



Federal Government Commissioner
for the New Federal States

Annual Report of the Federal Government on the Status of German Unity 2018



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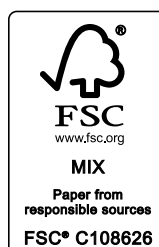
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Contents

Part A	8
1. Looking ahead: confidently building on strengths	9
2. Persistent structural weaknesses	10
3. Designing the future in the east: breaking down structural weaknesses, promoting SMEs, strengthening municipalities	11
4. Future of funding for structurally weak regions	12
5. After the transformation – self-confidence, promoting dialogue	13
Part B: Report	15
I. Improving economic strength, completing social unity	16
1. Economic development in eastern Germany	16
2. Promoting investment, start-ups, innovation and internationalisation	20
2.1. Promoting investment	20
2.2. Business start-ups	22
2.3. Promoting innovation and research	23
2.4. Internationalisation	28
2.5. Business clusters	28
2.6. Digital transformation	29
3. Labour market and securing skilled workers	30
3.1. Situation on the labour and training market in eastern Germany, employment development	30
3.2. Measures to integrate people into the labour market and to secure skilled labour	35
4. Companies covered by collective bargaining, wage trends, pension provisions	44
4.1. Collective bargaining coverage	44
4.2. Gender-related earnings gap	44
4.3. Minimum wage	46
4.4. Income situation of private households	48
4.5. Pensions and pension alignment	49
II. Performance of the eastern German federal states and municipalities, quality of life in urban and rural areas	51
1. Performance of the federal states and municipalities	51
1.1. Financial situation of the eastern federal states and municipalities	51
2. Infrastructure: energy, communications, transport	52
2.1. Energy infrastructure	53
2.2. Digital infrastructure	53
2.3. Transport infrastructure	55
3. Demography and equal qualities of life	56
3.1. Demographic framework conditions	56
3.2. Family, living arrangements and children	59
3.3. Urban development and urban development assistance	61
3.4. Housing market and rented accommodation market	63

3.5. Rural development	65
3.6. Agriculture and privatisation of agricultural land	68
3.7. Remediation of lignite sites	69
3.8. Tourism	69
3.9. Health and long-term care	70
3.10. The promotion of sports	73
3.11. The promotion of culture	74
III. The continued process of facing up to the past, and fostering a strong social fabric	76
1. Taking a critical look at the history of the GDR	76
2. Diversity of civic involvement	79
2.1. Civic involvement in eastern and western Germany	80
2.2. Promoting civic involvement	80
2.3. Federal Volunteer Service and Youth Volunteer Service	81
2.4. Strengthening the integration of migrants	81
3. Preventing extremism and promoting democracy	82
3.1. Extremism and xenophobia	82
3.2. Strengthening our democracy	82
3.3. Political education	84
Part C: Economic data of the new federal states	86
1. Economic development as a whole and by sector	87
1.1. Gross domestic product (GDP) in real terms, per capita	87
1.2. Gross value added (GVA) overall and per sector	89
1.3. Labour productivity in the overall economy and in the goods-producing sector	91
1.4. Investments in the overall economy and in the goods-producing sector	93
1.5. Export rate in the overall economy and in the goods-producing sector	95
1.6. Start-ups and liquidations	97
1.7. Private and public R&D&I expenditure/R&D personnel	99
1.8. Fragmented nature of the eastern German economy: Number of gainfully active persons subject to the payment of social security contributions in the goods-producing sector, according to size of operation	101
2. Labour market data	103
2.1. Number of persons unemployed, unemployment rate and underemployment rate in eastern Germany	103
2.2. Unemployment in eastern and western Germany over time	105
2.3. Selected labour-market instruments in the new federal states	106
3. Income and public finances	108
3.1. Disposable income	108
3.2. Public spending and investments, public revenue incl. tax revenue	109
4. Overview	111
4.1. Selected economic data on the situation in new federal states	111
4.2. Economic and structural data of the new federal states compared to the old federal states	112
4.3. National accounts in an east-west comparison	113

Directory of figures, tables and maps

Figures Part A and B

Figure 1:	Per capita gross domestic product: Figure for eastern Germany as a percentage of the figure for western Germany	16
Figure 2:	Income per capita in European regions	17
Figure 3:	Per capita gross value added in the manufacturing sector in 2017	19
Figure 4:	Unemployment trend from 1995 to 2017	31
Figure 5:	Working mothers (in gainful employment) with children under 3, according to hours worked, former federal territory and new federal states, 2016	33
Figure 6:	Average time usually worked per week by working mothers according to the age of the youngest child, former federal territory and new federal states, 2016	34
Figure 7:	Proportion of international employees of all employees in 2017	37
Figure 8:	Pupils with special learning needs as a percentage of all pupils of compulsory school age (support rate) by federal state in 2016/2017 school year	41
Figure 9:	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, 1998–2017	45
Figure 10:	Average gross monthly earnings in eastern and western Germany and alignment ratio, 1998–2017	46
Figure 11:	Equivalence-weighted net annual income	48
Figure 12:	Development of poverty risk ratios in eastern and western Germany with respect to an all-German poverty risk threshold	49
Figure 13:	Unequal distribution of net income in east and west (Gini coefficient)	50
Figure 14:	Broadband availability in municipalities of Germany	54
Figure 15:	Population age structure in 1990, 2016 and 2030 by federal states groups	58
Figure 16:	Number of children of women aged between 45 and 49 according to place of residence, 2016	61
Figure 17:	Federal Government funding for urban development assistance from 1990 to 2017	62
Figure 18:	Life expectancy at birth, divided into new and old federal states	71
Figure 19:	Death caused by cardiovascular diseases	72

Figures Part C: Economic data of the new federal states

Change in GDP (in real terms) over preceding year	88
Gross domestic product in current prices per capita	88
Gross value added in the new federal states in 2017 by economic sector	89
Share in gross value added in 2017	90
Gross value added in eastern Germany in 2017 according to economic sector	90
Development of productivity year-on-year	92
Productivity in current prices per gainfully active person, per hour of work	92
Investments per capita in the overall economy	94
Investments per capita in the goods-producing sector	94
Export rate in the overall economy	96
Export rate in the goods-producing sector	96
Change in the number of businesses in the overall economy per 100,000 inhabitants	98
Change in the number of businesses in the goods-producing sector	98
Share of R&D expenditure (total) in GDP in the non-city states	100
Share of research & development expenditure in GDP in 2016	100
Share of gainfully active persons in the goods-producing sector in 2017 according to size of plants	102
Share of gainfully active persons in the goods-producing sector companies with 1000+ staff as a percentage of total no. of gainfully active persons in the goods-producing sector	102
Disposable income and GDP per capita as well as compensation of employees per employee (domestic)	108

Tables Part A and B

Table 1: Support programmes geared to promote investment	21
Table 2: Support programmes with a focus on start-ups	22
Table 3: IGF (2017).....	27
Table 4: INNOKOM East (2016).....	27
Table 5: goInno (2016).....	27
Table 6: Unemployment rate as a percentage of the civilian labour force	31
Table 7: Number of unemployed according to length of unemployment in eastern and western Germany	31
Table 8: Number of people in jobs subject to social security contributions (as of 30 June).....	33
Table 9: Training market.....	35
Table 10: Figures for shortages according to federal states in 2017	36
Table 11: Measures to acquire vocational qualifications	38
Table 12: Measures and initiatives of advanced vocational training funded by the Federal Employment Agency	39
Table 13: Minimum collectively bargained wages under the Posted Workers Act, the Collective Agreements Act and the Temporary Employment Act in € per hour	47
Table 14: Degree of urbanisation in the non-city states as a percentage.....	57
Table 15: Families according to number of under-age children and area, 2016, in %.....	61

Tables Part C: Economic data of the new federal states

Gross domestic product in current prices per capita	87
Gross domestic product (price-adjusted, chain-linked)	87
Gross value added (price-adjusted, chain-linked)	89
Gross domestic product in current prices per gainfully active person, per hour of work (productivity)	91
Gross domestic product (price-adjusted, chain-linked) per gainfully active person (domestic)	91
Investments in the overall economy and in the goods-producing sector per capita, in current prices	93
Export rate in the overall economy and in the goods-producing sector, in %	95
Commercial start-ups and company liquidations	97
Private and public R&D&I expenditure/R&D personnel in research institutes	99
Fragmentation: Number of gainfully active persons subject to the payment of social security contributions in the goods-producing sector in western (WG) and eastern Germany (EG), according to size of plants	101
Number of persons unemployed, unemployment rate and underemployment rate in eastern Germany	103
Selected labour-market instruments in the new federal states	106
Disposable income per capita	108
Public spending and investments, public revenue incl. tax revenue	109
Selected economic data on the situation in new federal states	111
Economic and structural data of the new federal states compared to the old federal states	112
National accounts in an east-west comparison	113

Notes on the regional definitions used

New federal states:	Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt, Thuringia
Germany and eastern federal states:	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 and western federal states:	Old federal states excluding Berlin

Any deviations from these definitions have been referenced.

Part A

1. Looking ahead: confidently building on strengths

On 31st December 2018, Germany will have been unified for longer than it was separated by wall and barbed wire. This fact has made it clear to many people that eastern Germany has now emerged from the long shadow of its GDR past.

Since reunification, eastern and western Germany have continuously moved closer together, and there has been great overall progress when it comes to harmonising standards of living. This is the result of active solidarity and the determination and courage needed to bring about the catch-up process under what initially were difficult conditions. All citizens can be proud of this effort to achieve solidarity. People in the new federal states fought for freedom and democracy in the peaceful revolution. For them, the unification process was associated with several societal upheavals and personal cutbacks. They are now able to look back with great self-confidence to what has been achieved and to their own history, culture and tradition.

The Federal Government Commissioner for the new federal states regularly presents the Annual Report of the Federal Government on the Status of German Unity. In accordance with the mandate from the Bundestag to the government, the Federal Government's Annual Report on the Status of German Unity must regularly depict "its policy measures to achieve the harmonisation of social, economic, political and cultural living conditions throughout reunified Germany".¹

This year's report focuses on what has been achieved thus far. It acknowledges the enormous challenges faced by citizens of eastern Germany, and shows that this transformation process has generally been successful. A success that can be attributed to Germany as a whole, but which could never have been realised without the very individual transformation efforts of the population of eastern Germany.

Equivalent standards of living continue to be the constitutional mission and an important policy objective of the Federal Government.² The prerequisites are a dynamic economy and attractive employment opportunities. Increasing the appeal of eastern Germany and Germany as a whole as a base for business is therefore a focal area of policy for the Federal Government.

Eastern German states have much to offer as a business location, and the Federal Government will continue investing in future to further improve economic conditions and the quality of life. Its objective is to focus on rural areas and

regions with widespread structural deficits, and most of these are located in eastern Germany.

The Report on the Status of German Unity also looks ahead to the future, and in doing so does not restrict its attention to structures and economic development. The Federal Government believes it is equally important for development to be designed to ensure lasting, stronger social cohesion.

All of this demands new answers 28 years after reunification. 2019 will be the last year in which revenue from Solidarity Pact II will flow into the eastern federal states. This heralds the start of a new stage of the policy promoting equivalent standards of living in the east and west.

In retrospect it can be seen that the vast resources mobilised using the Solidarity Pact were put to good use. The reconstruction of eastern Germany has long been a success story. Following the far-reaching upheavals in the eastern federal states, and in particular the collapse of the economy of the former GDR and the consequences of the international financial crisis, businesses and income in eastern Germany have been growing continuously since 2009.

The federal states and municipalities also benefit from this persistent growth. As with the Federal Government, their tax revenues have been rising continuously since withstanding the financial crisis. What is more, the Federal Government has provided massive tax relief for states and municipalities in recent years, and this too permits greater local scope. According to a recent tax estimate from May 2018, this positive trend is set to continue in the years to come. This generally strengthens the ability of eastern German states and municipalities to introduce their own initiatives aimed at reinforcing their economy.

The fact that standards of living in the eastern German states have again moved closer to those in western Germany since reunification is particularly evident in the infrastructure, the quality of the environment, urban and village landscapes, housing, the environment and healthcare. Life expectancy of citizens is now aligned to a large extent. The gap has also continued to narrow in the social sphere, and legal and social policy adjustments have largely been completed. The rule on pension alignment in the last legislative term addressed an outstanding issue that was extremely important to many people in eastern Germany.

The labour market in eastern Germany has likewise experienced positive development over past years. There was still 17% unemployment in the east in 1999, but in 2017 the average had dropped to just 7.6% – compared to 5.3% in

¹ See Bundestag printed paper. 13/3643.

² Derived as order from Section 72 (2) Basic Law; Art 74 Basic Law, especially (1) and (7); Art. 1 Basic Law; Art. 3 Basic Law, especially (2) and (3); Art. 20 (1) Basic Law; Art. 20a Basic Law.

western Germany. Unemployment in Thuringia, for example, has long been in the middle range for Germany as a whole. Average wages in Germany in 2017 grew by 2.3% compared to the previous year. By contrast, the increase in eastern Germany was 3.9%, and in the case of unskilled workers 7.9%, reflecting the impact of the introduction of the minimum wage. The collectively bargained wages in eastern Germany are now 98% of those in the west. The average level of wages actually paid, which in addition to collectively agreed wages depends crucially on the economic structure and non-collectively bargained wages, has reached 82% of that in the west.

Over the past 28 years, eastern Germany has become an attractive location for business. Ever more companies – especially small and medium-sized enterprises – are able to hold their own in the face of international competition. Today's share of industry in gross value added in the new federal states exceeds the average for the European Union. Eastern Germany – which is characterised by small and medium-sized enterprises (SMEs) – has also already almost reached the Community average in terms of economic strength. This is a remarkable success. Whilst a gap persists between GDP per capita in the east and the most successful regions in the west, some regions in eastern Germany such as Jena and Leipzig have already succeeded in overtaking regions in western Germany in terms of economic strength. Another reason for optimism is that key industries are gradually developing in the eastern federal states.

The Federal Government believes a targeted SME policy offers important starting points for improving innovation potential, internationalisation and the skilled labour situation, thereby boosting competitiveness and economic strength.

Current standards of living in the eastern federal states – as in all other regions in Germany – indicate specific strengths and weaknesses.³ Some cities and the surrounding regions keep growing: this applies, for example, to Berlin, Potsdam, Leipzig, Dresden, Rostock, Magdeburg and Erfurt. A modern research and higher education landscape, culture, leisure facilities, quality of environment and tourism contribute to making these growing urban centres attractive. And there are many reasons for optimism, such as the reduction in unemployment in the east. The key issue now is rather the growing lack of skilled labour.

When talking about the “east”, one cannot speak of a homogeneous situation. The same applies to the “west” of course. Regions develop differently. The objective pursued by the Federal Government is therefore to compensate for the structural disadvantages of individual regions throughout Germany in order to create equal living conditions everywhere.

Eastern Germany can confidently build on its own strengths and experiences. It is years ahead of the west when it comes to tackling tough structural and demographic changes.

Through the often cheaper rents, attractive cities and landscapes, well-developed childcare and good educational facilities, the east already has a number of strong arguments in its favour when competing for investment. What is important for the future, however, is that the fundamental infrastructure such as broadband networks, medical care, the care structure and schools is preserved and improved in structurally weak regions.

2. Persistent structural weaknesses

For all this success, we must be realistic: differences persist between the east and west despite the many positive results – and this is felt by people in the east.

Wage levels and economic strength in eastern Germany are still behind those in western Germany. The fragmented economy in eastern Germany and the lack of company headquarters are key factors behind disparities. For example, not a single eastern German company is listed on the DAX-30, the leading stock exchange index. And almost no major companies have their headquarters in eastern Germany; many eastern German businesses are part of western German or foreign groups, which frequently limits their development potential in the region.

Among other things, this structural difference is also reflected in lower research and innovation activities and in a lower degree of internationalisation. This is compounded by lower productivity and a lack of top salaries.

Over the years, the balance of domestic migration between eastern and western Germany has largely aligned, also in connection with the harmonisation of standards of living. However the dramatic decline in the number of children in the early 1990s and the strong outward migration especially of young well-qualified people at that time, has long term effects. Despite the welcome increase in the birth rate, the population figures and in particular the number of people able to work continue to fall while the population is ageing faster than in western federal states. This influences the harmonisation of economic strength and the standards of living in a number of different ways.

The less favourable age structure compared to western Germany and the low population density in many eastern German areas are already restricting the number of skilled workers available to industry. The situation has deteriorated

3 An OECD study published in 2016 supports this theory. OECD, *Regions at a glance*, Paris 2016.

further in around two-thirds of all professions in the last five years, and this applies to eastern Germany in particular. The ratios between age groups in coming years will, moreover, show a greater shift in eastern Germany than in the west. The ratio of people of working age will reduce significantly while the ratio of people aged 65 or over will increase considerably.

Citizens in Germany have the right to equal standards of living and a good, secure life throughout our country. The Federal Government will therefore continue to work on reducing existing structural weaknesses by means of appropriate frameworks and measures.

3. Designing the future in the east: breaking down structural weaknesses, promoting SMEs, strengthening municipalities

In its efforts to break down structural weaknesses, the Federal Government is concentrating on instruments that can promote faster harmonisation between the economic strength in eastern Germany and the level in western Germany. At its heart this involves systematically promoting SMEs, strengthening research and innovation potential and securing skilled workers.

In view of the lack of large companies, eastern German SMEs are not only the backbone of the economy, but also offer hope for the ongoing harmonisation process. With its targeted SME policy, the Federal Government is helping to bolster economic strength in the new federal states and other structurally weak regions in Germany in the medium and long term.

To do this, the Federal Government is deploying diverse economic support measures. The eastern German companies also benefit from the measures that have been implemented throughout Germany which, in addition to business start-ups, can be divided into the areas of promoting investment, innovation and internationalisation.

The funding programmes are primarily aimed at SMEs. This type of support is particularly suitable for companies in eastern Germany due to its fragmented economic structure. There are also some programmes with special terms and conditions for projects in eastern Germany or in less economically developed regions. The latter programmes are particularly important due to the structural weaknesses in eastern Germany.

Technological progress and innovations are a major global driving force for economic growth and structural change – both at a macroeconomic and regional level. As in all times, the success of national economies, regions and companies depends on their innovative force and this, of course, similarly applies to eastern Germany.

25 years after reunification, there are still substantial differences between western and eastern Germany in the area of research, development and innovation. In particular this affects money spent by the private sector on research and development. Whilst the share of money spent by the private sector on research and development is approx. 1.95% of GDP for the whole of Germany, only 0.96% of GDP is achieved by the new federal states due to their fragmented economic structure. The financial focus of the Federal Government's support measures for eastern Germany budgeted in Basket II of Solidarity Pact II is therefore on the "Innovation, education, research and development" policy field.

Among other things, this has enabled many regions in eastern Germany today to enjoy a comparatively well-developed public university and research sector. Apart from federal funding, whether this can be maintained and further developed in future will be contingent on the financial strength of eastern federal states. The Federal Government supports regional development in Germany partly by harmonising the financial resources of the federal states, thus enabling them to fulfil their public tasks. The federal fiscal harmonisation continues to provide the basis for attaining an equivalent standard of living across the country.

The economic catch-up process for eastern federal states rests, as does Germany's prosperity as a whole, on qualified skilled workers. In view of the demographic development, the Federal Government is deploying a wide range of measures to support skilled workers. These go from helping to create a better work/life balance and reinforcing initial and further training, through to measures aimed at reducing long-term unemployment and closing the skills gap by recruiting skilled workers from other countries.

Regional structural policy is important. In future the Federal Government will continue to promote structurally weak regions by investing in physical capital, infrastructure, education, innovation and important public services. In doing so it helps federal states meet their responsibilities.

The objective of the Federal Government's regional economic support continues to be enabling the regions to maintain and develop their economic strength on their own – also following the expiry of Solidarity Pact II. For this reason, the emphasis is on promoting regional forces for growth, not least with the aim of reducing or completely avoiding long-term dependencies on transfers. Regional structural policy furthermore enables structurally weak regions to actively participate in the competition to attract investment. Structurally weak regions rely especially on being competitive when establishing and maintaining sustainable, viable industrial and corporate structures.

The Joint Task of Improving the Regional Economic Structure (GRW) has long been an important and proven instrument. It offsets and helps reduce the disadvantages of structurally weak regions. Around 80% of the funds available under the Joint Task flow into eastern German regions.

By establishing the Federal Highways Office in Leipzig, the Federal Government has sent an important indication of its intent to continue strengthening the east in future. The new federal states have a great deal of catching up to do in this regard. The stipulation in 1992 to locate authorities primarily in the east until an approximately equal distribution has been achieved still applies unchanged. The Federal Government Commissioner for the New Federal States will furthermore call for efforts to locate other federal authorities there to continue in future. In this way the Federal Government can inject important growth stimulus into regions in eastern Germany and boost the significance of federal administration in the eastern German regions and locations.

The deployment of two commissions with special significance for the regions in eastern Germany was agreed to in the Coalition Agreement. In the Equivalent Standards of Living Commission, the Federal Government, together with states and municipal umbrella organisations, will work together on concrete proposals, dealing in particular with all aspects of public services and targeted structural reinforcement in the states and municipalities.⁴ Self-help measures for municipalities, for example concerning old debts and short-term lending as well as the problem of the existing debts owed by municipal housing developers, will be incorporated in the review. The task of the Growth, Structural Change and Employment Commission is, by the end of 2018, to approve a plan for the gradual reduction and ending of coal-fired power stations – with completion date and the necessary concomitant legal, economic, social, restoration and structure policy measures for the regions affected by the phasing out of fossil fuels, and in particular, to support the energy regions in eastern Germany with the ensuing structural change.⁵

4. Future of funding for structurally weak regions

The question of what regional funding for the new states should look like in future will arise at the latest when Solidarity Pact II comes to an end. In 2020, economic strength – measured as gross domestic product per capita – in the new federal states will still be much weaker than in the old federal states. The Federal Government agrees that government support will still be needed where serious struc-

tural weaknesses persist. The same applies to structurally weak regions in western Germany which likewise require effective measures to create “equivalent” standards of living.

It must be borne in mind here that globalisation and digitalisation are creating new, profound challenges for the regions. Future regional funding must therefore be flexible, combine all forces and be open to new ideas. In addition, it must go even further than it has done up to now, not only including business development, but also innovation promotion, a skilled workforce and some public services. The aim is to improve the policy environment for investment, e.g. by further promoting urban neighbourhoods as part of urban development support. The decisive factor is what approach really helps the structurally weak regions in order to foster the convergence process and strengthen social cohesion throughout Germany.

However, the support available in Germany now is more limited than it was in the past. The permitted rates of assistance have fallen and the promotion of large enterprises, i.e. enterprises with more than 250 employees, is only possible in very rare cases. In addition to the expiry of the Solidarity Pact II, compliance with the debt limit also constrains the financial leeway of the federal states. According to initial plans on the multi-annual financial framework for the period 2021 to 2027, funding from the European structural and growth funds which help the federal states fund numerous economic and innovation support programmes could also decrease.

With the departure of the United Kingdom, the gross domestic product per capita in the EU will fall. The EU will become statistically “poorer” on average, while Germany will become statistically “more prosperous”. This could be a contributing factor to German regions benefiting to a lesser extent than before from European structural funds in the future. Germany’s positive development compared to other EU countries further reinforces this effect. Maximum aid rates could also fall further, depending on classification in European assisted area categories.

In view of this situation, the Federal Government agreed in the Coalition Agreement to introduce a national system for structurally weak regions at the end of 2019. Back in 2015, the Federal Government presented the first principles for the further development of regional policy for the whole of Germany. The implementation of some measures, such as the national Innovation & Structural Change programme which started in 2017 with WIR! – Change through innovation in the region, or the expansion of INNOKOM to all structurally weak regions, was documented in the 2017

⁴ Established by decision of the Cabinet on 18th July 2018.

⁵ Established by decision of the Cabinet on 6th June 2018.

progress report on the further development of the funding system.⁶ With these principles, all the ministries involved undertook to review their efforts towards achieving equivalent standards of living in Germany. This included an integrated system of supplementary federal measures aimed at establishing equivalent living conditions in all structurally weak regions in the east and west, in accordance with uniform criteria. This kind of integrated approach will ensure that the Federal Government's support for structurally weak regions is highly effective.

The principles of the Federal Government form the basis for ongoing discussions on designing a national funding system. In future, all structurally weak regions are to participate in the integrated regional funding system in line with similar principles. Tried-and-tested funding programmes for the new federal states are being reviewed as to the extent to which they can contribute to a national funding system and gradually also be offered in structurally weak areas of western Germany.

The question of how to deal with structurally weak regions arises for Germany as a whole. The special feature of eastern Germany, however, is that, with a few exceptions, structural weakness affects the entire area. The ultimate objective is for people throughout the country to have a good living environment so that they can develop their lives, participate in society, work and live a healthy life.

