country than people with a medium to low education level. In the east, younger people volunteer more often than older people. In the west, the rate of civic participation is the same in all age groups with just one exception: People aged 65 years and over volunteer less.

2.2. Promoting active citizenship

Volunteering calls for good framework conditions and good structures at local level so that citizens can become involved in the way that they wish to. This is also particularly important in eastern Germany especially considering the still relatively low civic participation rate.

The Federal Government aims to improve infrastructure for active citizenship and is hence supporting various initiatives, such as the National Network for Civil Society, the Federal Association of Volunteer Agencies and the Community Foundation Initiative. It is also cooperating more with important stakeholders in civil society and business. The aim of the ‘Engagierte Stadt’ network programme, initiated at the beginning of 2015, is to strategically develop active citizenship and help to establish and stabilise local, tri-sectoral civic participation networks in 50 cities, municipalities

Figure 14: Share of volunteers in eastern and western Germany
and throughout Germany. Twenty of the 50 programme partners are located in the new federal states.\textsuperscript{158}

**People Support People programme**

The support provided by many citizens for people who have fled to Germany has done much to shape a culture of welcome in Germany. The Federal Government wants to strengthen this civic participation as it is essential for the integration of refugees.

That’s why in January 2016, the Federal Government launched the People Support People programme. The programme will endow sponsorships between refugees and Germans and gain mentors, guest families and guardians for unaccompanied minors arriving as refugees. This programme benefits many organisations in eastern Germany that are working at local level to initiate, accompany and supervise guardian tandems.

**Improving the culture of recognition**

The Federal Government wishes to make the diversity of active citizenship more visible and continuously further develop the culture of recognition. The German Active Citizenship Award, which since 2009 has been recognising the exemplary voluntary work of individuals, initiatives and organisations for the common good, has been restructured and, since 2015, is now awarded to the winners of all other awards that are given annually in the regions and nationwide for active citizenship, including numerous awards in the new federal states. The updating and continuation of existing awards and projects, as well as support for active citizenship week, which presents and recognises committed citizens and innovative projects once a year\textsuperscript{159}, are expressions of the Federal Government’s recognition and support of voluntary work.

**Federal Volunteer Service**

The introduction of the Federal Volunteer Service five years ago has done much to strengthen and create a broader basis for voluntary civic participation. After finishing their compulsory school education, men and women of any age can get involved in the Federal Volunteer Service. People are taking part in Federal Volunteer Service work primarily in social spheres, but the service also offers placements in sport, culture and education as well as in civilian and disaster protection. The Federal Volunteer Service is accepted equally in both west and east.\textsuperscript{160} In the east, more 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 the enormous willingness of the people to become involved in this work, the Federal Government is financing up to 10,000 new positions in the Federal Volunteer Service that are related to refugees. Refugees who wish to get involved and have a good chance of remaining in the country can take part in the Federal Volunteer Service, for instance, by passing on to newcomers their own experiences when they first came to Germany. This programme has been well-received. As of 1 September 2016, 4,498 agreements have been signed for the Federal Volunteer Service related to refugees, including 1,401 which were entered into with refugees. The figures have been rising continuously up to now. In the new federal states, there are 1,503 Federal Volunteer Service agreements with a refugee reference (33.48\%), in Berlin (east/west) 389 (8.67\%) and in the old federal states 2,597 (57.85\%).

**2nd Multigeneration Centres action programme**

The around 450 multigeneration centres throughout Germany that are supported by the Federal Government have a key role to play in their communities when it comes to finding volunteers and support for voluntary civic participation (also specifically by people over the age of 60). There are 117 multigeneration centres in eastern Germany (a good three quarters of them in rural areas) where around 3,000 volunteers are active, including around 200 through the Federal Volunteer Service.