Satisfaction with life depends on more than can be reflected by purely economic factors, however. Needs-based medical care, good education, a sufficient number and quality of childcare places, appropriate support, assistance and services for the elderly or care and cultural institutions in the immediate area, for example, increase local satisfaction with life. It is also important to citizens that living continues to be affordable, that public transport is still reliable and that access to digital networks is guaranteed as quickly as possible. Securing the provision of public services and public order is therefore a top priority for the Federal Government. Achieving equivalent standards of living is a joint task for the Federal Government, federal states and municipalities. Debates about alleged efficiency-oriented territorial reforms have shown that there is a need for a continued state presence at the local level, and that this provides a basis for the satisfaction of life enjoyed by citizens.

5. After the transformation – self-confidence, promoting dialogue

Looking back now on 30 years of solidarity between citizens in Germany, with the path to domestic unity in our country paved with successes as well as setbacks, we can feel proud and grateful: proud of the strength of people in the east especially when dealing with such fundamental change; grateful for the courage and tenacity with which they entered into this venture. We are also proud and grateful for the solidarity and support of people from the former territory of the Federal Republic.

Despite the impressive success achieved along this path, the status of German unity does not satisfy all citizens to the same extent. The wounds caused by the SED dictatorship, but also by the economic and social upheaval in the former GDR, continue to smart, particularly in eastern Germany.

This makes it important to draw conclusions from this special past. This includes recognising the lifetimes of work and respecting the disruptions to the biographies of very many people in eastern Germany, as well as consolidating the processing of the SED dictatorship. The principle of no future without remembrance – which forms part of the fundamental democratic consensus in Germany – encompasses critically appraising the SED dictatorship and recalling the key moments in our democratic history. The Peaceful Revolution in the GDR is a particularly bright memory. Examining the achievements and misjudgements during the subsequent, historically unique transformation process is of great importance to the self-image of citizens in eastern Germany. The historic research conducted by the trust agency after 1990 is exemplary here.

What is clear is that many in the new federal states, in a similar way to other transformation regions in the former Soviet Union, have a different view of democracy and market economies to that of their compatriots in the west. From the perspective of some citizens in the eastern federal states, these two cornerstones of society in the Federal Republic of Germany have frequently not been a success story for them. This shapes their personal view of the Federal Republic of Germany.

The Federal Government Commissioner for the New Federal States sees himself firstly as an advocate for eastern German interests. He is also the voice of those whose interests are not sufficiently taken into consideration. This does not mean constantly complaining about or denouncing the conditions in eastern German states. It is much more important and

⁶ See Progress report of the Federal Government on the further development of a national funding system for structurally weak regions from 2020 dated 13th September 2017.

also effective to empower the people who tackled the reconstruction in the east, as well as those who will continue doing so in the future. Citizens in the eastern federal states can be confident and proud of everything they have achieved thanks also to social solidarity. They should face up to new challenges knowing that “We can do change”. They have sufficiently proven this, and in times of constant change this skill is essential when dealing with individual and societal challenges.

The Federal Government Commissioner for the New Federal States can find the competence and partners needed to strengthen the economy in the east in the Federal Ministry for Economic Affairs and Energy. Successful SMEs will not develop into large companies without an ambitious SME sector and an excellent climate for innovation.

Ludwig Erhard once said that “fifty percent of economics is psychology”. This applies all the more to the internal cohesion of a society. People need to be encouraged and empowered. The wealth of experience obtained, especially by east Germans while dealing with a dictatorship, the Peaceful Revolution, social upheaval, a new beginning and self-determination will also be beneficial along the further path to achieving equivalent standards of living following the expiry of the solidarity pact.

A good and secure life for citizens throughout Germany remains a joint task of the Federal Government and the federal states. It will remain a matter of central importance to the completion of German unity for the foreseeable future. Much in the new federal states depends on those who keep society dynamic and solidly united there, and we want to intensify dialogue with these people.

Part B:

Report

I. Improving economic strength, completing social unity

1. Economic development in eastern Germany

The positive development of the economy in eastern Germany continued in 2017. Gross domestic product (GDP) increased in real terms by 1.9% and the rate of unemployment fell in December 2017 to 7.1% compared to 8.7%⁷ the year before. Eastern German states have also become more competitive internationally as demonstrated by export sales in the manufacturing sector. The share of sales generated abroad increased in 2017 to 39.7% compared to 37.8% the previous year.

Eastern Germany was therefore in line with the positive trend in Germany as a whole, because western German states were also able to further improve their competitive position in 2017. Here the share of export sales as a share of total sales rose to 51.5% compared to 51.0% the previous year.

Simultaneously these figures highlight the continued structural differences between the eastern German and western German economy, which is also shown by the somewhat lower growth momentum.

The 1.9% growth in GDP in real terms in eastern Germany in 2017 was slightly weaker than in western Germany (+ 2.3%)⁸. Growth in the eastern states has only slightly outstripped that in the west in the last ten years (since 2007). An important reason for this is the demographic development that stifles growth in the eastern German non-city states (unlike Berlin).

In 2017, the economic strength (GDP per capita) reached 73.2% of the level in western Germany, thereby largely remaining at the level for the preceding year. The differences have reduced by 4.2 percentage points over the last ten years.

Figure 1: Per capita gross domestic product: Figure for eastern Germany as a percentage of the figure for western Germany

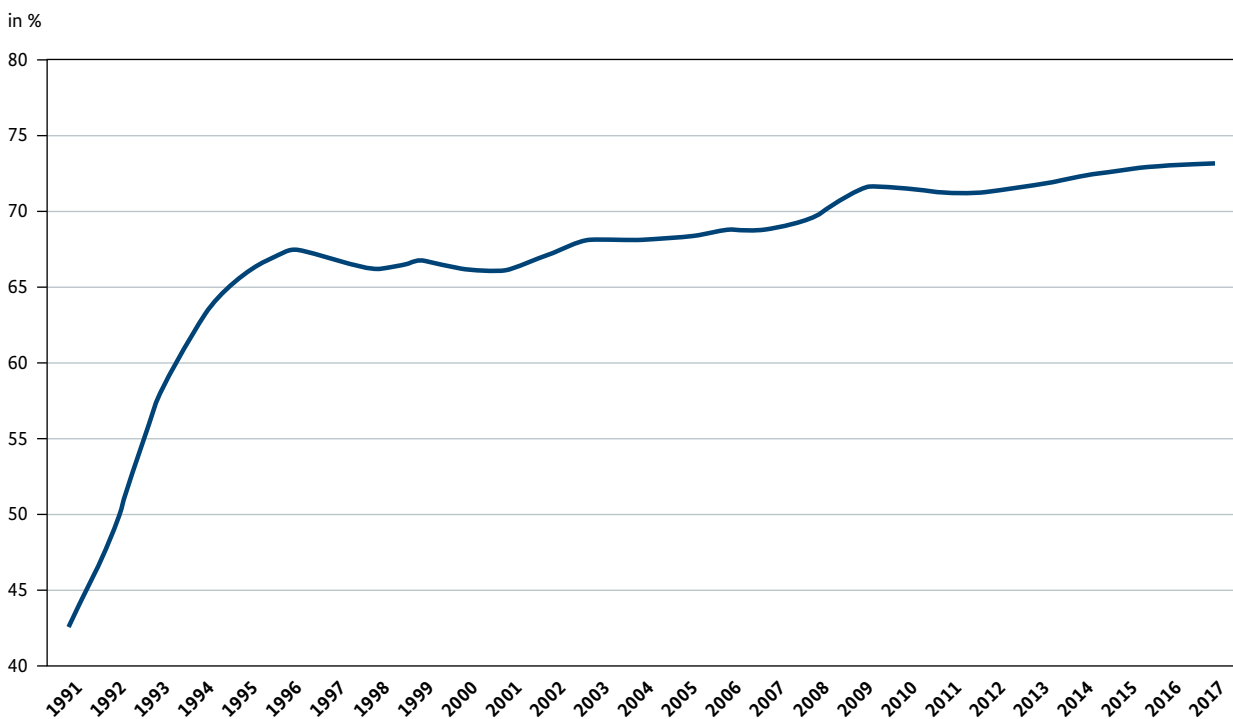


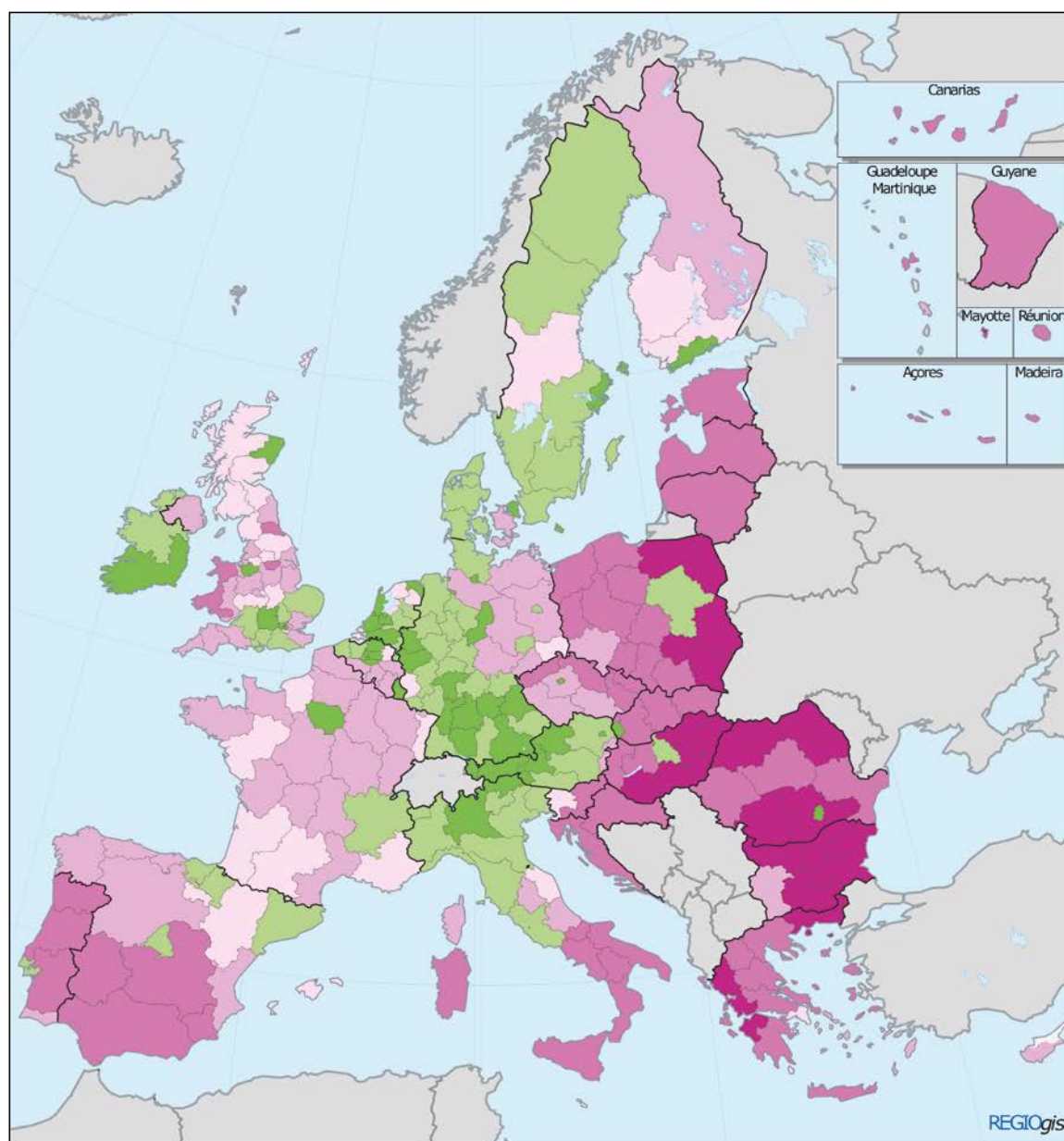
Figure for 2016: see footnote 7

Source: DIW 2017

⁷ Statistics portal of the Federal Employment Agency.

⁸ National accounts of the federal states; figures as of 2/2018.

Figure 2: Income per capita in European regions



Karte 1.1 Pro-Kopf-BIP (KKS), 2015

Index, EU-28 = 100

- < 50
- 50 – 75
- 75 – 90
- 90 – 100
- 100 – 125
- ≥ 125

The 2015 figures for the two Irish regions are estimates based on figures for 2014 and adjusted in line with changes in national figures (Source: Eurostat, GD REGIO).

0 500 km

© EuroGeographics Association for administrative boundaries

Source: European Commission, 7th Cohesion Report, 2017

There is therefore a clear trend: the gap between east and west continues to decline, but the economic strength in eastern Germany is only very slowly approaching that of western Germany.

When compared to European regions, this catch-up process means that eastern German states now have an economic strength that is comparable to many French or British regions. For example the GDP per capita (weighted according to purchasing power) in the Dresden administrative district reached the level of the Greater Manchester region in England and the state of Thuringia, the level of the Region Centre in France.

The foundation for this catch-up process is a strong, highly competitive SME sector with pioneering technologies. These companies form the basis of a dynamic eastern German economy that has created many new jobs in recent years. What is remarkable here is the role of companies with an above-average rate of growth.

The fastest growing 3,000 SMEs that have grown by at least 10% per year over the past six years have created around half of all new jobs in the private sector of the economy⁹. These companies have made a significant contribution to the remarkable harmonisation process in recent years. A key objective for the Federal Government therefore continues to be bolstering the growth opportunities of SMEs, thereby reinforcing the economic strength of the new federal states and other structurally weak regions.

Equally, there continue to be a number of structural factors in particular, which explain the gap in economic strength between eastern and western federal states. One of these is settlement density. The more rural character of the eastern federal states makes it harder to achieve full harmonisation of economic strength.¹⁰

Another important reason is the fragmented nature of the economy in eastern Germany, in other words the lack of large companies and of large SMEs. These are the very enterprises that are often particularly active with respect to investments, conduct the majority of private research and development and make a major contribution to innovation and to international division of labour.

Whilst large numbers of international companies have established a presence with factories in eastern Germany, not a single one has its headquarters there. Experience shows that the parts of companies with the highest value added are predominantly concentrated in the vicinity of the corporate headquarters. By comparison, the business premises located in eastern Germany that belong to large

companies frequently have no room for manoeuvre, and are unable to expand by virtue of their own innovations and by developing new markets.

The eastern German industry is also much more geared to primary products with a lower value added than industry in western Germany. The industrial density is moreover much lower than in western Germany. Gross value added per capita in the manufacturing sector is half that in the west.

This is nevertheless a remarkable success, and not merely when measured against the starting position in 1991. The share of industrial production per capita then was just 17% of the level in the west, compared to 52% in 2016. The industrial value added achieved is also considerable when compared at the European level, now exceeding that of other major western European countries that concentrate more on the service sector.

Structural funding has played an important part in the progress achieved in harmonising economic strength and developing a corporate situation that is competitive once again.

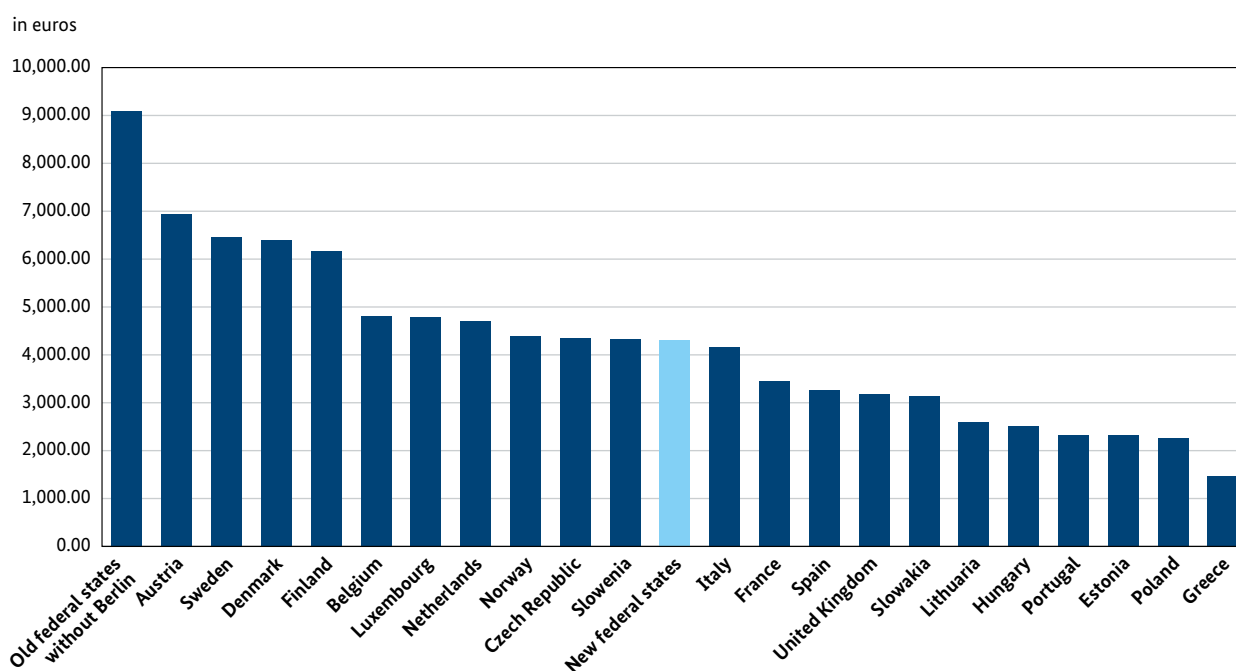
With the Solidarity Pact II, the Federal Government undertook to provide a total of some €156 billion for eastern Germany over the period 2005 to 2019. €105 billion of this is received as special supplementary federal allocations to cover burdens caused by a divided Germany (Basket I) from the large infrastructure backlog and to compensate for the disproportionately low financial strength in the eastern federal states. A further €51 billion (target) will be deployed in the form of disproportionate funding from the federal budget (Basket II) for the reconstruction of eastern Germany in the economic, innovation/R&D/education, transport, housebuilding and urban development, EU structural funds, eliminating inherited pollution/site restoration and sport policy areas.

This established the parameters that enabled eastern federal states to overcome the infrastructure backlog caused by the division, to improve the quality of life and to promote economic development.

In addition to the structural problems described above, demographic change over coming years represents a growing challenge for the eastern federal states. The lack of skilled labour, decline in private demand and a reduction in start-up and innovation potential are effects that can be associated with an ageing and declining population. Whilst other regions in Germany are also affected by this trend, this development is likely to occur earlier and be stronger and more extensive in the east than in the west.

9 Study "Unternehmerische Wachstumsstrategien in den ostdeutschen Bundesländern", Ramboll, ifo-Dresden, Creditreform, 2017.

10 See for example: IWH, Wirtschaftlicher Stand und Perspektiven für Ostdeutschland, 2010.

Figure 3: Per capita gross value added in the manufacturing sector in 2017

Source: Eurostat, national accounts for states (data for the UK are based on 2015)

There are structurally weak regions in western Germany too, that in the same way as eastern Germany, have problems keeping up with the economic development of the prospering regions, and particularly those in the south of the country. The causes and reasons for the structural weakness varies from region to region. The areas seen as structurally weak in western Germany frequently involve old industrial regions with high structural unemployment. What all regions have in common is that the structural weakness can have a huge impact on standards of living. The chances of getting a good job, having an attractive living environment or finding strong partners to start a company, for example, depend not only on the abilities of individuals, but also on the development status of the region they live in.

The national fiscal equalisation as from 2020 was restructured last year to provide clarity for the Federal Government and federal states regarding federal revenue distribution. As from 2020, the financial burden on federal states will be reduced by around €10 billion annually. Financially weak federal states will continue to benefit disproportionately from assistance provided by the Federal Government, not least through the introduction of new allocations, for example to supplement federal grants to improve the municipal tax strength and to compensate for the underfunding of research based on a federal state average.

This will make it substantially easier for eastern Germany to continue the harmonisation process following the expiry of Solidarity Pact II.

Additional funding of structurally weak regions is required post 2019 on top of federal fiscal equalisation in order to achieve equal standards of living throughout Germany, thereby boosting social cohesion. The penultimate Federal Government therefore developed the cornerstones for a national funding system for structurally weak regions as from 2020 and implemented initial measures under BMWi INNO-KOM funding programmes, the Federal Government and federal state Joint Task Improving Regional Economic Structure and the BMBF Innovation & Structural Change framework programme with the WIR! Change through innovation in the region initiative.

Under the Coalition Agreement, there are to be concrete proposals for a new national funding system for structurally weak regions. These will take into consideration the Coalition Agreement specifications regarding further funding measures.

The Joint Task is designed to help eradicate structural disparities within federal states and is to remain the central regional policy instrument for countering economic structural problems in rural and urban areas.

Future structural funding should be opened up for broader use. Funding programmes from different areas should, in future, make an even greater contribution to structural harmonisation. The existing federal programmes will be examined accordingly to see whether and how they might contribute to promoting structurally weak regions. The specialist policy objectives of the programmes are, however, to be preserved.

The new system will meet the needs of all federal states while simultaneously taking into account any subsidy disparities with countries bordering Germany. A tiered system is needed to achieve these objectives, whereby the rates or volume of funding vary according to the structural weakness. This will ensure that the system also addresses widespread structural weaknesses, especially in the new federal states.

Under the Coalition Agreement, regional funding for regional projects should be pooled locally over several years. This may involve classic projects from the regional funding area. In addition to familiar instruments, greater emphasis must be placed on issues such as boosting productivity, digitalisation, securing skilled labour, the provision of broadband and in particular, greater promotion of business activities.

The Federal Government appointed the Growth, Structural Change and Employment Commission with a view to structural change in the lignite mining regions. By the end of 2018, it is to propose an action programme to reduce and end coal-fired generation together with accompanying structural measures based on the 2020 action programme for climate protection and the 2050 climate protection plan. According to the Coalition Agreement, additional and prioritised spending in the amount of €1.5 billion has been earmarked for Regional structural policy/structural change in the coal industry for the period 2018 to 2021.

As well as national funding, European Structural and Investment Funds (ESI Funds) and state aid will also play an important role in the new funding system. These regulations expire at the end of the current financial period in 2020, and then need to be redesigned for the subsequent period. With respect to the European Structural and Investment Funds, which include the European Regional Development Fund, the European Social Fund and the European Agricultural Fund for Rural Development, in May 2018 the European Commission submitted its proposals for the new multi-annual financial framework of the EU and for the Structural Funds Regulations for the 2021–2027 funding period. These will be negotiated in the Council and the European Parliament over several months and constitute the legal framework for the deployment of the ESI funds.

In line with the Coalition Agreement, in these negotiations the Federal Government will advocate a strong EU cohesion policy that continues to take appropriate consideration of all regions while also providing better support for the structural reforms required in the member states. The Federal Government will closely follow the process to establish the new regional guidelines at the European level to ensure the

future regulation offers good support to the pan-German system for promoting structurally weak regions.

Until the new system comes into effect, structurally weak regions have recourse to tried-and-tested instruments to support investment, start-ups and greater internationalisation.

The current support instruments, which are continuously being modified and developed, are set out below.

2. Promoting investment, start-ups, innovation and internationalisation

2.1. Promoting investment

Promoting investment is a central instrument used by the Federal Government to support economically less developed regions. Through various support programmes, companies are to be given easier access to finance. These programmes range from low-interest loans (borrowed capital) to the acquisition of shares in companies (equity). Table 1 provides an overview of the programmes¹¹ designed primarily to promote investment.

In Germany, external financing is traditionally carried out via commercial banks. The Federal Government offers support in those areas where financing is in short supply. This support often takes the form of public loans which the Kreditanstalt für Wiederaufbau (KfW) manages on behalf of the Federal Government. These loans are subject to the commercial bank principle, i.e. the applications for public support can only be submitted to a bank which then provides the actual loan. Depending on the programme in question, the support provided comes in the form of a combination of low or fixed interest rates, longer terms and, in some cases, exemption from liability for the commercial bank. In addition to all-German programmes, there is also the ERP regional development programme¹² that is specifically available to companies in structurally weak regions. In 2017, around 995 projects with a volume of some €319 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 large-scale guarantee programme has been set up specifically for the new federal states for guarantee amounts of €10 million and more, to provide collateral for larger invest-

11 A very good search tool for all support programmes available for companies in Germany can be found on the homepage of the funding database of www.foerderdatenbank.de, and on the business portal of the Economic Affairs Ministry www.bmwi-unternehmensportal.de.

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

Table 1: Support programmes geared to promote investment

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

Source: In-house

ment projects. The Federal Government and the new federal state bear the guarantee risk in cases like these at a ratio of 60:40. Since 1991, i.e. when the Federal Government/federal state guarantee programme was introduced, around 150 guarantees for projects related to the reconstruction of eastern Germany have been issued with a commitment totalling around €8.5 billion and a financing volume of around €11 billion. This volume of guarantees has been used to (co)finance an investment volume totalling €16 to €17 billion. In the course of designing a nationwide support system it is necessary to examine whether and how parallel large-scale guarantees from federal states and the Federal Government or modified default-based pro rata Federal Government return obligations in favour of federal states can act as a funding instrument to help strengthen business investment and structurally weak regions from 2020.