**Federal Agency for Technical Relief (THW)**

Promoting civic participation is a permanent task for the Federal Agency for Technical Relief (THW) which is present throughout eastern Germany with entirely voluntary, local associations. Assisting refugees is currently a focal area of work by THW. As part of efforts to convince helpers from specific target groups to become involved, refugees are

\textsuperscript{158} The programme partners in eastern Germany are in Apolda, Bautzen, Dessau-Roßlau, Ebersbach-Neugersdorf, Forst (Lausitz), Freiberg, Görlitz, Guben, Hohe Börde, Marienberg, Naumburg, Neubrandenburg, Neuenhagen, Radebeul, Ribnitz-Damgarten, Schmalkalden, Sondershausen, Stendal, Weißwasser and Zwickau.

\textsuperscript{159} One of this year’s four nominated BBE civic participation ambassadors, who are always winners of the German Active Citizenship Award, is from eastern Germany (Dresden). This year’s ambassadors were appointed on 13 June 2016 at the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth.

\textsuperscript{160} In 2015, 37,099.08 volunteers were active on average for the year.
being addressed specifically so that they can be trained as helpers and integrated into German society in this way.

3. Preventing extremism and promoting democracy

3.1. Extremism and xenophobia in eastern Germany

As a liberal-minded country, Germany is shaped by its diverse society. Mutual acceptance and respect are an indispensable foundation for social interaction and cohesion. After all, human dignity and the equality of all people before the law are central principles of the rule of law of our free democratic basic order. Right-wing extremism, racism, anti-Semitism and xenophobia, all of which determine the value of a human based on their ethnic background, nationality or race, clearly contradict these principles. They threaten social cohesion and question the fundamental values of our basic law.

The potential for violence in xenophobic ideologies and the related threat to the safety of people were already obvious even before the series of murders by the ‘Nationalsozialistischer Untergrund’ (NSU) terror group. The recent steep increase in the number of xenophobic attacks highlights the need to vigorously oppose such ideologies more than ever before. With a view to politically motivated crime, the number of crimes with a right-wing motivation has risen in Germany, by 34.9% compared to the previous year, to total 22,960 registered crimes. The number of right-wing violent attacks increased by 44.3% in 2015 with xenophobic crimes accounting for a large share of this increase. The number of attacks on asylum shelters rose from 199 in 2014 to 1,031 in 2015, more than five times the figure recorded one year earlier.

As can be seen in the latest Annual Report on the Protection of the Constitution161, there are more violent attacks motivated by right-wing extremism in eastern Germany in relation to the population. Differences in political opinion have now escalated to a worrying degree. Right-wing anti-asylum agitation is also acting as a catalyst for violence among left-wing extremists. During demonstrations, for instance, right-wing extremists expect to clash with left-wing extremist counter-demonstrators. On the other hand, left-wing extremists misused counter-demonstrations and committed a number of sometimes extremely violent crimes, especially against the police.

The number of violent crimes with a left-wing motivation also rose sharply in 2015. The Annual Report on the Protection of the Constitution showed that these documented