Financing in the form of equity is also becoming increasingly important in eastern Germany. This financing is provided, on the one hand, by private equity investors, such as investment companies, venture capital funds or business angels and family offices. On the other hand, financing is also available through public support instruments, such as the High-Tech Start-up Fund and the Coparion Fund.¹³ The investments of the SME investment companies, which are present throughout Germany and whose investments are backed by Federal Government and federal state guarantees, are also helping to strengthen the equity position of companies.

Non-repayable grants are also provided by the Federal Government and the federal states under the Joint Task for Improving the Regional Economic Structure (GRW). Article 91a Basic Law¹⁴ states that this Joint Task is the central regional policy instrument in Germany with which the disadvantages in economically less developed regions are to be offset and eliminated. Structural weakness is assessed here on the basis of a nationwide regional indicator model which, in accordance with European regulations, determines which region in Germany belongs to the assisted

areas and the amount of support funds for which the respective federal state qualifies. The Federal Government and the federal states share the costs equally. For 2018 alone, this means a volume of more than €1.2 billion (including €24 million from the Federal Government's investment package which runs until 2018). Due to their structural weakness, around 80% of the Joint Task funds are still earmarked for regions in eastern Germany. 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 by German funds. Germany's regions will receive a total of €28.8 billion from the European Structural and Investment Funds (ESI Funds)¹⁵ in the 2014–2020 funding period. Of this amount, approximately €13.4 billion is for the regions of eastern Germany.¹⁶ The lion's share is allocated to the federal state programmes where it will be used, among other things, to supplement the Joint Task funds. The principal investment objectives of the European Regional Development Fund lie in the areas of research and innovation (35.5%), competitiveness of SMEs (21.8%) and the low carbon economy (22.5%). Practical research and innovation infrastructure in regional cutting edge, growth areas are expanded, co-operation with regional actors are reinforced through improved networking, and technology-based start-ups and technology transfer are promoted. Regional innovation strategies for intelligent specialisation in particular strengthen the competitiveness of the location and provide a lever for internationalisation. This primarily examines cross-cutting sectors and cross-innovation, such as the healthcare sector with its elements of medical technology, pharmaceuticals and biotechnology, and focuses on regional innovation strategies in the digital economy, production economy, materials and the food industry. The region specialises in certain clusters such as energy, transport,

13 See also Chapter 2.3.

14 Art. 91a. GG (Basic Law) states that the Federation can help the federal states to fulfil their responsibilities if these tasks are of significance for the whole country and the involvement of the Federation is necessary in order to improve standards of living.

15 European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD).

16 ERDF/ESF approx. €9 billion; EAFRD approx. €4.4 billion.

mobility and logistics, as well as information and communication technology.

2.2. Business start-ups

New companies are an important condition for economic development and convergence. Innovative start-ups in particular offer considerable growth potential, which is why business start-ups are so essential for eastern Germany. Growth usually requires venture capital, however, and this has been increased significantly over the past legislative period, which especially helps eastern German start-ups.

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 2 below).

Since founders often have little or no experience in company management, funding to promote the use of consultancy services or to teach entrepreneurial know-how is an important part of support for start-ups. Longer repayment periods are also attractive for people starting out in business. In light of ongoing demographic change, securing a company's successor is another important aspect, particularly in eastern Germany.

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

The take-up of the Federal Government's basic programmes for start-ups, which are financed by the ERP Special Fund¹⁷ is as follows in eastern Germany: in 2017, companies in eastern Germany received €43 million, and hence approximately 18% of the commitment volume under the ERP's Start-Up Money programme, €459 million (around 13%) under the ERP Universal start-up loan programme, and €26 million (around 23%) under the ERP Capital for Start-ups programme. This means that in 2017 support was given to a total of 3006 start-ups, takeovers or recently established companies in eastern Germany.

The MicroLoan Fund – initially financed by the ESF and since 2015 operated as a national programme – is available to SMEs. In 2017, 330 microenterprises in the new federal states (including Berlin) received loans with a total volume of more than €3 million. This corresponds to around 27% of all of the microentrepreneurs supported.

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

In 2017, innovation support from the ERP Special Fund was expanded to include the ERP Digitalisation and Innovation Loan, where 47 individual loans with a volume of some €135 million went to the new federal states.

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

Financing	Knowledge and practical assistance	Other support
Borrowed capital: <ul style="list-style-type: none"> ERP start-up loan (Start-up Money/Universal) ERP capital for start-ups Micro-loans for Germany Equity/investment capital/innovation: <ul style="list-style-type: none"> Coparion funds ERP/EIF Fund of Funds Micro-Mezzanine Fund European Angels Fund (EAF) HighTech Start-up Fund INVEST – grant for venture capital ERP digitalisation and innovation loan Other: <ul style="list-style-type: none"> Guarantee banks Start-up grant according to Social Code III 	<ul style="list-style-type: none"> EXIST Support from chambers and trade associations for consultancy services for skilled crafts companies Promotion of entrepreneurial know-how German Accelerator Programme 	Strengthening entrepreneurial spirit: <ul style="list-style-type: none"> The Digital Innovations competition for business start-ups Entrepreneurial Spirit in Schools initiative German start-up week Handing businesses on to the next generation: <ul style="list-style-type: none"> Nexxt initiative for company hand-overs with matchmaking service Other: <ul style="list-style-type: none"> Programmes for start-up support from major research organisations

Source: In-house

¹⁷ The ERP Special Fund is financed by funds from the Marshall Plan (European Recovery Program).

The ERP Digitalisation and Innovation Loan covers the funding requirements for projects, and includes both investment and business resources. An innovative project is one that involves the development of new or improved products, processes or services. Examples are linking ERP and production systems for the production of tomorrow (Industry 4.0), developing and implementing an IT or data security concept or developing digital platforms, apps and digital sales channels. Applications may be made by SMEs and freelancers whose companies qualify as “digital” or “innovative” and have been on the market for at least two years.

A total of 108 innovative companies from the new federal states received funding in 2016 alone from the INVEST programme, equating to just over 19% of all INVEST grants approved that year. This subsidy programme was, moreover, extended at the beginning of 2017 (INVEST 2.0), providing yet more funding and an exit subsidy as compensation for capital gains tax.

In 2017 the High-Tech Start-up Fund (HTGF), a seed stage investor, provided first-time financing in 6 cases with a volume of around €3.65 million in the eastern federal states. This corresponds to a commitment volume of around 19% of HTGF's overall 34 first-time financing commitments in 2017.

Of the 2450 investments disbursed between the launch of the Micro-Mezzanine Fund in autumn 2013 until the end of 2017, which amounted to approx. €100.5 million, 959 investments worth approx. €38.4 million (38% of the total) went to the new federal states.

2.3. Promoting innovation and research

Boosting innovation potential is a key requirement for the process of economic harmonisation between eastern and western Germany. The financial focus in recent years of the Federal Government's budgeted support measures for eastern Germany in Basket II of Solidarity Pact II has therefore been directed at the Innovation, Education, Research and Development policy field.

The High-Tech Strategy (HTS) has been pooling the Federal Government's research and innovation policy activities since 2006, and it is further developed during every election period. The HTS plays a major part in improving Germany's global competitive position and creating an environment that encourages implementing ideas into marketable products and services. It addresses all actors involved in innovation processes in science, business and society, and establishes common objectives. In doing so the HTS concentrates on future social needs and global challenges.

2.3.1. Entrepreneurial Regions program

The Entrepreneurial Regions innovation initiative has invested nearly €2 billion in regional innovation initiatives in eastern Germany. Entrepreneurial Regions aims to provide specific support to entrepreneurial alliances from the areas of business, science and education, especially in regions with higher education institutions and research establishments.

The range of support instruments pooled within this initiative currently comprises five separate measures to establish and expand specific technological, scientific and business expertise in eastern Germany, and is geared to various points in the innovation process.

The Innovative Regional Growth Cores programme and the Growth Core Potential module have supported regional entrepreneurial alliances with shared technology or problem-solving platforms. Since 2001, 55 growth cores and 43 growth core potential associations from the most diverse fields of innovation have already received support to the tune of €450 million. The WIGRATEC growth core in the region around Weißandt-Görlau in Saxony-Anhalt, for example, has been advancing fluidised bed technology. The growth core now plays a vital role in the development of the site, which now has 100,000 square metres of production space for fluidised bed granulates, such as those used in washing powder.

The Centres for Innovation Competence (ZIK) programme aims to establish internationally powerful research centres that will set new benchmarks through excellent research, entrepreneurial strategy and innovative methods for fostering young talent. €366 million of support funds will have been made available by 2022. The 14 ZIKs and 6 associated ZIKs have developed into nationally and frequently also internationally visible beacons that characterise the image of their locations. The FunGene ZIK at the University of Greifswald has brought about the foundation of an interdisciplinary centre for genome research and the creation of the north German centre for microbial genomics in cooperation with three sites in western Germany. A new 3,400 square metre centre for the Functional Genomics of Microbes (C FunGene) has been built.

The InnoProfile Transfer programme strengthens technology transfer by connecting young researchers and regional companies. Together with the preceding InnoProfile programme, by 2019 €296 million of support will have been provided for initially 42 junior research groups, followed by 23 market-oriented collaborative projects, seven junior research groups and 21 research groups headed by company-financed endowed chairs. One of the initiatives supported is 4DnD GeoVis at the Hasso Plattner Institute (HPI) in Potsdam. Here the junior researchers created precise spatio-temporal images of reality based on 4D point clouds. These

visual maps help make enormous quantities of data, such as that needed for terrain modelling or for geodata management, manageable.

The Twenty20 Partnership for Innovation programme launched in 2012 supports new, cross-border innovation structures that push the boundaries of technologies, disciplines, sectors, markets and organisational cultures. The competence developed in the new federal states will be expanded and strengthened through interdisciplinary cooperation beyond the borders of eastern Germany. In 2017, two-thirds of supported research alliances were already made up of eastern and western partners. Up to €45 million will be available to each of the ten selected consortia until the end of 2021, enabling them to implement their strategies and research projects. Since 2012, over 1,100 projects and almost 800 research partners have received funding, half of which are SMEs. The novel support approach and commitment of such a wide range of partners is having an effect: the C³-Carbon Concrete Composite consortium, for example, created Germany's largest construction research project. Three C³ representatives were awarded the Federal President's Future Prize in 2016 for developing the innovative carbon concrete building material. The Twenty20 consortium furthermore "almost" makes real-time capable sensor systems, thereby managing reaction times of only a few milliseconds. The extent to which the communication standard of the next generation is able to facilitate smart energy systems will be examined until 2023 in the Dresden 5G Model Region.

Since 2016, the Entrepreneurial Regions programme has become expanded into the Germany-wide Innovation and Structural Change support concept with a number of coordinated programmes. Innovation and Structural Change is intended to help generate greater capacity for innovation in regions facing special challenges associated with structural change. In the course of this, the efficacy of different funding instruments has been examined since 2016 in the course of 16 R&D joint projects with funding totalling more than €46 million.

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

In a €150 million pilot phase, WIR! initially selected 32 eastern German initiatives only to support the concept phase.

When the Solidarity Pact II expires at the end of 2019 at the latest, however, WIR! and the other Innovation and Structural Change funding measures will be targeted equally at applicants from all of Germany's structurally weak areas.

2.3.2. Think Small First ten-point programme

The Think Small First ten-point programme was set up at the beginning of 2016. In four fields of action, it aims to encourage greater involvement of SMEs in the Federal Government's thematic programmes, to promote networking with strong partners like companies, higher education institutions and research establishments, to ensure that the need for skilled workers is met, to improve the policy environment and to simplify funding procedures. One element of this programme is to further develop the successful SME Innovative model, which addresses eastern Germany's particular industrial strengths in nine technology fields, such as electronics systems and photonics. Since it was launched in 2007, more than 1,500 individual and collaborative projects have been supported with funds totalling more than €1 billion and involving more than 28,500 small and medium-sized enterprises throughout Germany. One in three had their headquarters in eastern Germany. Around 30% of these funds went to the research community in the eastern federal states.

The SME-NetC funding measure, which was launched in August 2016, supports small and medium-sized enterprises under the ten-point programme as they develop new products, processes, services and business models in networks and clusters with a strong emphasis on research. The close interaction with other companies, higher education institutions and non-university research establishments pools experience and expertise, thus promoting innovation in small and medium-sized businesses. Of the approximately 30 collaborative projects starting in 2017 and early 2018, 13 are mainly located in eastern Germany, e.g. in the fields of biotechnology, maritime technology, energy and environmental technology, and information and communication technology. The grants towards eastern German projects are set to amount to approximately €18.3 million.

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

materials, block chain technology, through to gamification in life sciences. With a share of approximately 40% of the number of project outlines submitted and selected projects, there is a disproportionate demand for the programme in eastern Germany, and a success rate for eastern German applicants that equals the average for Germany as a whole.

2.3.3. Institutional support for research

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

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

A new addition is the Helmholtz Institute for Metabolism, Adiposity and Vascular Research (HI-MAG) in Leipzig. The HI-MAG is unique by virtue of its scientific/strategic focus.

Establishing a new site for the National Centre for Tumour Diseases in Dresden has brought the excellent patient-oriented cancer research and multidisciplinary care of cancer patients under one roof.

In 2017, the Fraunhofer-Gesellschaft (FhG) established the High-Performance Centre for the Integration of Biological and Physical-Chemical Material Functions in Brandenburg. The research institution for large structures in production engineering was founded in Rostock, and among other things focuses on large maritime structures in shipping and in the offshore industry, also offering regional R&D services to SMEs in Mecklenburg-Western Pomerania.

The following Leibniz Association institutes were opened in eastern Germany and Berlin in 2017: the Centre for General Linguistics in Berlin, the Modern Orient Centre in Berlin and the Institute for the History and Culture of Eastern Europe in Leipzig.

In 2017, the Max-Planck-Gesellschaft founded its Centre for Systems Biology in Dresden. This uses computerised methods to examine biological processes and systems. The Max Planck Research Centre for the science of pathogens is currently being established, and will be devoted to highly innovative research in genome editing.

The Federal Government is using its Microelectronics Germany Research Factory to fund investment in commerce-related microelectronics research establishments run by the FhG and Leibniz Association in order to consolidate Germany's leading role and build on the country's global competitive edge in microelectronics as a key enabling technology for digitalisation in the coming decades. These investments specifically benefit SMEs, offering access to state-of-the-art digital technologies. In the context of this funding initiative, establishments in Berlin, Brandenburg, Saxony and Thuringia are receiving investment amounting to some €220 million, or around 60% of the total of approx. €350 million (2017–2020). This reflects the fact that Dresden is one of the three largest and most important microelectronics bases in Europe.

2.3.4. Key enabling technologies – research grants for specific technologies

Some €400 million of Federal Government research grants for technology went to the new federal states in 2017, some €250 million of which to fund projects. This means that the new federal states received 36% of the Federal Government's technology funding in 2017. Grants were centred on information and communication technology (44%), nanotechnologies and materials technologies (35%) and optical technologies (38%).

Dresden has established itself as one of the three major and most important microelectronics bases in Europe. Thuringia is a leading global site for photonics. The plastics industry – building on the long traditions of the textiles industry – is well-established in Upper Lusatia. There are around 90 German companies there, for example, that enjoy cross-border co-operation with approximately 70 further partners in Poland and the Czech Republic.

2.3.5. Research Campus initiative

As part of the Research Campus Public-Private Partnership for Innovation initiative (launched in 2011, funding for up to 15 years), support is being provided for nine partnerships in science and business in which at least one university along with non-university research institutes and private companies are working in the long-term on a jointly drafted research programme. 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 methods of diagnosing infections and pathogens. The research campuses are good for attracting thematically related start-ups or spin-offs and small firms. For example, the InfectoGnostics research campus already hosts three spin-offs, which are also partners of the research campus. Two companies have opened branch offices next to the STIMULATE research campus, and a start-up has also located there. As part of this initiative, some €43 million of funding (2013 to 2020) has been approved for research and development projects in the new federal states and Berlin. All in all, the initiative is involved in at least 220 cooperation projects at the nine research campuses, and more than 100 of these participate in the research campuses in eastern Germany. Looking at the nine research campuses throughout Germany, almost 50% are partners to SMEs; in the research campuses in eastern Germany, this rises to over 65%.

2.3.6. Innovative University initiative

The Innovative University initiative operated by the Federal Government and federal states is designed to fund the research-based transfer of ideas, knowledge and technology at German universities, thereby helping them to raise their profile in the transfer and innovation sector and to reinforce their strategic role in the regional innovation system. Federal Government and states are jointly providing up to €550 million in two rounds over 10 years.

During the first selection phase in the summer of 2017, 48 innovative universities in 29 overall projects were selected from the 168 universities that applied. These include 15 universities from the new federal states, which started the five-year funding phase at the start of 2018. The Federal Government and home states of the universities provide funding in the ratio 90:10 per annum up to €2 million for applications from individual universities (and up to €3 million each for university networks).

2.3.7. Collective Industrial Research programme (IGF)

The Collective Industrial Research programme is tasked with facilitating access for companies, and especially SMEs, to practical research findings via support for precompetitive research projects. €40.8 million – almost a quarter – of the funding available went to the new federal states in 2017.

This includes the implementation of transnational research projects. In the 2007–2017 period, 77 CORNET (Collective Research Networking) projects were implemented involving research establishments in the new federal states (total funding: €21.5 million). The CORNET partner countries include Poland, the Czech Republic, Peru and the Canadian region of Quebec.

2.3.8. INNOKOM

From its launch in January 2009 up to the end of 2017, the programme entitled R&D funding for non-profit external industrial research establishments in eastern Germany (INNO-KOM East) supported 1,789 research and development projects with funds amounting to around €522 million.

The successor to this, INNO-KOM, which was launched on 1 January 2017, extended the successful innovation funding to structurally weak areas throughout Germany. The programme approved €28 million of support to 124 projects in 2017.

2.3.9. goInno

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

2.3.10. VIP+

The Validation of Technological and Societal Innovation Potential in Scientific Research – VIP+ funding programme operated by the Federal Government has no specific themes, but rather helps researchers from all disciplines to validate their research results systematically and, during the validation process, to develop potential applications that promise high economic or social benefits. By doing so, they simultaneously contribute to strengthening the transfer culture in their establishments (universities and research institutes) and in the economic and research landscape as a whole.

Table 3: IGF (2017)

	Total	Berlin	Brandenburg	Mecklenburg- Western Pomerania	Saxony	Saxony-Anhalt	Thuringia
Funding for research establishments in new federal states in 2017 in € million	40.8	3.7	1.7	2.3	27.3	2.8	3.0

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

Table 4: INNOKOM East (2016)

	Total	Berlin	Brandenburg	Mecklenburg- Western Pomerania	Saxony	Saxony-Anhalt	Thuringia
Funding for research establishments in new federal states, according to 2016 financial statements	€58,332,274.00	€7,150,558.00	€1,069,352.00	€1,017,669.00	€23,320,011.00	€2,542,445.00	€23,232,239.00

Source: Evaluation by EuroNorm, the project sponsor

Table 5: goInno (2016)

	Total	Berlin	Brandenburg	Mecklenburg- Western Pomerania	Saxony	Saxony-Anhalt	Thuringia
Funding for research establishments in new federal states, according to 2016 financial statements	€4,568,719.37	€281,600.00	€384,000.00	€645,650.00	€470,630.00	€366,050.00	€553,100.00

Source: Evaluation by German Aerospace Centre (DLR)

Over 140 project applications with a funding volume of €111.5 million have already been granted since the start of the programme in 2015. At 32%, a substantial proportion of all projects selected come from eastern Germany and Berlin.

2.3.11. 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 that lead to new products, processes and technical services.

ZIM is particularly important for the economic development of the eastern federal states because these states benefit disproportionately, receiving around 40% of funding under the ZIM programme. ZIM is a demand-oriented programme that is open to all technologies and sectors with very little red tape and swift procedures. The companies' projects are predominantly concentrated on forward-looking technolo-

gies: digitisation, energy and resource efficiency, health research and medical technology, smart mobility and renewable energy are areas where many SMEs see market opportunities. As a result, increased research activities not only boost the companies' competitiveness but also speed up the rate at which technological challenges are mastered. The ZIM innovation networks provided with funding aim to create competitive advantages for small firms in particular. In the network, the firms can develop innovations which they could not have accomplished on their own due to their limited resources. The cooperation between companies and research establishments generate centres of growth which create competitive advantages for the participating companies.

Support in the form of a higher funding amount and other targeted assistance is given to international ZIM innovation networks and international research and development projects in order to back the international research work conducted by the small and medium-sized enterprises.

2.4. Internationalisation

There is still a much less pronounced focus on exports in the eastern Germany economy. Measures and activities are needed to further develop eastern Germany as a location, which will internationalise the eastern German economy so that smaller and medium-sized enterprises in particular can benefit yet more from the growth potential of foreign markets and the advantages of the international division of labour. In view of the structural fragmentation of the eastern German economy, the Federal Government takes special foreign trade promotion measures to strengthen the overall economic structure in eastern Germany. This is primarily the task of the Federal Government's foreign trade agency, Germany Trade & Invest GmbH (GTAI), which in addition to promoting foreign trade, undertakes the international marketing of eastern Germany as a promising location for investment and provides support for the cluster structures that develop.

The GTAI organises local joint cooperation forums with the respective federal states and members of the cluster management to establish B2B contacts with potential business partners in the target region for the travelling eastern German delegation. Last year – in cooperation with representatives of the business development agencies of the federal states – there were presentations by the Special Machinery and Plant Engineering cluster from Saxony-Anhalt in Singapore, the Cool Silicon leading edge cluster in Toronto and Ottawa as well as the Transport, Mobility and Logistics cluster from Brandenburg in Dubai. Transnational cluster marketing measures were conducted in areas of medical technology in the USA and on information and communication technology in India. There have been around 20,800 hits on the Powerhouse Eastern Germany website.

The following principal successes of GTAI support to eastern Germany are as follows:

- The investors attracted by the GTAI made it possible for 60 projects to be transferred to eastern German states in 2017, creating some 1,500 jobs.
- 31 companies took part in delegation trips, and 248 contacts were established.

Another important measure includes the foreign trade show programme that facilitates a united appearance by German companies at international trade fairs.

In the context of greater internationalisation of eastern German companies, the SME Market Development Programme (MEP) also plays an important role. Information events dealing with specific subjects and destinations as well as company trips introduce SMEs from eastern Germany in particular to foreign markets and establish con-

tacts with important actors and potential business partners there. The findings of an evaluation of the programme show that SMEs from eastern Germany in particular make use of the programme to expand their foreign contacts and to make decisions on possible activities abroad. Of the total 1047 companies that used the services of the Market Development Programme in 2016, 208 (20%) came from eastern Germany.

EU-OPENSREEN – European Infrastructure of Open Screening Platforms for Chemical Biology – is a European research infrastructure with the objective of making chemical substances and natural materials useful in life science research and development. These substances show enormous potential as drugs, for pest control, or could be used to develop lead compounds when developing new drugs. The project is based at the Leibniz-Institute for Molecular Pharmacology in Berlin-Buch.

The Internationalisation of Leading-Edge Clusters, Forward-Looking Projects and Comparative Networks funding programme of the Federal Ministry for Education and Research supports both the development of internationalisation concepts and research cooperation between German clusters/networks and complementary innovative regions and networks in other countries. There was success in the first round of the competition for the clusters MERGE in Chemnitz, Organic Electronics Saxony in Dresden and OptoNet in Jena. Since 2016, they have been able to develop their own internationalisation strategies and expand contacts to international partners in order to engage in joint research, development and innovation cooperation projects in the ensuing implementation phase on an equal footing with their international partners. The launch of the funding in the second round of the competition in 2017 saw the leading-edge clusters Cool Silicon in Dresden and BioEconomy in Halle, as well as the Integrational Regional Growth Core WIGRATEC, start work on their internationalisation strategies. During the third round of the competition funding programme in 2018, the Saxony Automotive Supplier Network (AMZ) has received support in the design phase. All of the clusters and similar networks are receiving funding under the programme, amounting to up to €4 million over a period of up to five years.

2.5. Business clusters

The term “clusters” is used to mean a large collection of companies and possibly scientific establishments in one place that are linked by a common factor, such as a technology or by belonging to a sector. These frequently produce mutually reinforcing impetus so that the cluster becomes more than the sum of the individual companies. These clusters can then make an important contribution to economic development. The Federal Government and

federal states are therefore keen to support the development of incipient business clusters.

As a measure of excellence in cluster policy, the go-cluster programme initiated in mid-2012 brings together around 90 of Germany's best innovation clusters that are pioneers in innovation and reflect Germany's enormous expertise in numerous industries and fields of technology. 16 of these excellent clusters are currently eastern German cluster initiatives.

Eastern German clusters are particularly active in the areas of biotechnology, medical technology and the health sector, as well as in production technology, optical technologies/photonics, electrical engineering, measurement technology and sensor technology. Innovation clusters are very important for structural change in the economy. Under the Federal Government Funding of Pilot Projects of Innovation Clusters from Eastern German States, three eastern German clusters are currently receiving support within the go-cluster programme (biosaxony e.V. in Dresden, SMAB, the Special Machinery and Plant Engineering cluster in Magdeburg, and OptoNet e.V. in Jena) to conduct the project for digitalising cluster actors and to safeguard and train skilled labour.

The Federal Government is also helping companies to directly utilise the opportunities derived from global megatrends such as climate change, scarcity of resources and environmental protection. This assistance is particularly important for eastern Germany, where the clean tech market sector, for example, has locational advantages. However, many of the companies are too small in order to be able to profit from the international development. In order to tackle this, the CLEANTECH Initiative for Eastern Germany (CIO)¹⁸ was started up. It aims to support the clean tech sector as it networks, works together to develop markets, and grows as a result. It is a cross-sectoral, transnational alliance with partners from all the eastern German federal states.

The bio-economy offers the opportunity to achieve growth in harmony with nature and environmental protection. The BonaRes Centre for Soil Research is primarily supported and coordinated by eastern German extramural research institutes. The key motivation behind the centre is to transfer knowledge of soil functions for use as decision-making aids for soil management. Five institutes from the Leibniz Association have joined forces within the Biotechnology 2020+ strategy process that is aimed at producing innovative solutions for developing active ingredients in medicine, the food industry and agriculture. With locations in Dresden, Halle and Jena, the research has its focus in eastern Germany.

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

2.6. Digital transformation

The economy in eastern German must also hold its ground during the digital transformation phase. Increasing digitalisation of all aspects of everyday business life is currently one of the biggest challenges facing small and medium-sized enterprises (SMEs) and skilled crafts. Digitalisation moreover results in new business segments, some of which offer considerable growth potential.

Digital transformation affects all sectors and business divisions, and when it comes to prevailing against competition in the long term, it is important for digitalisation to be firmly established in all of a company's business processes. An important contribution to this is made by the following federal programmes, which offer great benefits especially to eastern German companies that are more likely to belong to the SME segment.

2.6.1. SMEs Digital

The Federal Ministry of Economic Affairs and Energy's SMEs Digital programme has supported the digital transformation of the German economy since 2013 by making small and medium-sized enterprises in particular, aware of the technological and economic potential and the challenges of digitalisation, including Industry 4.0. 24 SME 4.0 Competence Centres have now been set up throughout Germany as part of the SME 4.0 – Digital Production and Work Processes initiative. Since November 2017, all eastern German states now have regional SME 4.0 Competence Centres which, as regional points of contact for digitalisation, are specifically oriented towards the economic requirements in question.

In addition to these, national competence centres have also been created for specific topics (e-standards, usability, planning and construction, the IT industry and textiles) which, as with the Competence Centre for Digital Skilled Crafts, are represented in the new federal states.

18 Further information can be found at www.cleantech-ost.de.

2.6.2. godigital

Since the summer of 2017, the national go-digital support programme has been supporting SMEs and skilled craft enterprises when developing and implementing comprehensive IT business concepts and organisational measures in various areas of ICT expertise so that they can keep pace with the technological and social developments when security requirements need to be raised due to an increase in digital networking, in online distribution and the growing digitalisation of day-to-day business. Individual SMEs and skilled craft companies are being advised by authorised consultants in the fields of digitalised business processes, digital market development and IT security, and are being helped with implementing the measures.

2.6.3. Digital Hub Initiative

The Federal Ministry of Economic Affairs and Energy's Digital Hub Initiative supports the creation of digital hubs in Germany. The initiative is designed to help transform Germany into a leading digital location by supporting the erection and interconnection of twelve digital hubs with specific focal areas (three of which are in eastern Germany – in Berlin, Potsdam and Dresden/Leipzig). Activities in the hubs will concentrate on collaboration between start-ups, established industry, research institutes and experts within an innovative network. To attract start-ups and investors from overseas to Germany as a digital location, specific programmes to address the challenges of digitalisation will be developed in the twelve hubs. The aim is for the perception of eastern Germany as an innovative, internationally relevant digital location to be reinforced as international awareness of the hubs increases.

2.6.4. Breitband@Mittelstand (broadband for SMEs) information campaign

The Federal Ministry of Transport and Digital Infrastructure in association with the German Chamber of Industry and Commerce (DIHK) has developed the Breitband@Mittelstand information campaign to illustrate the importance of the subject of digitalisation and broadband expansion more clearly to SMEs, and especially those in eastern Germany.

As part of a roadshow that was enshrined in the Coalition Agreement, numerous events have been taking place since the beginning of 2017 – frequently directly on trading estates and technology parks. Here practical, interactive information is provided on the foreseeable digital applications of tomorrow, such as using concrete best practice examples in the area of virtual reality and intelligent and smart systems. Companies also obtain information about the special trad-

ing estate programme within the context of the Federal Government's broadband support programme. This ensures that all companies, and especially the SMEs in eastern Germany, are aware of the possibilities of digitalisation.

3. Labour market and securing skilled workers

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

3.1.1. Development of the labour market

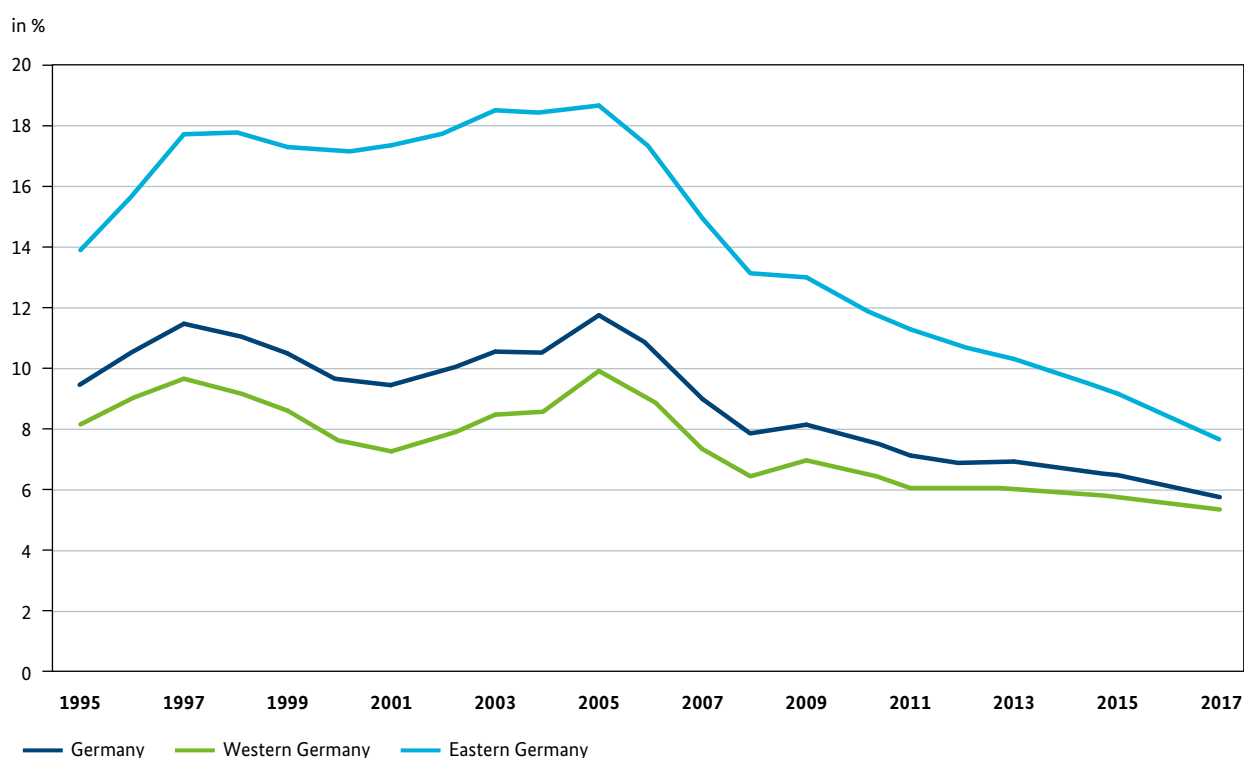
The German labour market has improved continuously in recent years. The number of people in jobs has continued to rise and, according to calculations produced by the Federal Statistical Office, set another new record since reunification in 2017 with 44.3 million people in work, an increase of 1.5% compared to the previous year.

Employment subject to social security contributions increased at a higher rate compared to the previous year than gainful employment as a whole, by 722,000 or 2.3%, to 32.2 million employees. In eastern Germany, 124,000 or 2.1% more people were engaged in employment subject to social security contributions compared to the previous year, while the statistics for western Germany were around 598,000 more employees, equating to a 2.3% increase.

The annual unemployment rate for the year fell further. In 2017 it was 7.6% for eastern Germany (down 0.9% compared to the previous year) and in western Germany 5.3% (0.3% below that for the previous year). Whereas the gap between the unemployment rates in eastern and western Germany was more than 10 percentage points at the beginning of the 2000s, it stood at just 2.3 percentage points in 2017. This is a fall of 0.6% compared to the previous year (see Figure 4).

In 2017, the annual average unemployment rate among women based on the total civilian workforce was 7.0% in eastern Germany and 5.0% in western Germany, and thus is lower than the rate of 8.1% (east) and 5.5% (west) for men.

When it comes to younger people (aged between 15 and under 25) and older people (aged between 55 and under 65), more people are registered as unemployed in eastern Germany than in western Germany. The unemployment rate for younger people fell everywhere by 0.2% compared to the previous year. The unemployment rate for the 55–65 age group fell more in eastern Germany than in western Germany (see Table 6).

Figure 4: Unemployment trend from 1995 to 2017

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

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

	2016	2017
Total	6.1	5.7
Western Germany	5.6	5.3
Eastern Germany	8.5	7.6
Men		
Total	6.4	5.9
Western Germany	5.8	5.5
Eastern Germany	9.0	8.1
Women		
Total	5.8	5.4
Western Germany	5.3	5.0
Eastern Germany	7.9	7.0
Younger people (aged 15 to 25)		
Total	5.3	5.1
Western Germany	4.8	4.6
Eastern Germany	8.6	8.4
Older people (aged 55 to 65)		
Total	6.8	6.3
Western Germany	6.1	5.7
Eastern Germany	9.4	8.3

Source: Federal Employment Agency

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

	2016	2017
Unemployed		
Total	2,690,975	2,532,837
Western Germany	1,978,672	1,894,294
Eastern Germany	712,303	638,543
Long-term unemployed		
Total	993,073	900,745
Western Germany	726,552	675,159
Eastern Germany	266,520	225,586
Unemployed in eastern and western Germany		
Social Code III		
Total	821,824	855,431
Western Germany	644,053	667,696
Eastern Germany	177,771	187,735
Social Code II		
Total	1,869,151	1,677,406
Western Germany	1,334,619	1,226,598
Eastern Germany	534,532	450,808

Source: Federal Employment Agency

Long-term unemployment is also declining. With 900,700 long-term unemployed on average throughout Germany in 2017 (92,000 compared to the previous year), the figure fell below the long-standing million mark for the second year in a row. The long-term unemployment figure for eastern Germany fell by around 41,000 or 15.4% to 226,00, and in western Germany by a good 51,000 or 7.1% to 675,000. The number of unemployed people entitled to basic benefits for job-seekers and receiving unemployment benefit II fell throughout Germany by around 192,000 or 10.3% compared to the previous year, while eastern Germany even achieved a 15.7% reduction (see Table 7).

3.1.2. Employment trend

A new record since reunification was set in 2017, with 44.3 million people in work. Of these, 7.9 million or 18% were in the eastern federal states (including Berlin). This is the highest level in eastern Germany since reunification.

The number of people in jobs requiring social insurance in eastern Germany increased between 2016 and 2017 (as of 30 June) by some 124,000 or 2.1%, to over 6.0 million. More male (increase of 2.6%) than female (increase of 1.7%) employees benefitted from this trend last year. Women account for almost half of employees in eastern Germany (49.3%).

At 29.9%, the proportion of people in eastern Germany in part-time jobs requiring social insurance in 2017 was higher than the national average (27.8% in total, 27.3% in western Germany – see Table 8).

The proportion of women in jobs in eastern Germany is still higher than in western Germany, but these figures are converging, partly due to the trend towards more women working in western Germany. In 2017, the employment rate (aged between 55 and under 65) among women in eastern Germany totalled 73.3% (western Germany: 71.1%, overall rate: 71.5%) and among men 77.1% (western Germany: 79.3%, overall rate: 78.9%).¹⁹

3.1.3. Employment of mothers and fathers

Today most mothers reconcile family and working life as a matter of course. The employment rate²⁰ of mothers rose from 60% to 67% between 2006 and 2016²¹. The rise in the rate of employment was particularly evident in mothers with young children aged between one and two, increasing from 32% in 2006 to 44% in 2016. Clear differences remain, however, between the level of employment of parents in eastern and western Germany.

In total, mothers are employed in eastern Germany more frequently and for more hours than in the former federal territory. In 2016, 72% of women worked in eastern Germany, while two-thirds (66%) worked in western Germany.²² The employment of mothers also differs in terms of the number of hours worked. More mothers work almost full-time in eastern Germany than in western Germany: 43% of working mothers in the new federal states, but only 20% of working mothers in the former federal territory work more than 36 hours.²³

The differences are especially clear for mothers with young children: 39% of working mothers in eastern Germany whose youngest child is under three work more than 36 hours a week, but only 19% in western Germany do so. 8% of women in eastern Germany work part-time with less than 20 hours a week, whereas this is much more common in western Germany at 32%. 38% of women in western Germany work more than 28 hours a week, whereas the proportion for eastern Germany is almost 80% (see Figure 5).²⁴

The hours worked by single parents in eastern and western Germany differ. 80% of working single mothers in eastern Germany work for at least 28 hours a week, compared with just 59% of working single mothers in western Germany. Around 30% of single parents in eastern and western Germany are not employed.²⁵

19 According to analyses in the Micro Census.

20 All women whose youngest child is under 18, Micro Census; concept of gainful employment which reflects the work/life balance for parents in a differentiated way: all those who normally go about an activity for commercial purposes are counted as being employed, with the exception of people who have not worked in the week reported for reasons of parental leave, maternity leave, part-time retirement or due to personal family obligations (see Federal Ministry for Family Affairs, Senior Citizens, Women and Youth - BMFSFJ (publisher): *Ausgeübte Erwerbstätigkeit von Müttern*, 2nd Edition, 2012, and Destatis (2018): *Wirtschaft und Statistik*, Issue 1, pp 23–34).

21 Calculation by Prognos AG based on the Micro Census special evaluation for the years 2006 to 2016.

22 Micro Census special evaluation f203_510. Calculation by Prognos AG.

23 *ibid.*

24 *ibid.*

25 *ibid.*

Table 8: Number of people in jobs subject to social security contributions (as of 30 June)

	2016	2017
Total	31,443,318	32,164,973
Men	16,864,227	17,273,293
Women	14,579,091	14,891,680
Eastern Germany	5,879,089	6,003,194
Men	2,966,354	3,043,189
Women	2,912,735	2,960,005
Full-time		
Total	22,873,969	23,222,806
Eastern Germany	4,162,398	4,205,483
Part-time		
Total	8,568,637	8,942,139
Eastern Germany	1,716,535	1,797,711

Source: Federal Employment Agency

The scope of mothers' employment in eastern and western Germany differs particularly when they have young children. Working mothers from eastern Germany with a one year-old child work 8.4 hours per week longer on average than mothers in western Germany with a child of the same age. The difference falls to 7.5 hours a week when the youngest child is aged between 15 and 18 (see Figure 6). The better conditions for reconciling family and working life offered by a much broader childcare infrastructure from infant to school age in eastern Germany are likely to contribute to these differences.²⁶

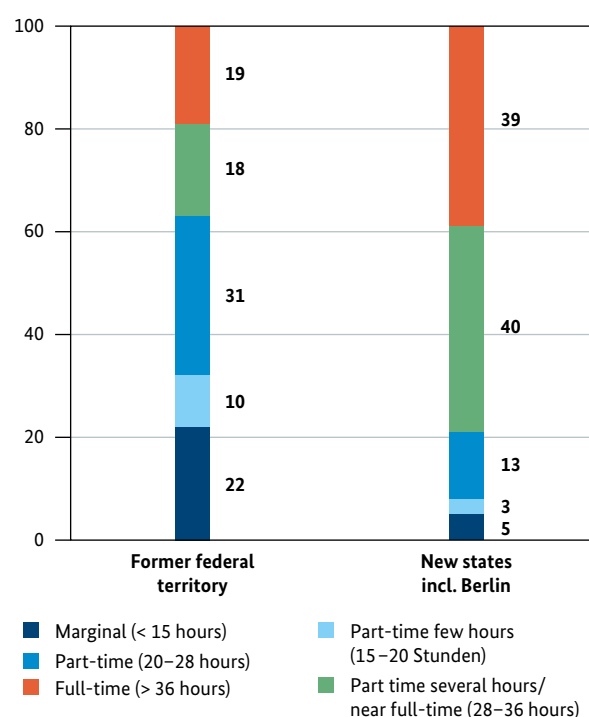
3.1.4. Reconciliation of family and working life

There is a continuing trend towards partners reconciling family and working life, whereby mothers and fathers combine their own employment and childcare. With the expansion of day care and introduction of a parental allowance in 2007, mothers are going back to work sooner, and fathers are spending more time with their children.

This is demonstrated by the steady increase in the figures for the take-up of the parental allowance. In 2014, 34% of fathers took parental leave, but this had already risen to 36% by the 2nd quarter of 2015. When comparing federal states, Thuringia is the frontrunner when it comes to father participation, with 40.5% of those with children born in 2014 benefitting from parental allowance. Father participation in the Thuringian city of Jena even reached 57.8%.²⁷

In addition to the parental allowance, the parental allowance 'plus' also helps parents reconcile family and working life, and in particular supports those who wish to work part-time while claiming parental allowance. Since its introduction in 2015, the number of people claiming the parental allowance 'plus' has doubled. In the 4th quarter of 2017, a good 30% of all parents receiving a parental allowance took the parental allowance 'plus'.

In Thuringia, an average of 40.7% of all parents claiming parental allowances claim parental allowance 'plus', so that here too, it takes first place among federal states. The main take-up of the partnership bonus received by parents who share employment and childcare evenly is in the major cities of Berlin and Hamburg, where 16.1% and 12.4% of parental allowance 'plus' recipients decided to take up this offer in the fourth quarter of 2017.

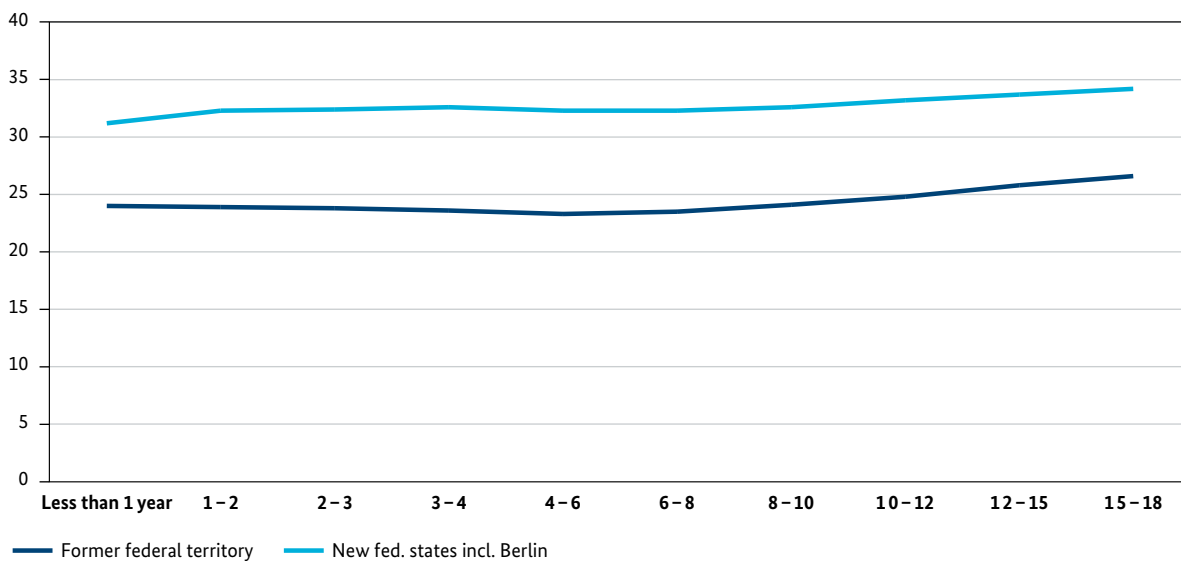
Figure 5: Working mothers (in gainful employment) with children under 3, according to hours worked, former federal territory and new federal states, 2016

Source: Micro Census special analysis f203_510, calculation by Prognos AG

26 BMFSFJ, Dossier Müttererwerbstätigkeit, 2015, 3rd Edition, p. 40.

27 Federal Statistical Office 2018, statistics on parental benefit, completed benefit receipts.

Figure 6: Average time usually worked per week by working mothers according to the age of the youngest child, former federal territory and new federal states, 2016



Source: Special analysis of the Micro Census f203_510. Calculation by Prognos AG

Today both partners want to spend time with their children and pursue their career path, thereby jointly contributing to family income. 60% of parents with children under three say it is best when men and women have an equal amount of paid employment and both look after the home and family.²⁸ This attitude is also reflected in the expectations of politics and the economy. 61% of the population believe it is important to support parents with children aged under three in future to make it easier for each partner to work. This expectation is more pronounced in eastern Germany than in western Germany. There, 57% expect support for working parents, while the figure in eastern Germany is 78%.²⁹ In eastern Germany there are also more couples working similar numbers of hours than in western Germany. In 27% of 2-parent families with minors in eastern Germany, both partners work more than 36 hours a week. By contrast, this employment constellation is only found in 9% of families in western Germany.³⁰

3.1.5. Developments on the training market

A total of 117,793 people started training programmes in eastern Germany in 2017. The majority (60%) completed vocational training in the dual system; 39% started school-based education, while 2% began middle grade civil service training.³¹

With respect to the training market for dual vocational training, the ratio between applicants and apprenticeships for the 2016/2017 reporting year is statistically almost balanced, although there a few more applicants were reported than apprenticeships. This applies both to western and eastern Germany. Fewer apprenticeships were reported in eastern Germany compared to the previous year.

All in all, there were 545,000 registered apprenticeships in the dual vocational training system in the 2016/2017 reporting year (as of 30 September 2017), 16.2% of which were in eastern Germany (see Table 9). The number of registered applicants for dual vocational training places in eastern Germany fell by around 800 compared to the previous year.

The number of vacant training places in the dual vocational training system increased further, albeit only slightly in eastern Germany in contrast to western Germany. At the same time, an increase can be seen in the number of applicants without training places during the year under review compared to the year before; one-third of these applicants are in eastern Germany.

A total of 49,000 apprenticeships in the dual vocational training system were unfilled in September 2017, 16.8% of them in eastern Germany. In contrast to the growing number of vacant vocational training places (5,400 more places),

28 DIW Wochenbericht 2013.

29 IfD Allensbach 2015: Weichenstellungen für die Aufgabenteilung in Familie und Beruf.

30 Micro Census special evaluation f203_510. Calculation by Prognos AG.

31 Federal Statistical Office 2018, press release on integrated training reporting 2017.

Table 9: Training market

	2015/16	2016/17
Registered applicants for apprenticeships since the start of the respective reporting year		
Total	547,728	547,824
Western Germany	454,688	457,722
Eastern Germany	90,552	89,730
Registered applicants for apprenticeships without a place since the start of the respective reporting year		
Total	20,550	23,712
Western Germany	16,245	18,365
Eastern Germany	4,259	5,328
Registered apprenticeships since the start of the respective reporting year		
Total	546,093	544,907
Western Germany	456,461	456,533
Eastern Germany	89,454	88,230
Registered vacant apprenticeships since the start of the respective reporting year		
Total	43,561	48,984
Western Germany	35,594	40,713
Eastern Germany	7,952	8,229

Source: Federal Employment Agency

Explanation:

Deviations in the totals of western and eastern Germany may be the result of data that cannot be assigned.

The Federal Employment Agency has further developed the statistics concept for vocational training places in order to reflect the market more accurately. The change was implemented in the reporting month of January 2018. The data was simultaneously revised starting with the 2006/2007 reporting year. An unfilled place on 30.09 is automatically counted as a vacant place on 01.10 in the new reporting year – in the same way as it is on the applicant side. Previously places were only counted if they were entered by placement officers, leading to a slight underestimate. Training places deleted during operational technical procedures now remain present within collective statistics. Previously deletion could lead to the loss of the training place in statistics too. A training place is also taken into consideration in the reporting year if the start of the apprenticeship has been postponed to the following reporting year. This corresponds to the logic of total presence. A valid vacancy was present at least once during the original reporting year. The place is only counted as an unfilled vocational training place in the reporting year into which the start of training year has been postponed. Reporting only indicates places where the training starts in the respective current reporting year.