Table 13: Foreign population by federal state on 31 December 2014

<table>
<thead>
<tr>
<th>Federal state</th>
<th>Total population</th>
<th>Foreign population according to census update</th>
<th>Share of foreigners in %</th>
<th>Foreign population according to the Central Register of Foreign Nationals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baden-Württemberg</td>
<td>10,716,644</td>
<td>1,346,993</td>
<td>12.6</td>
<td>1,403,887</td>
</tr>
<tr>
<td>Bavaria</td>
<td>12,691,568</td>
<td>1,305,968</td>
<td>10.3</td>
<td>1,418,684</td>
</tr>
<tr>
<td>Berlin</td>
<td>3,469,849</td>
<td>496,518</td>
<td>14.3</td>
<td>501,014</td>
</tr>
<tr>
<td>Brandenburg</td>
<td>2,457,872</td>
<td>63,421</td>
<td>2.6</td>
<td>67,589</td>
</tr>
<tr>
<td>Bremen</td>
<td>661,888</td>
<td>88,735</td>
<td>13.4</td>
<td>96,853</td>
</tr>
<tr>
<td>Hamburg</td>
<td>1,762,791</td>
<td>245,186</td>
<td>13.9</td>
<td>261,348</td>
</tr>
<tr>
<td>Hesse</td>
<td>6,093,888</td>
<td>794,375</td>
<td>13.0</td>
<td>861,168</td>
</tr>
<tr>
<td>Mecklenburg-Western Pomerania</td>
<td>1,599,138</td>
<td>41,317</td>
<td>2.6</td>
<td>45,363</td>
</tr>
<tr>
<td>Lower Saxony</td>
<td>7,826,739</td>
<td>520,892</td>
<td>6.7</td>
<td>570,883</td>
</tr>
<tr>
<td>North Rhine-Westphalia</td>
<td>17,638,098</td>
<td>1,844,083</td>
<td>10.5</td>
<td>2,074,230</td>
</tr>
<tr>
<td>Rhineland-Palatinate</td>
<td>4,011,582</td>
<td>330,935</td>
<td>8.2</td>
<td>352,735</td>
</tr>
<tr>
<td>Saarland</td>
<td>989,035</td>
<td>77,886</td>
<td>7.9</td>
<td>90,696</td>
</tr>
<tr>
<td>Saxony</td>
<td>4,055,274</td>
<td>116,596</td>
<td>2.9</td>
<td>123,648</td>
</tr>
<tr>
<td>Saxony-Anhalt</td>
<td>2,235,548</td>
<td>58,883</td>
<td>2.6</td>
<td>62,155</td>
</tr>
<tr>
<td>Schleswig-Holstein</td>
<td>2,830,864</td>
<td>150,408</td>
<td>5.3</td>
<td>166,539</td>
</tr>
<tr>
<td>Thuringia</td>
<td>2,156,759</td>
<td>53,907</td>
<td>2.5</td>
<td>56,176</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td><strong>81,197,537</strong></td>
<td><strong>7,536,103</strong></td>
<td><strong>9.3</strong></td>
<td><strong>8,152,968</strong></td>
</tr>
</tbody>
</table>

Preliminary result based on the 2011 census
Prevent Extremism was set up at the end of 2014. This work aims to identify, bundle and optimise Federal Government measures in these areas in order to draw up an inter-ministerial strategy and to renew the National Action Plan of the Federal Republic of Germany to Fight Racism, Xenophobia, Anti-Semitism and Related Intolerance. 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 social areas, 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. But the Federal Government also wants to step up its online presence with this strategy. Discussions with young people are to be held everywhere, 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 torrents of hatred and malice on the net must be counteracted. Extremism must also be actively prevented in prisons. The strategy also aims to improve international cooperation to prevent extremism and promote democracy.

The approaches presented in the Federal Government’s Strategy to Prevent Extremism and Promote Democracy are to be included in the renewed National Action Plan to Fight Racism before the end of this legislative period.

The Cohesion through Participation project

With the Cohesion through Participation project, the Federal Government has been promoting active citizenship for democracy and against extremism since 2010. In the first phase (2010 to 2012), the programme was solely geared to the eastern federal states. Due to the need that also exists in western Germany, the second phase (2013 to 2016) began to transfer the tried-and-tested model to regions in western Germany. The main objective of the programme is to strengthen stakeholders involved in association and club work through training offers that help to shape structures in a more democratic manner and create new possibilities for inner-association advice services, working-through conflicts and support. Associations and clubs wishing to strengthen their democratic structures in this manner will then generate strong momentum for democratic interaction at local level. Cohesion through Participation therefore also helps to counteract extremist and anti-constitutional trends.

The annual budget for this programme has been doubled to €12 million for 2016. These funds will especially support the work of clubs and associations to master the challenges arising as a result of current migration.