There will now be better measurement of training centres outside companies because the new procedure no longer counts cancelled training places outside companies. The number of vocational training places outside companies will therefore in future give a more accurate picture of the extent to which such training opportunities outside companies actually support the training market. For the federal territory as a whole as of 30.9.2017, the end of the 2016/2017 reporting year, there is a slight decline in the vocational training places registered compared to the previously publicised result of 4,878 or 0.9% to 544,907. A rise of 5,600 places or 1.1% to 527,470 was recorded for company places, and a substantial fall for training centres outside companies of 10,478 or 37.5% to 17,437. There is practically no change in the number of vacant training places on 30th September, with an increase of 47 or 0.1% to 48,984.

the number of registered vocational training places fell (1,200 fewer places). There are mismatches of qualifications and specialisations and regional imbalances which impede a fully balanced training market.

At the same time there were almost 24,000 applicants unable to find vocational training in September 2017, with eastern Germany accounting for 22.5% of this figure.

The prospects that trainees in eastern Germany will be kept on following their apprenticeships have improved. At 69%, the retention rate of those completing their initial vocational training in eastern Germany again matched the western German level (71%).³²

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

Well-trained skilled workers are a precondition for prosperity, growth and quality of life in Germany. In view of the demographic development, global challenges and technological advances, securing a sufficient supply of skilled labour will be one of the most important tasks. Many companies are facing a lack of skilled workers, particularly with vocational qualifications, and there are ever more vacant training places, particularly in eastern Germany. 66% of all vacant places advertised are now for occupations where there is a skills shortage. However, the skills shortage does not affect all regions and occupations equally. The analysis of skills shortages prepared twice a year by the Federal Employment Agency also comes to the conclusion that no acute nationwide skills shortage exists.

Projections by the Federal Government furthermore indicate that the pleasingly high economic growth in recent years has been reinforced especially by internal movement within the EU.³³ The immigration currently projected will not be enough, however, to compensate for the decline in labour force potential resulting from demographic change. Calculations by the German Economic Institute in Cologne estimate a current reduction in growth of 1% due to the shortage of skilled labour³⁴.

According to a study by KOFA, a centre of excellence for securing skilled labour, most skilled labour shortages arise in the south (see Table 10). The increase in skilled labour – shortages was greatest in eastern Germany, however.³⁵ Thuringia is particularly affected with a shortage rate in 2017 of 81%.

32 IAB Establishment Panel, Eastern Germany 2017, results of 22nd wave, July 2018.

33 Annual economic report of the Federal Government 2018.

34 Source: IW short report 27/2018.

35 Source: KOFA Study 20 April 2017 "Fachkräfteengpässe in Unternehmen: Regionale Fachkräftesituation und Mobilität".

Table 10: Figures for shortages according to federal states in 2017

Place	Region	Number of relevant occupations	of which		Shortage rate
			Occupations with skills shortages	Occupations with sustained skills shortages	
–	Germany	744	46%	19%	72%
1 st	Baden-Württemberg	438	74%	43%	87%
2 nd	Bavaria	463	69%	35%	84%
16 th	Berlin	220	35%	9%	40%
13 th	Brandenburg	211	62%	10%	63%
12 th	Bremen	100	62%	20%	64%
9 th	Hamburg	188	61%	30%	70%
8 th	Hesse	341	65%	27%	72%
14 th	Mecklenburg-Western Pomerania	164	56%	10%	59%
5 th	Lower Saxony	368	57%	25%	75%
15 th	North Rhine-Westphalia	492	47%	15%	59%
3 rd	Rhineland-Palatinate	293	72%	25%	82%
7 th	Saarland	105	69%	21%	73%
6 th	Saxony	290	61%	16%	74%
11 th	Saxony-Anhalt	200	60%	14%	66%
10 th	Schleswig-Holstein	227	59%	19%	67%
4 th	Thuringia	232	74%	23%	81%
–	Average for the federal states	271	61%	21%	70%

NB: Without caring professions. Source: KOFA calculations on the basis of data from the Federal Employment Agency, 2018. KOFA calculations

The situation has worsened over the last five years in roughly two-thirds of all occupations, and this is particularly true of eastern Germany. The problem particularly affects the following:

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

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

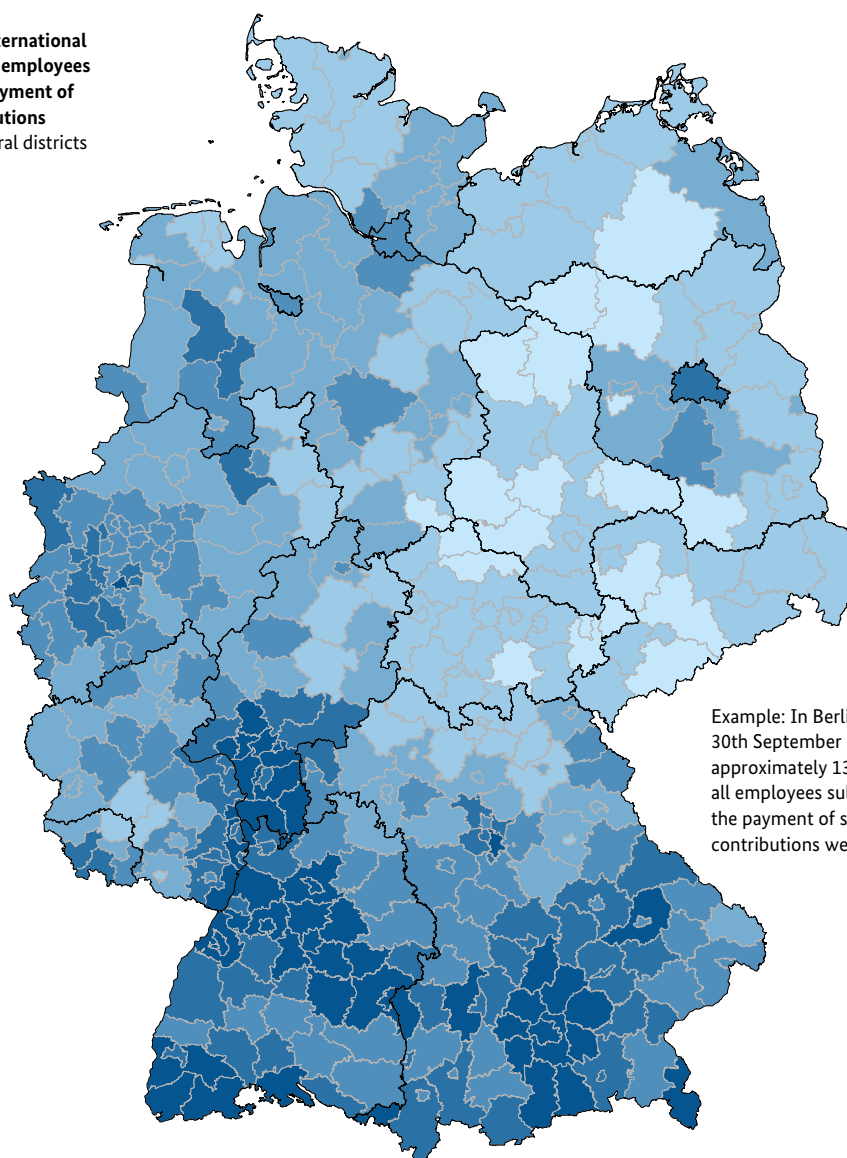
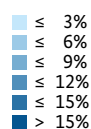
is deploying various measures – which are elucidated in the following sections – to secure the skills Germany needs. It was furthermore laid down in the Coalition Agreement for the 19th legislative period that the Federal Government will develop a strategy for skilled workers to counter the skills shortage in Germany.

The Federal Government has various projects and initiatives to promote dialogue and advice on matters related to securing skilled workers. These include the Skilled Workers for the Region Innovation Office and its wide-ranging advisory services for regional network players. The aim is to support labour market stakeholders and companies with the development of regional solutions to finding, retaining and training skilled workers.

A further initiative is the KOFA Securing Skills Centre of Excellence, which provides practical information on how to secure skilled workers and what support is available to SMEs particularly affected by the skills shortage, and which has become established via its website and various events as a central point of contact for SMEs regarding the recruitment of skilled workers. The New Quality of Work Initiative (INQA) also provides companies and administrations with specific advisory services on improving the working culture.

Figure 7: Proportion of international employees of all employees in 2017

Proportion of international employees of all employees subject to the payment of soc. sec. contributions
Municipal and rural districts



Example: In Berlin as of 30th September 2017, approximately 13.5% of all employees subject to the payment of social security contributions were foreigners.

NB: Only employees subject to the payment of social security contributions, not including apprentices.

Source: Federal Employment Agency Arbeit, 2018; figures for 30 September 2017; KOFA presentation

As well as exploiting domestic potential, increased migration of skilled labour from the EU and other countries is a good way of reducing the skills shortage. With the exception of Berlin, the proportion of international employees in the new federal states lags far behind that in the old federal states (see Figure 7). In most districts the proportion is below 3%. Most international skilled workers are employed in the south and metropolitan areas, making an important contribution here to securing skilled labour.

An effective policy to safeguard the supply of skilled labour must also cover various fields and labour market groups, ranging from vocational training through to the migration of international skilled labour.

3.2.1. Vocational training

Completing vocational training is a key foundation for self-determination and the best way to prevent unemployment. A central objective of employment policy is therefore creating ways of enabling as many young people as possible to work towards their desired occupations. Several Federal Government programmes and initiatives aim to bring school leavers, young adults and skilled workers together with companies (see Table 11). Providing training within a company is an important element of ensuring that the skills sets of future workers will meet that company's needs.

The Federal Government, the Federal Employment Agency, commerce, the trade unions and the federal states signed the 2015–2018 Alliance for Initial and Further Training at the end of 2014. There is a shared aim to strengthen dual vocational training and to promote the equal value of vocational and academic education. The Alliance partners have introduced measures (such as Assisted Training and Welcome Guides) to equip more young people for vocational training and to offer all young people – from within Germany and refugees – an opportunity to receive training in companies. The Federal Government intends to continue and develop the Alliance beyond 2018 with the aim of offering all young people a high-quality apprenticeship.

The Graduation and Continuation – Education Chains up to Vocational Qualification initiative dovetails career guidance services and training instruments to form a holistic, regionally coordinated funding system. To achieve this interconnection, appropriate agreements are to be concluded with the Federal Employment Agency and all federal states. By the end of 2017, thirteen agreements had been concluded, five of which in eastern Germany (in Berlin, Brandenburg, Mecklenburg-Western Pomerania, Saxony and Thuringia).

The ESF programme of the Federal Government entitled Perfect Fit for the Job aims at alleviating problems in finding good matches on the training market. The programme finances consultants who assist SMEs in recruiting suitable young people from Germany and abroad who do not have refugee status for training positions at their companies. In 2018, 47.5 of the 165 authorised full-time consultants work at chambers and other organisations in industry and commerce based in eastern Germany (not including Berlin). The number of authorised full-time consultants for eastern Germany increased by 7.5 posts compared to 2017. In 2017, the consultants were able to place around 5,500 adolescents and young adults in suitable apprenticeships and training vacancies in companies across Germany. 800 of these apprenticeships and training vacancies were filled in eastern Germany.

Table 11: Measures to acquire vocational qualifications

Graduation and Continuation – Education Chains up to Vocational Qualification	2015–2018 Alliance for Initial and Further Training	Federal Government's Jobstarter Plus ESF programme
<ul style="list-style-type: none"> • 2014–2018 approx. €1.3 billion in total • ESF Federal programme Career Start Counseling: approx. 27,000 places for participants in the new federal states; in Berlin approx. 4,500 places at around 90 schools • VerA initiative: support from volunteers for young people having difficulties with training. Approx. 10,500 measures between 2009 and 2017, 1,584 of these in eastern Germany (691 in Berlin) • BOP: analysis of potential and practical work in a workshop. Since 2008 1,100,000 school pupils nationwide, approx. 270,000 in the new federal states • www.bildungsketten.de 	<ul style="list-style-type: none"> • Strengthening dual vocational training • Paving the way into training for young people with and without a migrant background and young refugees (in 2017 approx. 12,000 young people helped via the new support instrument Assisted training) • www.aus-und-weiterbildungsallianz.de 	<ul style="list-style-type: none"> • Regional projects to safeguard availability of skills for SMEs • Establishment of new regional networks, e.g. Schwerin's JOBSTARTER forum and JOBSTARTER plastics alliance • JOBSTARTER regional office east coordinates initiatives for school leavers going into vocational training for the eastern German federal states • www.jobstarter.de
Federal Tailored Placement ESF programme	Welcome Guides support programme	Support for Disadvantaged Young People in the Neighbourhood
<ul style="list-style-type: none"> • Help for SMEs with filling training places with German and foreign young people not classified as refugees • Integration of foreign trainees and foreign skilled workers, as well as migrants already living in Germany, into companies 	<ul style="list-style-type: none"> • Support for companies in all questions concerning the subject of integrating migrants into companies • Motivating companies to integrate refugees into the company • Support for companies with the development of a culture of welcome • Help filling posts, with migrants in internships, work shadowing, training and work 	<ul style="list-style-type: none"> • Stabilising and strengthening young people at an individual or social disadvantage • Four building blocks for municipalities: individual social support, outreaching youth social work, easily accessible advice, and local microprojects • Coordination and guidance of measures by local youth welfare providers • Strengthening of local structures for cooperation • www.jugend-staerken.de

Source: In-house

The eastern German School Commerce network helps with training opportunities with the wishes of young people, as these often differ greatly in terms of region, occupation and qualifications. Here exemplary ideas and tried-and-tested methods aimed at career orientation and securing skilled labour are developed for widescale use.

The geographic focus of the Federal Government's Encouraging Youth in the Neighbourhood programme is on the areas assisted under the Socially Integrated Cities urban development programme and other disadvantaged areas where the situation for young people is particularly difficult. In 2019 the project will enter the new round of funding.

The idea behind the annual Girls' Day and Boys' Day as well as the Cliché Free initiative is for the choice of career to be independent of gender stereotypes. In eastern Germany, 17,347 places were available for Girls' Day (18%) and 6,906 for Boys' Day (22.5%). The initiative can help to exploit the skilled labour potential of both genders, thereby counteracting the skills shortage.

3.2.2. Advanced vocational training

A key aspect of the efforts to secure the availability of skilled labour is the provision of advanced vocational training after the completion of initial vocational training or university studies. The Act to Strengthen Advanced Vocational Training and Insurance Coverage in unemployment insurance improves access to advanced training leading to a qualification for low-skilled workers and the long-term unemployed. This involves, for example, help with the acquisition of basic skills, the introduction of an advanced training bonus on passing intermediate and final examinations, and the granting of assistance to support retraining measures. The support available for advanced training for employees of SMEs is being made even more flexible. In order to increase the incentives for advanced training measures in micro-enterprises, in cases where funding is provided for employees by the Federal Employment Agency in companies with fewer than ten employees, the requirement that the employer co-finance the advanced training costs is dropped.

The Federal Employment Agency has operated the Advanced Training for Low-Skilled and Older Workers Employed in Companies programme (WeGebAU) since 2006 in order to promote advanced training, primarily of older and/or low-skilled workers in SMEs.

Table 12: Measures and initiatives of advanced vocational training funded by the Federal Employment Agency

Promoting advanced vocational training	WeGebAU Programme	IFlaS	Future starter
The promotion of advanced training pursuant to Social Code III is a traditional instrument of labour market policy to improve employment opportunities via vocational training.	Advanced training for the low skilled and older workers in companies. Job agencies can provide partial or full funding for training for employees in SMEs employing fewer than 250 people.	Initiatives to accompany structural change. Funding goes to longer-term training measures to obtain recognised vocational qualifications or certified partial qualifications.	The joint initiative launched in 2013 by the Labour Ministry and the Federal Employment Agency entitled AusBILDUNG wird was – Spätstarter gesucht, that was initially set up for three years to provide initial vocational training to young adults, has been developed and is now operated as the Future Starters initiative.
Rules on the promotion of advanced training can also apply to basic security benefits for jobseekers via the reference in Section 16 subsection 1 of Social Code II.	The second-chance training of employees who lack a useful vocational qualification is also eligible for funding.	The target group is unemployed people, people at risk of unemployment and people re-entering the labour market who lack vocational training or have not worked in the occupation for which they are qualified for more than four years.	The main focus of the initiative continues to be the funding of qualification-oriented vocational training (full-time and part-time training in a recognised occupation, examination of external candidates, modular partial qualifications).
Funding can go towards not only the participation of unemployed people or workers at risk of unemployment; employees in work can also receive assistance in particular if they lack a vocational qualification.	If people have time off work for training, a grant towards wages can be paid to the employer. Further financial support has also been available to micro-enterprises with fewer than 10 employees since 1.1.2017.	Periods of unemployment, child-raising and long-term care are included in this.	

Source: In-house

The goals of the Act to Strengthen Advanced Vocational Training and Insurance Coverage are supported via the further development of the Future Starters – Initial Vocational Training for Young Adults initiative (previously Late Starters). The aim is to give 120,000 young people a second chance to obtain a vocational qualification by 2020. Since the launch of the Future Starters initiative on 1 August 2016, roughly a quarter of the total number of people making use of the initiative by November 2017 came from eastern Germany.

The Federal Employment Agency has an Initiative to Accompany Structural Change (IFlaS) to increase the availability of skilled workers in promising occupations in structurally weak regions.

3.2.3. Inclusion

The group of people with disabilities is not homogeneous and is as diverse as the population as a whole. The principle of integration that was prominent in policies for disabled persons for many years has been replaced by the principle of inclusion.³⁶ The driving force behind this was primarily the coming into force in Germany of the UN Convention of the Rights of Persons with Disabilities (UN-CRPD) in 2009 and the subsequent plans of action and plans of measures at the national and federal state level.

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

As a national average, 7.0% of pupils of compulsory school age received help for special educational needs in the 2016/2017 school year. In the new federal states, the support rate for school pupils with special needs ranges from 6.6% to 9.8%. The percentage of children going to dedicated schools for pupils with special needs fell slightly in almost all federal states between 2016 and 2017. Over the same period the proportion of pupils taught on an inclusive basis in mainstream schools rose in almost all federal states or remained constant. Both the number and the proportion of pupils with special needs in inclusive education services at mainstream schools have tripled nationwide since the 2000/2001 school year – from 63,261 (12.9%) in the 2000/2001 school year to 205,811 (39.3%) in the 2016/2017 school year.

A study conducted by ZEP – the centre for evaluation and policy consultation – on behalf of the Federal Government

Commissioner for the New Federal States, comes to the conclusion that the comparably high rates of pupils attending schools for children with special needs in the new federal states might be partially responsible for the high proportion of school leavers without qualifications in eastern Germany, because not all schools for children with special needs offer pupils an opportunity to gain their high school leaving certificate.

The inclusion of people with disabilities in working life also calls for additional efforts nationwide because the statutory employment rate³⁷ of 5% has not yet been reached everywhere. In 2016 this rate stood at 4.7% and was generally spread almost equally across the old and new federal states (including Berlin). Clear differences exist, however, in terms of the percentage of severely disabled people employed in the private and public sector. While public-sector employers in both eastern and western Germany lived up to their employment obligation, the employment rate among private-sector employers in the new federal states was just 3.6% compared to 4.2% in the old federal states.

3.2.4. Reducing long-term unemployment

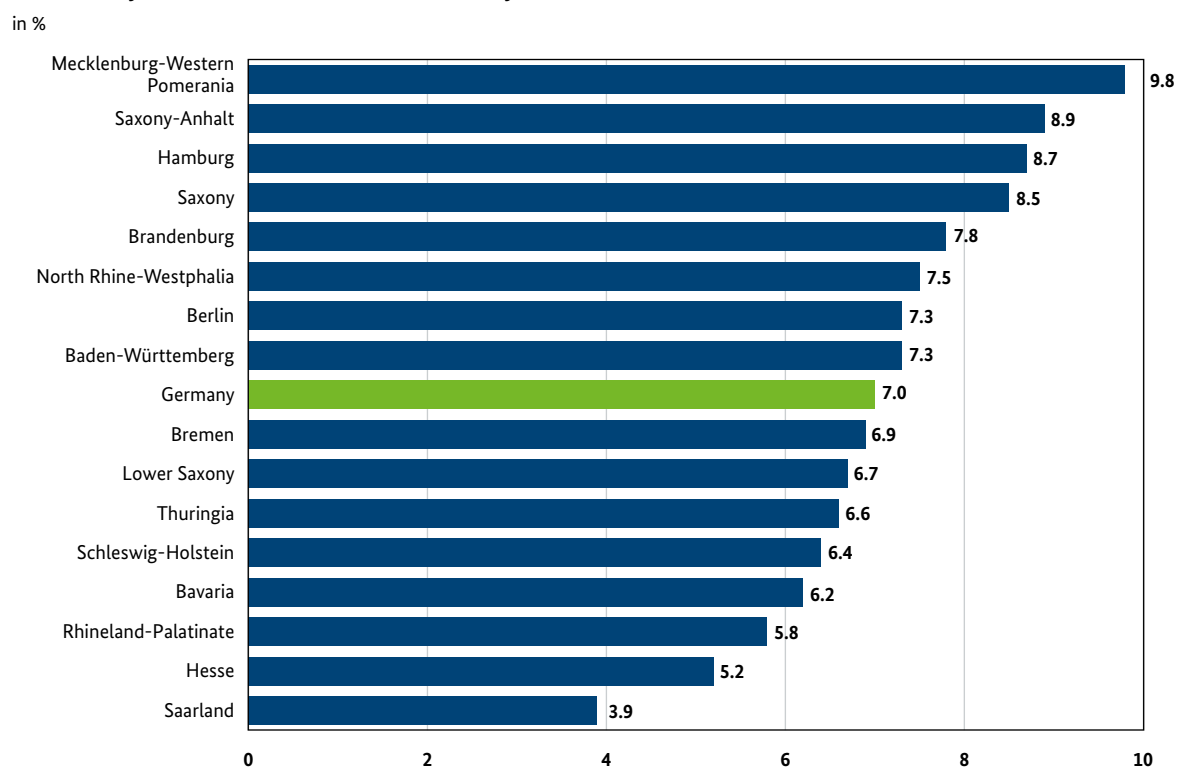
The Federal Government supports both integration into the labour market and social inclusion for the long-term unemployed. In addition to existing general instruments, the Federal ESF programme is helping to integrate long-term unemployed persons claiming benefits under Social Code II into the regular labour market, with funding amounting to €680 million up to the year 2020. In the current ESF funding period, this programme especially benefits the federal states in eastern Germany, where 62 job centres are implementing the programme. Up to December 2017 (entries were possible until the end of December 2017), around 20,300 long-term unemployed people had received support under this programme, 4,900 of whom where in the eastern German federal states.

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

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

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

Figure 8: Pupils with special learning needs as a percentage of all pupils of compulsory school age (support rate) by federal state in 2016/2017 school year



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

The aim of the Networks to Activate, Advise and Offer Opportunities (referred to as ABC networks) is to combine the necessary support services for long-term unemployed people who have a complex set of problems and to improve the support given to and the activation of the long-term unemployed. The activation approach deployed by the ABC networks has been rolled out in job centres on a voluntary basis since 2016. Since then over 200 job centres – more than half of all job centres – have taken part in the initiative of the ABC networks, one in five of which is in eastern Germany.

The aim of the Federal Government for this legislative period is to open up new perspectives on the labour market to people who have been unemployed for a very long time. A holistic approach within the overall MitArbeit (with work) concept is designed not only to promote qualification, placement and (re)integration, but also to improve the employability of the long-term unemployed through intensive, individual mentoring and advice as well as effective support, simultaneously offering people specific employment options.

A constituent of the overall MitArbeit concept is the law governing opportunities for social inclusion, which is to be incorporated into Social Code II with the following two new instruments: Inclusion in the Labour Market (§ 16i Social Code II) and Integration into the Labour Market of the Long-Term Unemployed (§ 16e Social Code II – new).

The new Social Participation in the Labour Market instrument (§ 16i Social Code II) is targeted at the long-term unemployed who are furthest removed from the labour market and who, despite intensive support, will be unable to be integrated into the general labour market in the foreseeable future. This target group is to be given an opportunity of longer-term, publicly funded employment aimed at achieving social inclusion. The employment relationships will be stabilised by means of holistic coaching alongside the employment. It should also be possible to gain qualifications and undertake internships in companies during the funding period. The objective in the medium to long-term should be transferring to a sustainable, unfunded employment relationship.

The second new instrument, the Integration of the Long-Term Unemployed (§ 16e Social Code II – new) replaces the former regulation for supporting employment relationships and has been conceived for long-term unemployed persons who are not as difficult to place in the labour market but who nevertheless require special assistance with integration into employment. Commencing employment is supported by wage subsidies together with integrated in-service coaching.

An additional €4 billion has been made available in the Social Code II integration section up to 2022 to fund the holistic approach using the two instruments Social Participation in the Labour Market and Integration of the Long-Term Unemployed. Long-term unemployed persons in the new federal states will also benefit from these new instruments over the coming years.

The ESF programme of the Federal Government entitled Education, Economy, Work in the Neighbourhood (BIWAQ) supports municipalities with a view to boosting the work and training opportunities particularly for long-term unemployed residents aged 27 and over, both with and without a migrant background, in structurally weak, disadvantaged neighbourhoods, and to strengthening the local economy. The focus is directed at assisted areas of the Social City urban development programme. The link between the assisted labour market projects and the activities of integrated urban development and investments in urban development, e.g. measures to improve the residential environment, strengthens the neighbourhoods and social cohesion in the neighbourhoods. In the current round of funding (2015–2018), 73 projects are being funded around the country, 19 of them in the new federal states. An added value initiated by the programme for the neighbourhoods can particularly be seen in the field of integration. For example, activities for and with asylum seekers and refugees are being implemented in 16 of the 19 projects in the new federal states. The broad range of services stretch from indirect activities like reading to children in kindergartens to services for occupation-related language development, advice on the recognition of qualifications or the obtaining of (follow-up) qualifications, and the coordination of voluntary work for refugees and asylum seekers with good prospects on the labour market.

The call for a further BIWAQ funding round (2019–2022) commenced in September 2017. Municipalities with Social City districts were once again eligible to apply. A new addition is that focus is also going to be placed on digital inclusion – in other words the funding of people's digital skills and inclusion.

The Federal ESF Integration Directive helps people with particular difficulties in accessing work or training, including the long-term unemployed and people with access and

training problems due to their uncertain residency status (asylum seekers and refugees) through gradual and sustainable integration into the labour market. In the current round of funding (2015–2019), 128 projects are being funded around the country, 30 of them in the new federal states.

3.2.5. Integration of refugees into the labour market

In 2015 and 2016, a total of some 1.2 million people came to Germany seeking protection from war and persecution (2015: approx. 890,000, 2016: approx. 280,000 asylum seekers). The number of asylum seekers in 2017 fell to around 187,000.

Now that structures and processes for registering, caring for and housing refugees have been established, the focus is on their integration into the labour market and into society.

It is to be expected that a substantial proportion of this group of people will continue living in Germany for a long time. This places high demands on the state's labour market integration services, on language tuition and social security. Considerable commitment on the part of companies is also needed. Integrating those who will be living in Germany permanently or for a long period into the labour market is therefore a key challenge that has been met since the start of increased migration by new concepts in industry and the labour market.

The prerequisites for successful integration into the labour market of people who have been granted or are seeking asylum and who have good prospects of being granted leave to remain in the country and recognised refugees have therefore been improved by numerous measures. These are now showing the first signs of success on the labour market. New possibilities for combining general and occupation-related German classes, for example with the labour market policy instruments of employment agencies and job centres are simplifying the transition to the labour market. Access to the labour market is also being improved through the temporary easing of the priority review, which is being dispensed with in specified federal employment agency districts (in 133 out of 156 districts).

Currently the conditions for the integration into the labour market of people who have been granted or are seeking asylum and who have good prospects of being granted leave to remain in the country and of recognised refugees are extremely good. This also benefits the new federal states, because labour market trends continue to be stable and the labour market is buoyant – as confirmed by Federal Employment Agency labour market data. There is particular support for starting and completing vocational training. Specific instruments have been temporarily opened up further under the Integration Act to promote training

depending on residence status and prior duration of stay; these, combined with a new rule on temporary suspension of deportation, provide greater legal certainty both during and after successful qualification.

The Integration Through Qualification (IQ) funding programme has, since 2005, been working towards improving opportunities on the labour market for people with a migrant background. At the start of the current funding round it was supplemented by the focal point EST Qualification in the Context of the Recognition Act. The programme is being implemented in 16 regional networks that offer counselling on recognition and qualification and develop appropriate harmonised qualifications. The Recognition and Qualification Counselling subprojects funded in the eastern German regional networks are primarily those offering mobile (outreach) counselling in rural areas (for example the Information and Advisory Centres for Thuringia (IBAT) or the IQ service centres in Mecklenburg-Western Pomerania), reaching people with poor geographical and institutional access to counselling and support services. In Brandenburg, integrated professional recognition counselling is provided in situ by IQ in cooperation with staff at the various job centres and employment agencies.

There are currently also around 40 active qualification projects in the new federal states, with a different focus in terms of target group and qualification objective. Additionally, several subprojects in eastern Germany are working on “finding and binding” foreign skilled labour, operating what have proven to be successful employer hotlines (for example: Advice hotline for employers – information on integrating refugees into the labour market). Other subjects include the culture of welcome, the induction of new employees or the implementation of anti-discrimination in the workplace.

Under the umbrella of the 2015–2018 Alliance for Initial and Further Training, the Federal Government, commerce, the trade unions and the federal states coordinated central measures to integrate refugees and asylum seekers in work and training in the statement entitled A Common Strategy for the Prospects of Refugees, on 18 September 2015. They agreed to additional language and integration courses, setting up welcome guides as mediators between companies and refugees, the integration of refugee children and young people in mainstream or pre-vocational schools and to fast access to these measures for persons with temporary suspension of deportation and asylum seekers likely to be given leave to remain.

The Companies Integrate Refugees network prepares and supports companies that wish to train or employ refugees. The idea is to help companies already participating to make the support they are giving even more effective. Companies that wish to participate are given ideas and concrete ways to do so, and are introduced to potential partners and

experts locally. 128 companies from the eastern German states as well as 213 from Berlin (out of a total of 1750) are currently involved in the company network.

Since the end of September 2017, welcome guides have been supporting all companies operating in Germany (previously only SMEs) with questions concerning the integration of refugees into the company. This also includes filling vacancies and training places with refugees. Since the programme was launched in March 2016, the number of active full-time welcome guides around the country has risen from 132 to 166 (2018). 31 full-time equivalent staff were approved in 2018 for eastern Germany (without Berlin). Of the approximately 8,100 placements in internships, job shadowing, introductory training, training and employment achieved by the welcome guides in 2017, some 2,800 of the placements were for training and work. In eastern Germany a good 400 of the total 1,500 placements for all categories were in work and training.

The Movemen project is designed to improve the living conditions and integration opportunities of young male refugees, encourages active engagement with equal-opportunities-oriented gender roles and fundamental values and provides voluntary and professional refugee workers with strategies for action and concepts for gender-reflected refugee and integration work, specifically aimed at male refugees. Of the ten practical projects, three are being conducted in the new federal states – in Schwerin, Cottbus and Chemnitz.

In addition to different models and programmes to support labour market integration, refugees have access to all services provided they meet the general and personal requirements. A special focus of integration into the labour market is therefore placed on job centres as local partners.

3.2.6. Migration of international skilled labour

107,642 people in Germany were granted a residence permit for the purpose of employment in 2017, 6,010 or 5.6% of them in the new federal states (12,295 including Berlin). As such, the targeted effort to obtain skilled labour from overseas is an important component of securing skilled labour. Due in particular to network effects, migration has previously been concentrated on major cities and southern Germany.

Key measures to open up the labour market to skilled workers with certain qualifications from non-EU countries has included the introduction of the Blue EU Card and the job-seeker's visa in August 2012, as well as the acceptance of immigrants with vocational qualifications in occupations where there is a shortage of skilled workers, which was introduced in July 2013. The Blue EU Card has become a successful method of attracting highly qualified professionals to

Germany. The so-called positive list of bottleneck professions below academic level qualifications contains more than 100 professions, many of them in healthcare and nursing as well as the field of mechatronics and electronics.

The Federal Government's official portal, Make it in Germany (www.make-it-in-germany.com), informs international skilled labour about living and working in Germany. It targets qualified professionals and companies alike, and provides comprehensive information about entry and visa procedures, finding jobs and life in Germany. A job exchange enables skilled workers to apply directly for vacancies. Those interested receive individual advice via a hotline or chat, and can also obtain information for all federal states separately. Those interested can download information about the various federal states in Germany from the hotline or chat. This gives the new federal states the opportunity to highlight their strengths, and so counteract the skills shortage. Since the launch in 2012, more than 15 million people have visited the portal. Apart from Germany, most visits to the website were from India, the United States, Indonesia, Vietnam and Mexico.

4. Companies covered by collective bargaining, wage trends, pension provisions

4.1. Collective bargaining coverage

The proportion of companies covered by collective bargaining in the new federal states continues to be lower than in western Germany. Figure 9 shows that 19% of businesses and 44% of employees were covered by collective agreements in the new federal states in 2017. In western Germany, the figures were 29% of businesses and 57% of employees. That being said, the results of the IAB Establishment Panel, Eastern Germany 2017, show that around 29% of businesses in eastern Germany that are not covered by collective bargaining follow the applicable collective bargaining agreements. Approx. 25% of eastern German employees work in these businesses. Half of all businesses in eastern Germany (corresponding to some 70% of employees in eastern Germany) are therefore covered by collective bargaining or follow collective bargaining agreements.

The alignment of collectively agreed wages in eastern Germany with those in western Germany reached a level of 97.5% in 2016.³⁸ In those areas where collective bargaining takes effect, collective wages and salaries are almost equal in east and west.

However, the actual gross average wages in eastern Germany resulting from collective bargaining agreements together with other influences – such as the economic structure and wage components outside the collective agreements – are still considerably lower than those in western Germany. In 2017, the average gross wage of a full-time employee in eastern Germany (€2,690) was 81% of the western German level. This marks a renewed drop in the wage alignment between eastern and western Germany (alignment ratio) by one percentage point compared with the preceding year to the same level as 2015 (see Figure 10).³⁹

4.2. Gender-related earnings gap

In 2017, the general difference in earnings between women and men was 21%. Distinct differences continue to exist between western and eastern Germany.

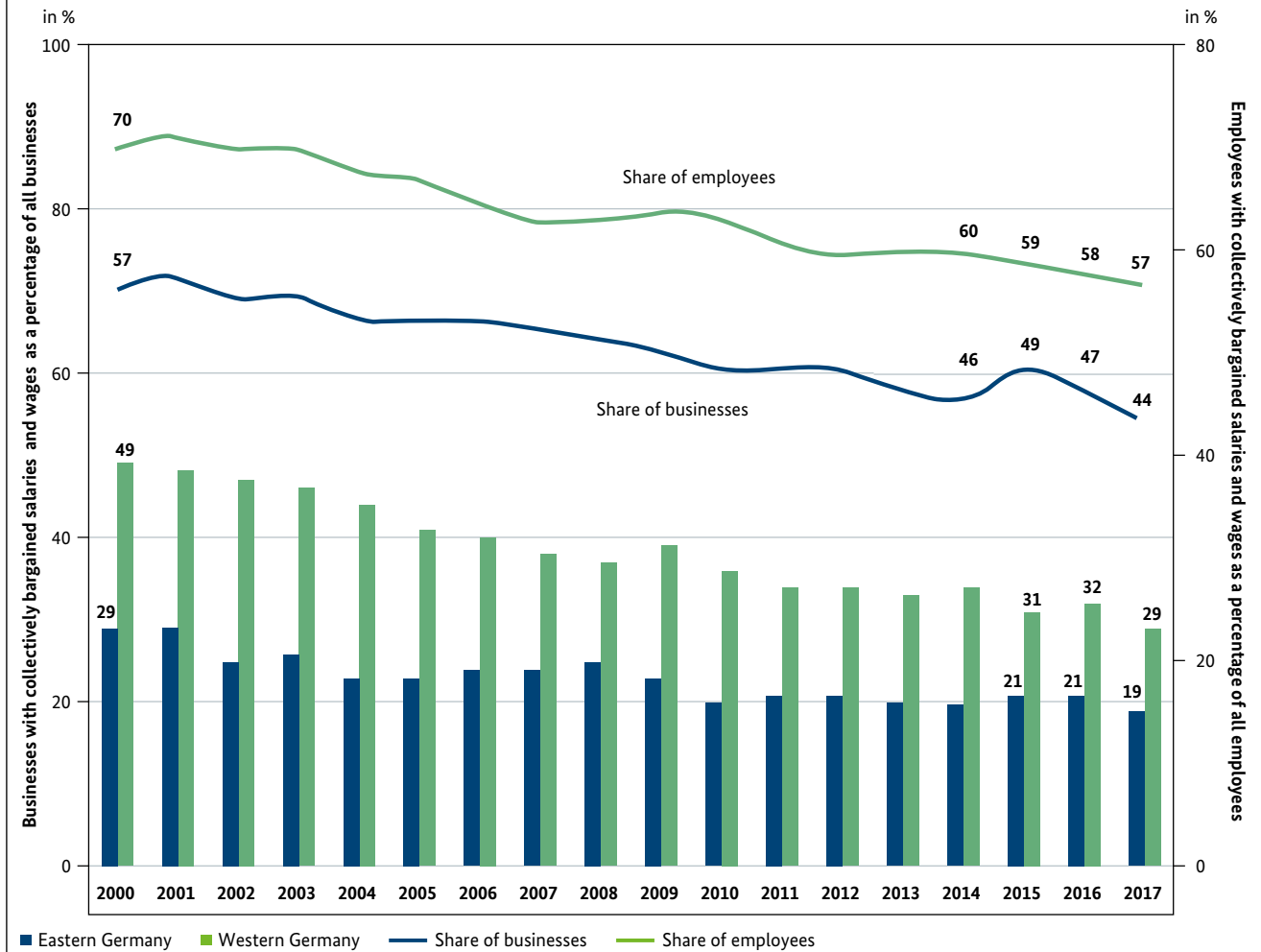
The general earnings gap in western Germany in 2017 dropped by one percentage point to 22% whilst it remained unaltered in eastern Germany at 7%. The reasons for this east-west divide are to be found in the different choice of job by women in the former federal territory and in the new federal states as well as in the different economic and labour market structures. With comparable work and equivalent qualification, the adjusted earnings gap between women and men in Germany as a whole was an average of 6% in 2014.

The share of women between 25 and 55 who primarily pay their own way in life through their work is higher in eastern Germany (77%) than in western Germany (70%). By contrast, there are only small differences between men of this age in both parts of the country.

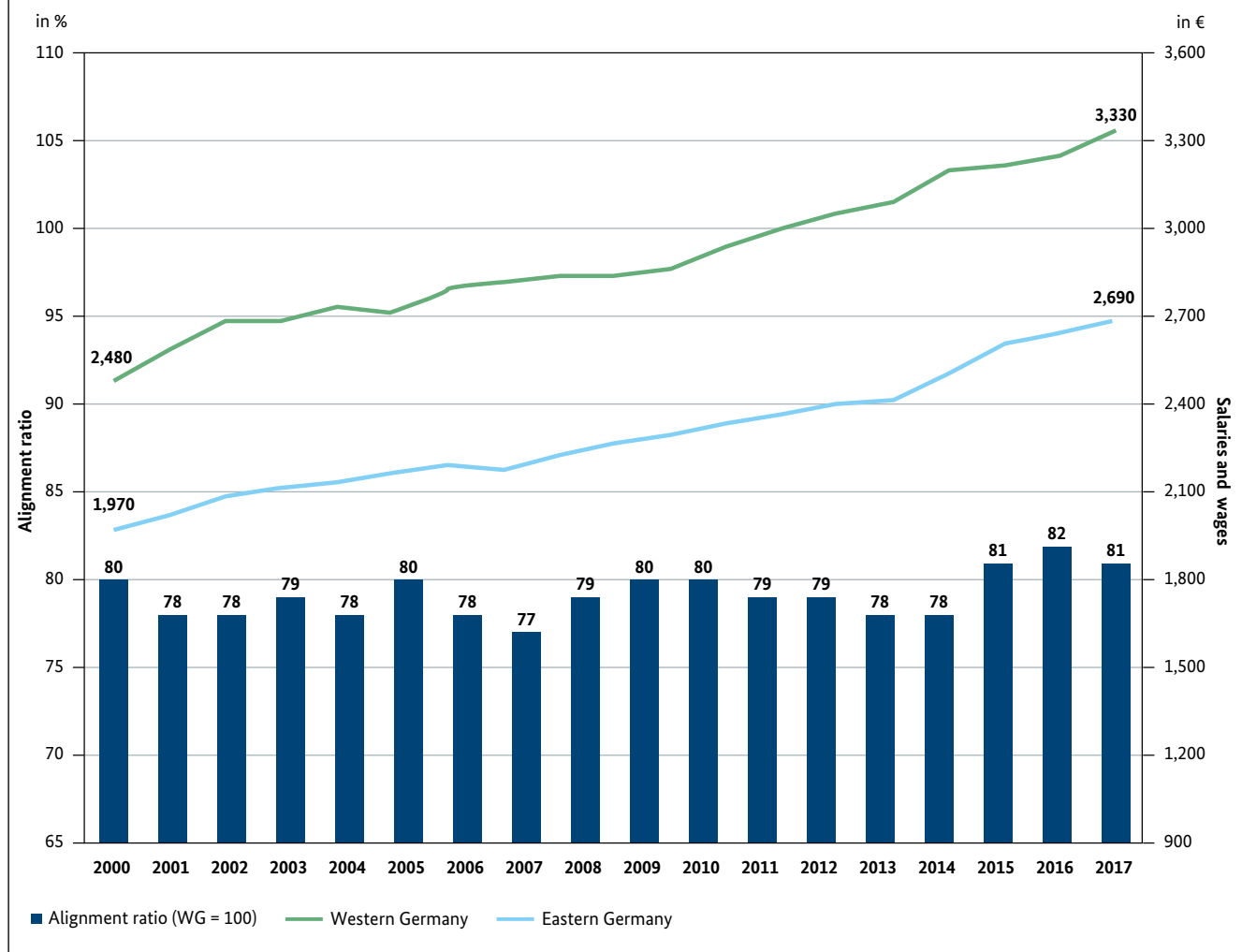
38 WSI-Tarifarchiv (2018). Tarifsteigerung und Tarifniveau Ost/West, status: March 2018, retrievable online at: https://www.boeckler.de/wsi-tarifarchiv_4836.htm.

39 Federal Ministry for Economic Affairs and Energy (published by IAB Establishment Panel, Eastern Germany 2017 – results of the 22nd wave, 2017, July 2018, Berlin, p. 98 f. The details on the gross average salaries and wages refer to full-time equivalents. This is a temporal value which specifies the number of employees converted into full collectively bargained working time.

Figure 9: 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, 1998–2017



Source: Federal Ministry for Economic Affairs and Energy (publisher). IAB Establishment Panel, Eastern Germany 2017 – results of 22nd wave, July 2017, July 2018, Berlin

Figure 10: Average gross monthly earnings in eastern and western Germany and alignment ratio, 1998–2017

Source: IAB Establishment Panel, Eastern Germany 2017, results of the 22nd wave, July 2018

4.3. Minimum wage

On 1 January 2015, a general statutory gross minimum wage of €8.50 per hour came into effect as required under the Minimum Wage Act. This minimum wage applies equally to eastern and western Germany. With effect from 1 January 2017, the minimum wage was increased to €8.84. As of 31 December 2017, all transitional provisions on the statutory minimum wage also expired with the result that since 1 January 2018, sector-specific minimum wages below €8.84 are no longer admissible. Higher sector-specific minimum wages remain valid.

According to the Minimum Wage Act, a Minimum Wage Commission made up of employers and workers must decide every two years on an adjustment of the minimum wage. The Minimum Wage Commission adopted the second resolution on the adjustment of the minimum wage in June 2018. This second resolution comprises a phased

adjustment proposal which provides for increasing the gross minimum wage in a first phase as of 1 January 2019 to €9.19 and in a second phase starting from 1 January 2020 to €9.35.

The Minimum Wage Commission has estimated in its reports so far, that after introduction of the minimum wage, the hourly rates in eastern Germany rose more steeply than in western Germany. Particularly in the eastern German businesses with a high proportion of minimum wages, the hourly rates rose significantly in the year in which the minimum wage was introduced (by around 7% in 2015 over the average of the corresponding previous year's quarter compared with a rise of 4% in hourly earnings in eastern Germany). In 2016, the rise in the hourly rates in the sectors affected by the minimum wage rose slightly under and after adjustment of the minimum wage on 1 January 2017 compared with the average development of the hourly rates in eastern Germany.⁴⁰

⁴⁰ Minimum Wage Commission (2018). Second Report on the Impact of the Statutory Minimum Wage. Report of the Minimum Wage Commission to the Federal Government under Section 9 (4) Minimum Wage Act, Berlin.

Table 13: Minimum collectively bargained wages under the Posted Workers Act, the Collective Agreements Act and the Temporary Employment Act in € per hour

Sector	Employees/salary group	1 July 2018	Next level
Construction industry			from 03/2019
West	Worker	11.75	12.20
	Skilled worker	14.95	15.20
		Berlin: 14.80	Berlin: 15.05
East		11.75	12.20
Training and further education	Educational employee	15.26	
Roofing trade			from 01/2019
	Unskilled worker	12.20	
	Skilled worker	12.90	13.20
Electrical crafts			from 01/2019
		10.95	11.40
Industrial cleaning			from 01/19
West (including Berlin)	Inside and upkeep cleaning	10.30	10.56
Glass and facade cleaning		13.55	13.82
East	Inside and upkeep cleaning	9.55	10.05
Glass and facade cleaning		12.18	12.83
Money and valuables transport services			
West (regionally differentiated)	Mobile services	12.90–16.53	
Stationary services		10.91–13.56	
East (including Berlin)	Mobile services	12.64	
Stationary services		10.38	
Scaffolding trade		11.35	
Painting and decorating trade			from 05/2019
Nationwide	Unskilled worker	10.60	10.85
West (including Berlin)	Journeyman	13.30	
East	Journeyman	12.40	12.95
Nursing care sector			from 01/2019
West (including Berlin)		10.55	11.05
East		10.05	10.55
Stone mason and stone sculpturing trade		11.40	
Temporary agency workers			from 04/2019
West		9.49	9.79
East (including Berlin)		9.27	9.49

Source: In-house

The introduction of the minimum wage was associated with a decline in low-paid work exclusively.⁴¹ However, this decline was counterbalanced by a larger growth in employment subject to social insurance contributions so that total employment between December 2014 and December 2016 in

the former federal territory and Berlin rose by 0.9% and in the new federal states (excluding eastern Berlin) by 0.7%.⁴² The growth in employment subject to social insurance contributions was greater in businesses greatly affected by the minimum wage than in those that were affected less.⁴³

41 Frentzen et al. (2018). Beschäftigungswirkungen des Mindestlohns, WISTA No. 1, published by the Federal Statistical Office.

42 Frentzen et al. (2018). Beschäftigungswirkungen des Mindestlohns, WISTA No. 1, published by the Federal Statistical Office. Bruttel et al. (2017) come to similar conclusions. Der gesetzliche Mindestlohn in Deutschland: Struktur, Verbreitung und Auswirkungen auf die Beschäftigung, WSI Mitteilungen 7/2017 and Garloff (2017). Side effects of the introduction of the German minimum wage on employment and unemployment: Evidence from regional data – Update, BMWi discussion paper.

43 Frentzen et al. (2018). Beschäftigungswirkungen des Mindestlohns, WISTA No. 1, published by the Federal Statistical Office.

A comprehensive evaluation of the impact of the general minimum wage which, in addition to descriptive statements, also examines causal correlations, is planned for 2020 under the Minimum Wage Act.