In light of the recommendations by the NSU enquiry committee and the task of the Coalition Agreement, the inter-ministerial working group to Promote Democracy and Prevent Extremism was set up at the end of 2014. This work-
The Federal Government’s Living Democracy! programme

The Federal Government’s programme entitled Living Democracy! Active Against Right-wing Extremism, Violence and Xenophobia, which was launched on 1 January 2015, pursues a holistic principle of promoting democracy and preventing radicalisation and is therefore an integral part of social integration. It supports associations, projects and initiatives at national, regional and local level that are committed to promoting democracy and diversity and that work against right-wing extremism, racism, anti-Semitism and other forms of anti-democratic sentiment, xenophobia, violence, hate and radicalism.

In light of the rising number of right-wing extremist attacks against refugees, and also against volunteers and stakeholders in politics and society, this approach is very important, also in particular for eastern Germany. That’s why this programme pays particular attention to the concerns of refugees.

In the 2016 funding year, funding of around €15 million has been earmarked for the programme. Of this figure, some €12 million (23.3 %) will go to eastern Germany (without Berlin). The funds will be used, for instance, to finance projects that promote democracy by qualifying stakeholders, for nationwide advisory possibilities or for leaflets that provide argumentation training against hate and bar-room slogans.

The programme supports 218 local partnerships for democracy, around 100 of which are in the eastern federal states, including Berlin. This support primarily aims to help them to stabilise their work in the fields of right-wing extremism as well as refugee and asylum (especially regarding the culture of welcome there) and in doing so help to quickly integrate refugees into municipal structures. Within the scope of the 16 centres of democracy throughout Germany, the current refugee debate and the mobilisation of the right that can be observed in many areas has led to an increase in cases for the mobile advisory teams and for victim support services. Mobile advice teams provide advice when it comes to xenophobic protests against shelters for refugees, they support municipalities when hosting public meetings and provide support for welcome initiatives. Of the €9 million in approved funding for 2016, around €2.5 million (28.79 %) will go to the five eastern German states.

Under the Federal Government’s programme, 28 agencies that conduct various activities related to coming to terms with refuge and asylum and who provide expert services will receive support for their structural development. With these agencies, all areas will be covered, for example, work against anti-Semitism, antiziganism, racism, homophobia and transphobia and the prevention of radicalisation. Eastern Germany will receive 12 % of these funds (€500,000).

Finally, pilot projects will support new and innovative approaches against group-related xenophobia and for the prevention of right-wing extremism, violent Islamism and left-wing militancy. Previous projects against xenophobia and radicalisation (currently 106 pilot projects) focused on the phenomena of anti-Semitism, Islamophobia, antiziganism, homophobia and strengthening democracy in rural regions. In 2016, project funding will be used more for early prevention and to prevent racism.

The European Council’s No Hate Speech campaign is also helping to reduce resentment against refugees. In line with the European Council’s goal of focussing on civil society participation and activation, the national coordination of this campaign has been placed in the hands of the partners in civil society.

Political education

The experiences of German history lead to a special responsibility to foster values such as democracy, pluralism and tolerance in the minds of the people. The Federal Agency for Civic Education, which has the task of promoting an understanding for political issues, fostering democratic awareness and encouraging people to become involved in politics, has a wide range of offers that are geared to improve democratic participation and prevent extremism. The Agency addresses topical and historical subjects by organising events, issuing publications, and audio-visual and online products. The broad range of educational activities is designed to motivate people and enable them to give critical thought to political and social issues and to actively participate in political life.

Helping to strengthen democracy in Germany and working against extremist thinking through extensive commitment in the field of political education are also a central issue for the Federal Armed Forces. As part of security policy seminars at the Center for Information Work in Strausberg in Brandenburg, the Federal Armed Forces teach people about security and defence policy as well as socio-political issues. The ‘Jugenoffiziere’ of the Federal Armed Forces also participate in political education and provide information about security policies.
Part C:

Economic data of the new federal states in 2016

(Status August 2016)

The German version of the Annual Report of the Federal Government on the Status of German Unity in 2016 contains a Part C entitled Economic Data of the Federal States. This data can be accessed via the website of the Federal Ministry for Economic Affairs and Energy, where it is available for download as a German-language publication from the "Mediathek", published under the title "Wirtschaftsdaten neue Länder".