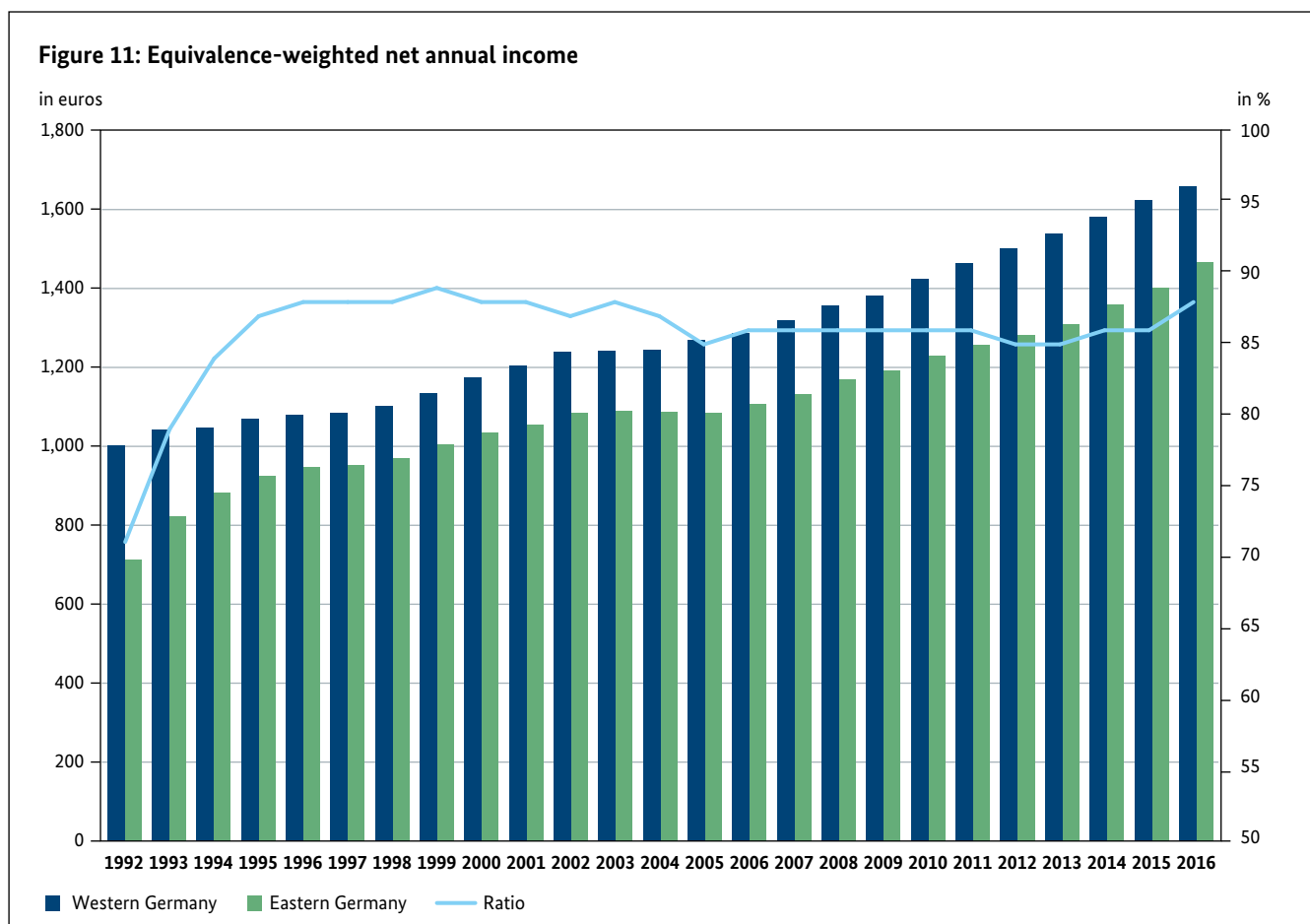
Minimum sector wages above the statutory minimum loan negotiated by the collective bargaining partners continue to hold their own. In July 2018, 11 sectors had sector-specific minimum wages negotiated by the collective bargaining parties. These were declared to be generally binding under the Posted Workers Act, the Collective Bargaining Act and the Temporary Employment Act, and are thus binding for all employers in those sectors. Table 13 shows the status as of 1 July 2018 for the collective bargained sector-specific minimum wages. In a little over half of the sectors listed, the sector minimum wages in the east and west still differ. Compared with the previous year, increases were recorded in most sectors.

4.4. Income situation of private households

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

Following the initial strong convergence of the average equivalence-weighted annual net income in the first years after reunification (see Figure 11), the convergence process came to a standstill in the mid-nineties. Following an increase in the income disparities in the first half of the 2000s, a slight narrowing of the gap since 2005 can be observed.

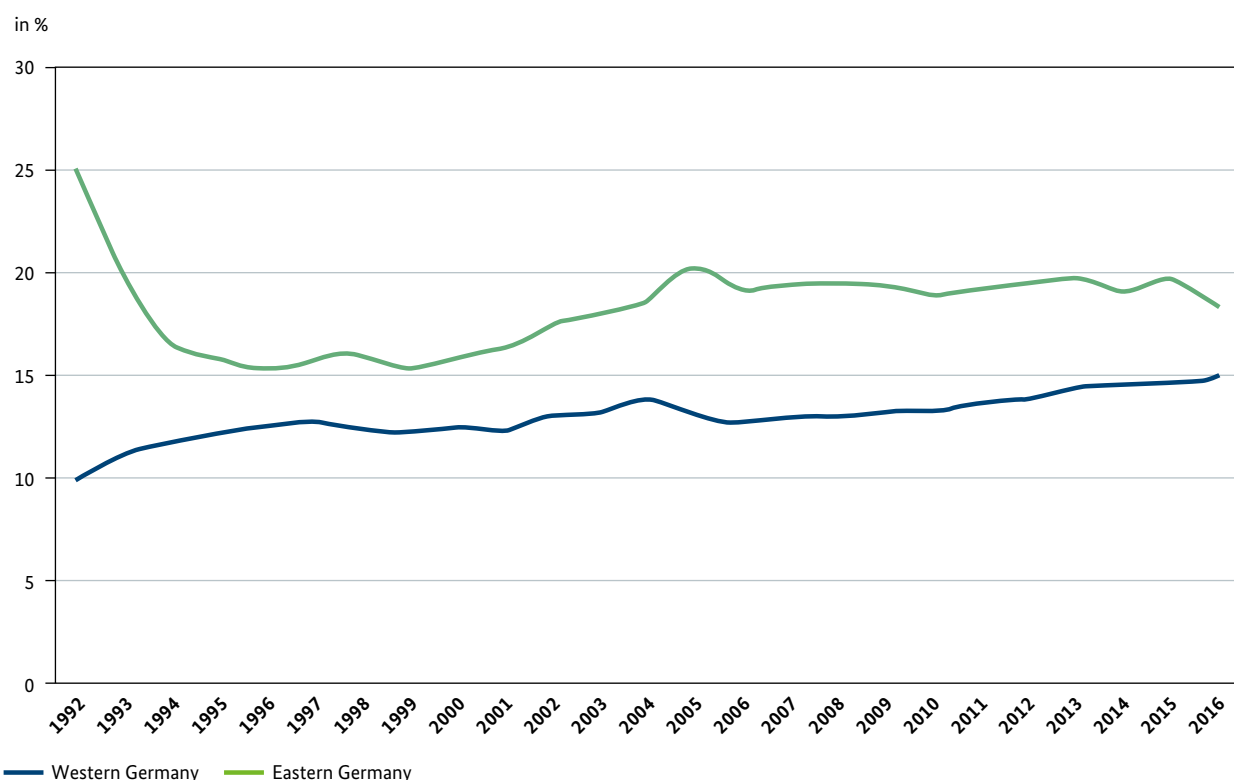
During the weak economic period affecting the entire country in the first half of the 2000s, the at-risk-of-poverty rate⁴⁴ rose much more significantly in the new federal states than in western Germany. Since 2005 it has been more or less constant, with a slightly increasing trend in western Germany (Figure 12).



Source: Calculations made by Informationen und Technik Nordrhein-Westfalen on the basis of microcensus

⁴⁴ It is an indicator of a relatively low position in income distribution. In order to be able to compare the disposable income of individuals in households of different sizes and types, household incomes are needs-weighted and converted to equivalence incomes. The at-risk-of-poverty rate does not provide any information on the actual degree of individual need. It measures the share of people whose equivalence-weighted net income is less than 60% of the average income ("at-risk-of-poverty threshold"). The effects of material benefits and services are not considered even if they lastingly improve the life of the persons affected. A frequent criticism of the at-risk-of-poverty rate is that it only reacts to relative changes and does not take gains in well-being into consideration at all.

Figure 12: Development of poverty risk ratios in eastern and western Germany with respect to an all-German poverty risk threshold



Source: Calculations of Informationen und Technik Nordrhein-Westfalen on the basis of microcensus

A look at the different at-risk-of-poverty thresholds in eastern and western Germany shows that the risk of poverty in eastern Germany is lower than in western Germany because net income in the new federal states is less unequally distributed than in the old federal states. This is illustrated by the Gini coefficient which describes the inequality of distribution on a scale of zero to one. The higher the value, the more unequal the distribution (see Figure 13).

4.5. Pensions and pension alignment

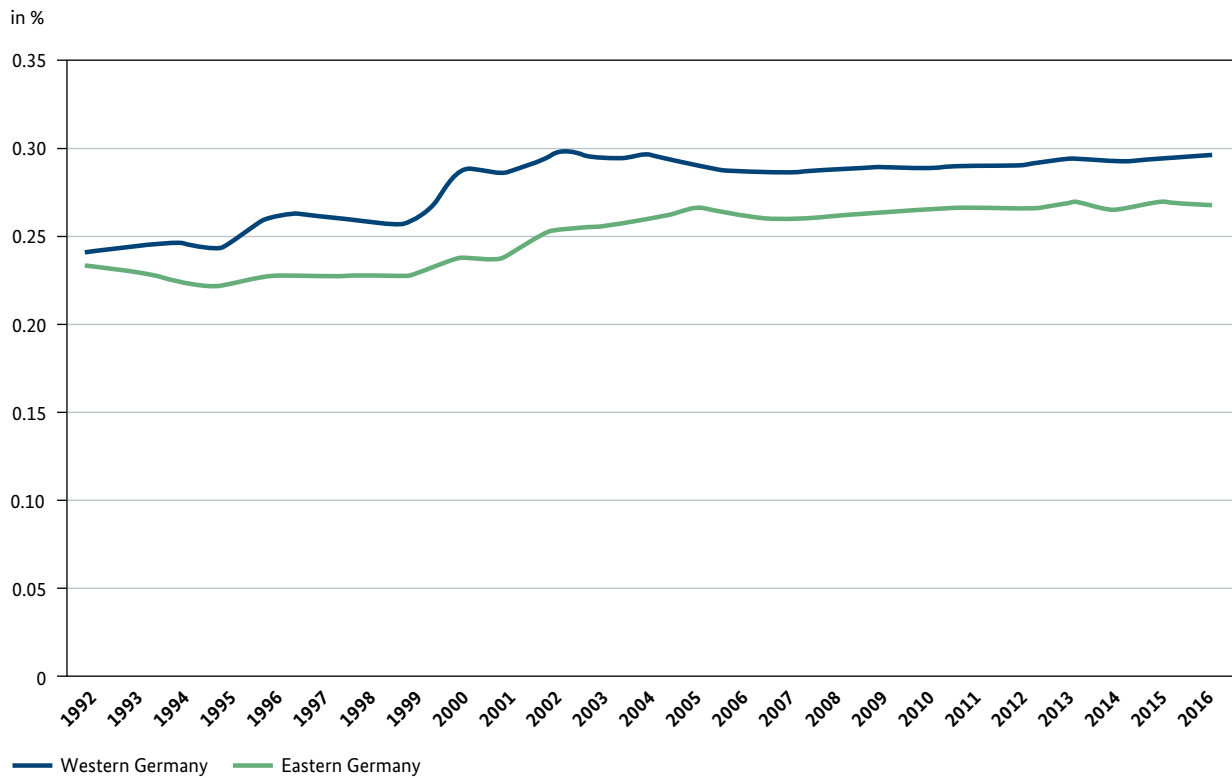
On 1 June 2017, the Bundestag adopted the amended draft of an Act on the Conclusion of the Pension Transition. The Act gradually implements the full alignment of pension values in east and west up to 2024.

In the first step, as of 1 July 2018 the current pension value (east) was raised to €30.69 and therefore to 95.82% of the western level. Under the Act on the Conclusion of the Pension Transition, the ratio as of 1 July 2019 will be at least 96.5% and will be raised in the subsequent years by at least 0.7 percentage points, until 100% of the current pension value is reached by 1 July 2024 at the latest.

However, should wages in eastern Germany rise distinctly faster in the coming years than those in the western federal states, the pension value alignment would similarly happen faster. For this reason, the Act on the Conclusion of the Pension Transition requires that it is determined by way of a comparison whether the pension adjustment in the east is higher according to the actual wage alignment in the east or according to the alignment steps required by law. The most favourable adjustment path is always to be given precedence here.

For example, this comparison for the pension adjustment as of 1 July 2018 resulted in the alignment of the pension values according to the wage development in the new federal states – albeit to a small extent – being higher than in the first alignment step, which provided for an alignment to 95.80% of the western level.

The pensions in the eastern federal states rose by 3.37% as of 1 July 2018 and those in the western federal states by 3.22%. The current pension value (east) increased to €30.69 and therefore to some 95.82% of the current pension value (west) in an amount of €32.03. The pension alignment in fixed stages guarantees that by 1 July 2024 at the latest, a uniform, current pension value will apply throughout Germany.

Figure 13: Unequal distribution of net income in east and west (Gini coefficient)

Source: Calculation of Informationen und Technik Nordrhein-Westfalen on the basis of microcensus

The contribution assessment ceiling and the basic formula applied in the east will similarly be increased gradually as of 1 January of each year in the annual ordinance on the pension calculation. The extrapolation factor for earnings in the east will be reduced in stages and will no longer apply as from 1 January 2025.

Starting from this date, uniform values will apply to the calculation of pensions in east and west.

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

1. Performance of the federal states and municipalities

The development of the federal-state and municipal tax revenues, just as for the Federal Government, has been positive in Germany on the whole and, according to a recent tax estimate from May 2018, will also remain so in the years to come. That being said, tax revenues in the eastern federal states are still significantly lower than in the western federal states. At the same time, revenues from the Solidarity Pact II will be reduced considerably over the coming years as planned. The restructuring of financial relationships between the Federal Government and the federal states as from 2020 will help to secure the long-term performance of eastern federal states and municipalities.

1.1. Financial situation of the eastern federal states and municipalities

1.1.1. Tax revenue and income situation in the federal states

In 2017, primary tax revenues in the eastern German non-city states⁴⁵ amounted to €1,235 per capita. In the same year, this figure was €2,211 per capita in the western non-city states⁴⁶, and €1,903 per capita in the financially weak western non-city states. The eastern non-city states therefore achieved 65% of the level of the financially weak western non-city states.

Federal fiscal equalisation and the additional shares in the context of the horizontal distribution of the federal states' share in VAT are essential for the ability of the eastern federal states and municipalities to act. If further allocations are also taken into account, a different picture emerges: total revenues of the non-city states and municipalities in eastern Germany amounted to €6,028 per capita in 2017 and were thus higher than those in the financially weak non-city states and municipalities in western Germany (€5,981 per capita).⁴⁷

This is largely due to Federal Government allocations. It is primarily thanks to Solidarity Pact II that the eastern non-city states currently have even higher per capita income which is intended to fund infrastructure measures and to compensate for the disproportionately low financial strength of the municipalities. However, these supplementary Federal Government allocations are degressive and will be successively reduced: from €2.9 billion in 2017 to €2.3 billion in 2018 and €1.7 billion in 2019.

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

1.1.2. Financial situation of the municipalities

At €837, municipal tax revenues per capita in the eastern non-city states reach around 70% of the revenues in the western non-city states (€1,203).

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

At around €2,770 per capita in 2017, the total revenue of municipalities in the eastern non-city states reached around 85% of the level in the western non-city states. This shows the importance of the support provided by fiscal equalisation and Solidarity Pact II also for the eastern German municipalities.

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

45 Federal-state tax revenues pursuant to the preliminary 2017 annual statement of accounts before distribution of turnover tax and fiscal equalisation, i.e. from income tax, corporation tax, trade tax apportionment and from federal state taxes (in delineation to the Fiscal Equalisation Act) and without VAT and primary VAT equalisation.

46 In 2017, these were Lower Saxony, North Rhine-Westphalia, Rhineland-Palatinate, Saarland and Schleswig-Holstein.

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

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

With the Act to Promote Investment by Municipalities with Inadequate Financial Resources, which came into effect on 30 June 2015, the Federal Government is helping to counteract weak investment by municipalities in a weak financial position.⁴⁸ For this purpose, the Federal Government is to make an additional €5 billion available between 2015 and 2020 to strengthen investments by municipalities, €3.5 billion thereof in the context of the Municipal Investment Promotion Fund (KInvFG I).

In 2017, the Federal Government increased the Municipal Investment Promotion Fund (KInvFG II) by €3.5 billion which is to be available up to the end of 2022 to promote investments of financially weak municipalities in their school infrastructure⁴⁹. Of the investment funds in the Municipal Investment Promotion Fund totalling €7 billion, €1.4 billion is attributable to financially weak municipalities in the eastern German federal states.

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

Since 2018, the municipalities are also offered assistance of an annual €5 billion.

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

The Act Amending the Basic Law and the Act on the Restructuring of the National Fiscal Equalisation System as from 2020 and on the Modification of Budgetary Provisions of July 2017 restructure the financial relationships between the Federal Government and the federal states. The Acts provide for annual relief of the federal states by the Federal Government as from 2010, initially by around €9.7 billion.

Of this figure, some €2.6 billion will be attributable to the eastern German federal states.

The agreed restructuring of the financial relationships between the Federal Government and the federal states abolishes the advance equalisation of turnover tax and replaces the fiscal equalisation by financial capacity equalisation with respect to the horizontal distribution of VAT. This horizontal financial capacity equalisation will in future be realised by supplements and discounts on the VAT of the federal states distributed according to number of citizens. The restructuring also provides for the Federal Government supporting financially weak federal states more than it has done so far, starting from 2020, by supplementary grants. With the expiry of the Solidarity Pact II funds, the parallel system of regular fiscal equalisation and the special grants to eastern Germany shall terminate at the end of 2019 as planned. Nevertheless, in 2019 too, the major part of the funding provided by the equalisation system will be channelled to the federal states of eastern Germany.

A further change in the restructuring of the financial relationships between the Federal Government and the federal states is that the Federal Government can now support investments in financially weak municipalities in the area of municipal education infrastructure based on the new Article 104c Basic Law. The Acts also contain further regulations to improve the activities in the federal state (for example, reform of the motorway administration, digital citizens' portal for administrative services).

2. Infrastructure: energy, communications, transport

Publicly accessible infrastructures such as roads, energy and communication networks provide the foundation for our everyday life and work. The focus has shifted since German reunification here. Whilst at the beginning of the '90s, emphasis was placed on roads, water pipelines and the local energy networks, the national energy transport and broadband supply are now moving to the fore in view of the energy transition and digitalisation. However, at the same time the "classic infrastructure" continues to be important. This is because in an increasingly complex world, increasingly complex requirements will be placed on infrastructure.

⁴⁸ Between 2015 and 2020, the Federal Government will grant financial aid to the federal states under the Municipal Investment Promotion Fund that was set up with special funds in 2015 amounting to €3.5 billion. Under this scheme, support rates for investments by financially weak municipalities will be as high as 90%. Furthermore, the Federal Government will make another €1.5 billion available in 2017 to enable municipalities to invest more. This relief will be achieved through an increase of €500 million in the Federal Government's contribution to the cost of accommodation and heating under Social Code II and an increase of €1 billion in the municipal share in VAT.

⁴⁹ The support rate is up to 90% also for investments under the KInvFG II. Restructuring, conversion and extension of school buildings of general education and occupational schools can be co-funded. Where more economical than refurbishment, replacement new buildings can also be supported. The funding of new school buildings and the extension of capacities are and remain a task for the federal states and municipalities alone. The acquisition of fittings and furnishings and of technical equipment such as laptops and tablets cannot be supported. By contrast, measures to guarantee digital requirements placed on school buildings can be supported where they are taken to supplement refurbishment, conversion or extension and where they refer to systems permanently connected with the building such as data lines. Investments in the care facilities belonging to the schools and measures to create freedom from barriers in school buildings are also eligible for funding.

2.1. Energy infrastructure

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

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

The important role played by the new federal states in the energy transition can be seen particularly well by 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, which are to be found in regions with a high wind profile such as Mecklenburg-Western Pomerania, Brandenburg and Saxony-Anhalt. Open-air solar installations are also appearing to a great extent in the new federal states due to the higher potential for conversion areas. Lignite also continues to be another important part of energy generation in eastern Germany, especially in Saxony and Brandenburg where it accounts for a large part of the electricity generated there.

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

The expansion of the transmission networks must be further accelerated. Of the current 65 network projects in Germany, 15 projects with 3-phase systems are fully or partially planned in the new federal states. These include projects that are particularly important for transporting electricity to southern Germany, such as the Thuringia electricity bridge that went into full operation in September 2017. As part of the so-called south-west interconnection from Halle to Schweinfurt together with the line from Redwitz to Grafenrheinfeld, the Thuringia electricity bridge

closes the historical gap between the networks in the old and new federal states. The starting point for one of the planned high-voltage DC transmission lines with primarily underground cables, SuedOstLink, is located in Saxony-Anhalt. The routes of these lines have not yet been decided upon. The route is due to be completed by 2025. All in all, around 1,300 kilometres of lines will be installed for network expansion and upgrading projects in the new federal states. Thuringia electricity bridge, just like SuedOstLink, has been given European status as a Project of Common Interest.

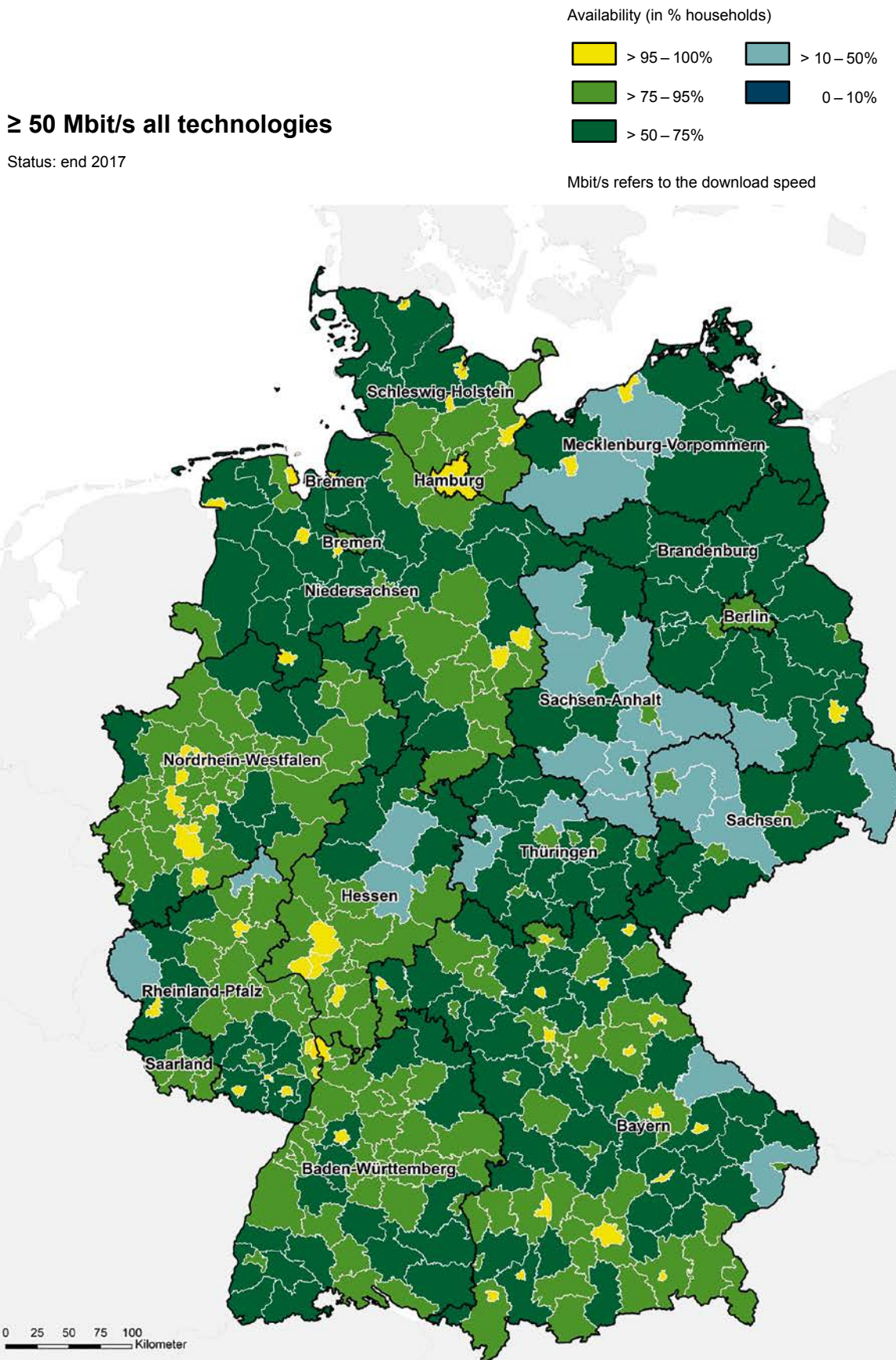
The relatively higher grid fees in many cases are a characteristic of electricity grid providers in rural areas, also in eastern Germany in particular. With the Act on the Modernisation of the Grid Fee Structure which was adopted in summer 2017, the regional differences in grid fees in Germany will be gradually reduced. This will be done firstly by gradually aligning the transmission grid fees by 1 January 2023 – as is now regulated by a legal ordinance decided upon by the Federal Government and the Bundesrat – and secondly by measures to reduce the grid costs as a result of the network fees which have been 'avoided'.

The BMWi launched the programme entitled Window to Intelligent Energy – Digital Agency for the Energy Transition (SINTEG) with the aim of developing and testing new approaches for a climate friendly, safe and efficient energy supply with high shares of renewable energy sources. The eastern German model region Wind-NODE is intended to develop solutions for the efficient interaction between renewable production capacities, electricity networks and energy users on the basis of digital networking. The special feature of the region is that it combines sparsely populated areas with strong energy use with urban consumption centres and some eleven electricity grid connections.

2.2. 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.

Figure 14: Broadband availability in municipalities of Germany



Source: Federal Agency for Cartography and Geodesy (www.bkg.bund.de)/Federal Ministry of Transport and Digital Infrastructure/ TÜV Rhineland

In the last legislative period, the Federal Government made funds amounting to €4.4 billion available for regions where no network expansion will be carried out by the private sector in the next three years. A disproportionately high share of the funds already applied for and approved is going to the new federal states. With an approved funding volume of some €2 billion for the some 350 applications from the new federal states, total investments of around €4 billion will be triggered and further private sector investments initiated in neighbouring areas. The funding programme will therefore have a very positive impact there and also throughout Germany.

In the current legislative period, up to €12 billion are to be earmarked for the promotion of broadband expansion in a special digital infrastructure fund in accordance with the Coalition Agreement. In future, glass fibre networks are to be available in every region and in every municipality. Schools, industrial areas and hospitals will be connected as a priority. Only those sections using glass fibre are eligible for funding.

Approaches to improve broadband infrastructure in economically less developed rural areas are being tried and tested in the pilot project entitled MOROdigital – Digital Infrastructure as a Factor of Regional Development. The pilot project, which will run to mid-2018, aims to enable six economically less developed rural regions to improve their weak broadband infrastructure through their own initiatives.

2.3. Transport infrastructure

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

2.3.1. German Unity Transport Projects

German Unity Transport Projects (VDEs) account for the lion's share of investments in the new federal states. This programme, which has funding of around €42 billion, includes nine railway and seven motorway projects as well as one waterway project. By the end of 2017, a total of €36.8 billion was invested in these projects. The majority of the projects have already been completed. When it comes to investments in rail, the focus has been on building and expanding the link between Nuremberg and Erfurt (VDE 8.1) and on extending the route from Leipzig to Dresden (VDE 9).

The Berlin to Munich route was opened in a ceremony on 8 December 2017. The completion of VDE 8.1 achieves travel times between Erfurt and Nuremberg of around 60 minutes. Some 99% of the road projects have so far been completed or are under construction. By the end of 2017, a total of 1,940 km had been completed in the road projects whilst a further 50 km are currently under construction. In April 2016, work began on the 8-lane expansion of a section of the Berlin south ring from the A 9 to the A 115 (VDE 11). This very busy section of the A 10 is to be completed at the end of 2020. The final section of VDE 13, the A 143, western ring road in Halle, was approved once again in 2018 and work on it is to be commenced soon. The link from the Rhine/Main and Rhine/Ruhr centres to Thuringia, Saxony and Poland was significantly improved in VDE 15. The A 4 has now been transformed into an efficient west-east road link and has been fully open for traffic since 2014. Work is well underway on a new section of the A 44 between Kassel and Eisenach.

In the VDE 17 project, i.e. the waterway link between Hanover and Berlin, Magdeburg has been fully accessible up to a depth of 2.80 m since the end of 2017 as a result of various construction measures on the Mittelland canal. Restricted two-layered container traffic is possible through to Berlin. The project is to be completed in full by 2025. 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. Work on the almost 15 km section from Tangerhütte to Lüderitz is to start in August 2018. Furthermore, work is also to start in 2018 on the last section of the A 72 (AS Rötha – AD Leipzig-Süd) that connects the supra-regional centres of Chemnitz and Leipzig.

Areas in the eastern part of Saxony (country triangle) are also to be reached considerably better as a result of the construction of the B 178 between Weißenberg (A 4) and the federal border between Germany and Poland. Not only eastern Germany but also Germany as a whole has benefited from the creation of more efficient transport connections between east and west.

2.3.2. 2030 Federal Transport Infrastructure Plan

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

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

3. Demography and equal qualities of life

The population of Germany reached a new record level on 30 November 2017 with around 82.8 million people according to the Federal Statistical Office.

In the new federal states (excluding Berlin), the number of inhabitants remained relatively stable over the past three years at some 12.6 million.

However, on a smaller scale, larger differences emerge. For example, the cities and university towns in eastern Germany primarily attract young and well qualified people. Many of them used to live in rural areas. The migration to the towns and cities is leading to a further thinning in the rural and primarily peripheral regions. The impact of this development can be clearly seen even today in the area of the technical and social infrastructure. The quality of life between the prosperous regions such as Berlin and the surrounding area, Leipzig, Dresden and Erfurt on the one hand and the economically weak migration areas on the other is becoming increasingly disparate. In the western federal states, the economic and demographic divide between the regions is also on the increase.

In an effort to counter the regional disparities, the Federal Cabinet set up a commission on 18 July 2018 which is intended to put forward specific proposals on the creation of equal qualities of life throughout Germany. Central topics here will be the guarantee of public services and equality of opportunities in participating in social life.

3.1. Demographic framework conditions

In the coming years, the development of the population will take different courses in the eastern and western federal states and at a regional level, thereby making the economic adjustment process in eastern Germany difficult.

3.1.1. Population development

In the 1990 to 2016 period, the population in eastern Germany declined by 11.2% to 16.2 million inhabitants. The decline in population took place in the eastern German non-city states (- 15%) with Saxony-Anhalt accounting for the largest losses (- 22%). In Berlin, there was initially no constant trend recognisable in the development of population after 1990. Only since 2005 has there been a steady rise in population so that in 2016 the number of inhabitants was 4.1% above the 1990 level.⁵⁰ In the former territory of the Federal Republic (excluding Berlin), the number of inhabitants rose by almost 8% in the same period.

In 2015, there was a slight increase in population since reunification in all states of eastern Germany. This positive result was primarily attributable to the high migration gains from abroad. From 2015 to 2016, only Brandenburg amongst the new federal states recorded a slight increase in population whilst all others showed a slight decline.⁵¹ An increase of 1.6% can be determined for Berlin.⁵²

Fundamental changes in the long-term population development in the non-city states of eastern Germany, particularly a demographic change in trend are not to be expected in view of the migration from abroad even if it can alleviate the long-term trends.

According to the results of the 13th coordinated population projection⁵³ as updated in 2015, the population in the eastern non-city states will fall by around 0.8 million people (6.4%) assuming a continuous demographic development and stronger migration from abroad. In the same period, the number of inhabitants in the western non-city states is expected to rise slightly by around 700,000 (1.1%) with a clear growth in population of some 7% in the city states.⁵⁴

50 Source: Federal Statistical Office, data from the population update, calculations: BiB.

51 The results of the population status for 2016 are comparable with the previous year's figures to only a limited extent due to methodical changes in the migration statistics, technical further developments of data supply from reporting and conversion to a new statistical preparation process.

52 Source: Federal Statistical Office, data from the population update, calculations: BiB.

53 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.

54 Results of the 13th coordinated population projection of the Federal Statistical Office and the statistical offices of the federal states, updated on the basis: 31.12.2015 – variant 2-A: continued trend based on higher immigration.

3.1.2. Population density and degree of urbanisation

At the end of 2016, the population density in the eastern federal states (116 inhabitants/km²) is much lower than in the western federal states (267 inhabitants/km²). The federal states with the lowest population density are Mecklenburg-Western Pomerania (69 inhabitants/km²) and Brandenburg (84 inhabitants/km²).⁵⁵

There are also great differences between eastern and western Germany with regard to the settlement structure and the degree of urbanisation⁵⁶.

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

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

3.1.3. Population age structure

The shift in ratios of age groups in the coming years will be much greater in eastern Germany than in the west. The proportion of people of working age⁵⁸ will be much smaller while the proportion of people over the age of 65 will rise steeply.

At the end of 2016, around 17% of the population in the new federal states (excluding Berlin) was under the age of 20 and 59% of the population was aged between 20 and under 65. Up to the year 2030, there will be very little change in the number of young people. However, the number of working-age people will fall considerably to around 52%. The share of people over the age of 65 will rise from one quarter to just under one third (32%). In the western German non-city states and in the city states, the share of those aging will be distinctly slower.

Table 14: Degree of urbanisation in the non-city states as a percentage⁵⁷

Degree of urbanisation	New federal states		Old federal states	
	Territory (%)	Population (%)	Territory (%)	Population (%)
Densely populated	3.3	27.8	4.9	31.3
Medium settlement density	18.9	37.9	33.0	46.1
Sparsely populated	77.8	34.3	62.0	22.6

Source: Federal Statistical Office (Destatis), 2018 (on behalf of the Statistical Offices of the Federal Government and the federal states as joint publishers), data from the List of Municipalities (territory status 31.12.2016) and in-house calculations

55 Source: Federal Statistical Office and state statistical offices, List of Municipalities, administrative classification in Germany, territory status: 31.12.2016, https://www.destatis.de/DE/ZahlenFakten/LaenderRegionen/Regionales/Gemeindeverzeichnis/Administrativ/Archiv/Verwaltungsgliederung/31122016_Jahr.html, calculations: BIB.

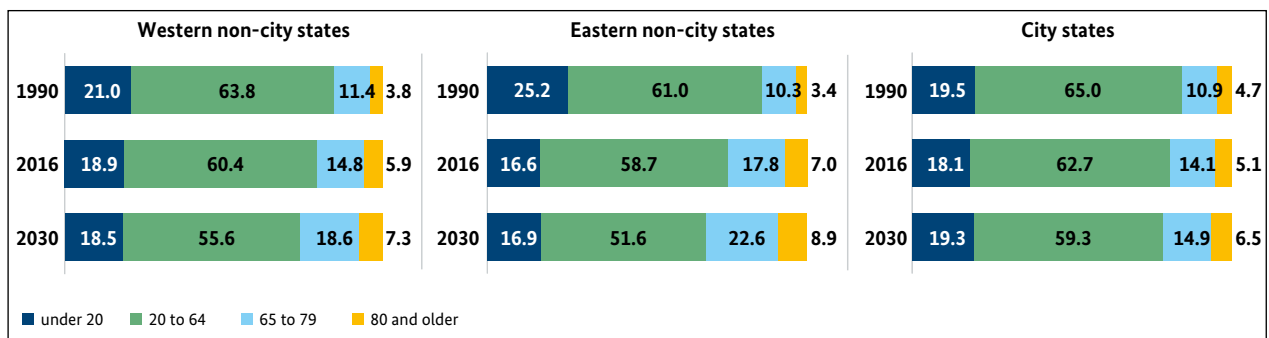
56 The degree of urbanisation describes the density of inhabitants of a municipality depending on the density of surrounding municipalities. It classifies the municipalities as follows: densely populated regions are defined as cities or metropolitan areas in which 50% or more of the population live in very dense clusters. Regions with a medium settlement density are defined as cities, suburbs and towns in which less than 50% of the population live in rural areas and less than 50% of the population live in very dense clusters. Sparsely populated regions are defined as rural areas in which more than 50% of the population live in rural areas (See 2017 Statistical Yearbook, p. 29.).

57 Source: Federal Statistical Office and state statistical offices, List of Municipalities, administrative justification in Germany, territory status: 31.12.2016, <https://www.destatis.de/DE/ZahlenFakten/LaenderRegionen/Regionales/Gemeindeverzeichnis/NichtAdministrativ/Aktuell/33STL.html>, calculations: BiB.

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

Figure 15: Population age structure in 1990, 2016 and 2030* by federal states groups

in %



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

3.1.4. Fertility and mortality

In 2016, the birth rate in the whole of Germany amounted to 1.59 children per female, thus rising for the fifth time in succession. At an average of 1.64 children per female, this figure was higher in the new federal states than in western Germany (1.60) (each excluding Berlin). Brandenburg (1.69) and Saxony (1.66) recorded the highest birth rates in 2016. Brandenburg registered the largest increase compared with the preceding year (from 1.54 to 1.69 children per female).⁵⁹

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

The trend to give birth later in life was clearly pronounced in the last five decades. In 1970, women giving birth to their first child in western Germany were around 24 years old and 22 years old on average in the former GDR.⁶⁰ In 2016, the average age of women giving birth for the first time in Germany was 29.7 years old and 28.7 years old in

the new federal states. Whilst the trend towards giving birth later in life continued in the new federal states in 2016, this trend was interrupted in western Germany. The average age for giving birth to the first child dropped slightly here compared with 2015 (29.8 years old). The comparatively young foreign mothers contributed to this trend who gave birth more frequently in 2016. By contrast, the age of mothers with German nationality giving birth for the first time increased.

According to the results of the current population projection, the number of births is expected to decline by approximately 25% in the eastern German non-city states and by around 11% in the western German non-city states between 2016 and 2030. A decline of 10% is expected for the city states.⁶¹

At the same time, the larger birth cohorts will reach an age in which mortality risks are greater. This means that, despite rising life expectancy⁶², the mortality rate is expected to increase. There were, for instance, 55,000 more deaths than births in the new federal states (excluding Berlin) in 2016 and this deficit is likely to rise to around 96,000 persons per year in 2030.⁶³

59 <https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/Bevoelkerung/Geburten/Tabellen/GeburtenZiffer.html>.

60 Federal Statistical Office: Geburten in Deutschland. Issue 2012, p. 11: <https://www.destatis.de/DE/Publikationen/Thematisch/Bevoelkerung/Bevoelkerungsbewegung/BroschuereGeburtenDeutschland0120007129004.pdf?blob=publicationFile>.

61 Results of the 13th coordinated population projection by the Federal Statistical Office and the statistical offices of the federal states, updated on the basis of 31.12.2015 – variant 2-A: continued trend based on higher immigration and birth statistics 2016.

62 See section 3.9. Health and long-term care.

63 Source: Federal Statistical Office, results of the 13th coordinated population projection by the statistical offices of the federal states, updated on the basis 31.12.2015, calculations: BiB.

3.1.5. Domestic migration

In 2016, the eastern German states registered an increase in migration of 1,000 people as in the years previous so that the balance of influx and migration between all federal states was positive in 2016. The migration surplus was concentrated merely on Berlin, Brandenburg and Saxony in 2016, unlike the previous years. The other eastern German federal states recorded losses in domestic migration⁶⁴.

The winners in domestic migration were primarily the attractive areas of conurbation. While big, economically strong cities in the east are likely to become magnets in the years to come, more and more people are moving away from rural, peripheral areas.

3.1.6. Foreign migration

Many foreigners came to Germany in 2015 and also in 2016. On the whole, Germany recorded a positive foreign migration balance of around 1.1 million persons in 2015 and some 500,000 persons in 2016⁶⁵.

In the last few years, the migration of those seeking protection has risen perceptibly worldwide. While the influx of refugees to Germany had fallen considerably as from the mid-nineties, around 442,000 applications for asylum were submitted in 2015 and roughly 722,000 in 2016. In 2017, the number of applications for asylum dropped again to 198,000⁶⁶.

The high level of migration from abroad has led to a rise in population in Germany as a whole and also in the new federal states. In 2015, a migration surplus from abroad totalling 195,000 persons was registered in eastern Germany (including Berlin) which, however, reduced in 2016 to 121,000 persons.⁶⁷ This more than compensated for the deficits in terms of the difference between births and deaths in 2015 and 2016.

However, there is still a considerable east-west gap when it comes to the share of foreigners in the population. The proportion of foreigners in 2016 totalled around 12% in the old federal states and was almost twice as high as the figure of around 7% in the new federal states (including Berlin).⁶⁸ In rural regions, the percentage of foreigners is even much lower than in the urban areas.

The influx from abroad of persons in search of protection also has no great impact on this east-west gap. The distribution of asylum seekers is based on the 'Königstein formula'. On the basis of tax income and number of inhabitants, the formula stipulates the number of asylum seekers to be received by the individual federal states. Consequently, the eastern federal states (including Berlin) currently receive 20.7% of the asylum seekers; this share roughly corresponds to eastern Germany's share in the total population.

It is difficult to predict how the foreign migration balance will develop in the long term. However, even the continuation of annual net immigration from abroad into the eastern federal states at the same high level will presumably not be able to prevent the population from declining and in particular, the age of the population from rising in the long term.⁶⁹

3.2. Family, living arrangements and children

The aim of the Federal Government is to provide good education and participation opportunities for all children from the outset and to give parents possibilities to better balance family and work. Much has been achieved here by extending the child day care in all federal states but there is still more to do.

In eastern Germany, the childcare structure from infant to primary school children under the age of eleven continues to be stronger. In western Germany, the childcare ratio for children under age three amounted to 28.8% and in eastern Germany to 51.3% on 1 March 2017. On this date, the childcare ratio for children between three and five was almost the same in western and eastern Germany (93.0% and 94.8% respectively).⁷⁰

The childcare ratios for primary school children differ strongly between the federal states.⁷¹ In the eastern German federal states, very high childcare ratios were achieved. Of the primary school children between 6.5 and 10.5 of age, 50.4% were looked after in after-school care centres and 55.5% in whole-day primary schools. In the western federal states the childcare ratios for children in day-care centres (both in terms of whole-day school places and after-school care centres) is comparatively low: only 8.3% of the primary

64 Source: Federal Statistical Office, data from the migration statistics, calculations BiB.

65 See Federal Statistical Office, press release No. 088 dated 13.03.2018.

66 Source: Federal Office for Migration and Refugees.

67 Source: Federal Statistical Office, data from the migration statistics, calculations BiB.

68 Source: Federal Statistical Office, data on population trend, calculations: BiB.

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

70 BMFSFJ Kindertagesbetreuung Kompakt. Ausbau und Bedarf 2018.

71 Report Bildung in Deutschland 2016, p. 84.

school children between 6.5 and 10.5 of age visit a day-care centre and 26.3% a whole-day primary school.

The care requirements for the parents of children under three years of age differ similarly. They were distinctively higher in the eastern German federal states in 2017 (58.7%) than in the western federal states (41.9%).⁷²

Both a place in a day-care centre and the number of hours available are important for parents in western and eastern Germany. About half of the parents of children between three and five actually need an additional five hours per week. There is a clear difference between western and eastern Germany in terms of the demand for extended opening hours (48.1% and 64.5% respectively).

The need for care for school children meets the demand in only some cases. In western Germany, only around half of the parents manage to secure a day-care place for their children. In eastern Germany too, the offers of after-school care and whole-day school do not meet the demands for care in such facilities. However, at 10 percentage points, the discrepancy is considerably smaller than in western Germany.⁷³

3.2.1. Family life and births

Families and children continue to be of great importance for people in east and west. For the majority, family is also where there are children irrespective of living arrangements. For 97% of the population therefore, an unmarried heterosexual couple with children is also a family, for 88% a homosexual couple with children, for 85% a mother living with a new partner without marrying, and for 82% a single mother.⁷⁴

The attitudes of how family life looks, or should ideally look, have also become far more diverse and modern. For example, egalitarian attitudes concerning partnership and parenting have increased in which on the one hand, mothers are seen to a greater extent in working life, and on the other fathers are seen more in family life. 84.5% of the 20 to 39 years old say that mothers of small children should work. Two thirds of mothers with a two year old child specified working hours of between 16 and 35 hours per week as ideal.⁷⁵

In Germany, 69% of the parents are married. However, more than two decades after reunification, the incidence of family forms differs in the new and old federal states. In western Germany, the existence of children continues to be coupled more strongly with marriage than is the case in eastern Germany. In the new federal states, only slightly more than half of parents were married (52%) in 2016 whilst just under three quarters of parents were married in the eastern federal states. Consequently, there are more partnerships (22%) and single mothers (26%) in eastern Germany than in western Germany where 8% of parents are not married and 18% of the families have a single parent.⁷⁶

Children are important and have a great significance for people in Germany. Children also continue to be a central element in the cultural views of people on family. Satisfying their joint wish for a child is all important for many young adults. 53% believe it to be important that their partners want their own children. In 2014, 31% of young adults in western Germany and 20% in eastern Germany wanted three or more children. In 2000 this was 17% and 9% respectively. The number of couples without children all in all who wish to have three or more children has risen in western Germany from 17% to almost one third (33%), and in eastern Germany from 9% to 20%.⁷⁷

Nevertheless, there would appear to be a gap between the desired and actual number of children. In 2016, there was an under-age child in every second family (52%), two children in more than every third family (37%) and three or more children in 11% of families. The new and old federal states do not differ from each other here. However, a larger number of families have one child (57%) in eastern Germany than in western Germany (51%) (Table 15).

However, no conclusions can be made from Table 15 as to the number of children among women in total because this is a snapshot and women may have had more children over the course of time. If women aged between 45 and 49 are considered – who are therefore at the end of their so-called fertile phase – the differences in east and west remain intact.

72 Federal Ministry for Family Affairs, Senior Citizens, Women and Youth: Kindertagesbetreuung Kompakt. Ausbaustand und Bedarf 2018.

73 Deutsches Jugendinstitut: Kinderbetreuung im Grundschulalter. Angebotsstrukturen und Betreuungswünsche. 2017.

74 Federal Institute for Population Research (2013): Familienleitbilder. Vorstellungen, Meinungen, Erwartungen, Altersgruppe 20 – 39 Jahre.

75 Federal Institute for Population Research: Familienleitbilder. In 2012, a total of 5,000 randomly selected people born between 1973 and 1992 were surveyed by telephone in a representative survey. All people agreeing to a second survey were contacted once again in 2013 and 2014 to guarantee their reachability. In 2016, 1,858 people could be asked once again.

76 Federal Statistical Office 2018, results of the microcensus 2016 – Households and families.

77 Federal Ministry for Family Affairs, Senior Citizens, Women and Youth 2017: Familienbericht 2017.

Table 15: Families according to number of under-age children and area, 2016, in %

Number of children	Germany	Old federal states (excluding Berlin)	New federal states (including Berlin)
1 under-age child	52	51	57
2 under-age children	37	38	33
3 and more under-age children	11	12	10

Source: Federal Statistical Office 2018, Microcensus 2016, Households and Families, Tab. 5.2.1

In eastern Germany, 38% of the 45 to 49 year old women have one child. This figure is 24% in the west. By contrast, both the shares of families without children and of families with three or more children are higher in western Germany than in eastern Germany (Figure 16)⁷⁸. However, the number of families without children did not further increase in 2016 compared with 2008 and 2012.

3.3. Urban development and urban development assistance

The Federal Government's National Urban Development Policy as a joint initiative of the Federal Government, federal states and municipalities, is aimed at promoting integrated urban development. It is focused on integration and social cohesion as well as on strengthening the economic and ecological performance of the municipalities and

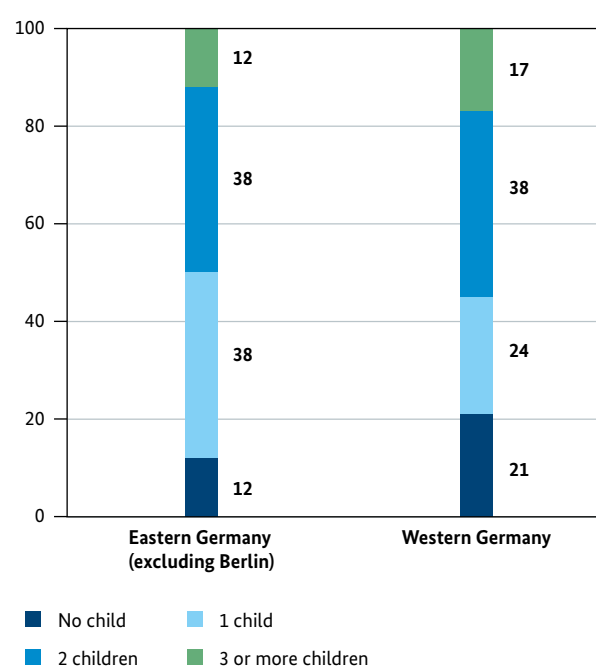
ensuring cultural diversity. Under the umbrella of the urban development policy, strategies and instruments are continuously further developed by representatives from politics, administration, industry, the academic world and civil society. The towns and cities in the eastern German federal states are also benefitting from the Federal Government's urban development policy.

As a joint task borne by the Federal Government, the federal states and municipalities, urban development assistance is an important part of urban development policy. For all urban development assistance programmes from 1991 right up to 2017, the new federal states received financial support totalling around €8.6 billion. This is commensurate with a share of approximately 60% of total funds. The special problems faced by the new federal states have been and still are being taken into account through a greater commitment of funds per capita in absolute terms compared with the old federal states.

In 2017, the Federal Government increased urban development assistance to a record level of €790 million. Within this framework, the Federal Government in particular strengthened the Social City and City Restructuring programmes to support social urban development and set up a new Green City Future programme. The Federal Government is continuing this urban development assistance at this high level in 2018, thereby making an important contribution to creating good life opportunities irrespective of place of residence in the cities and municipalities in all regions of Germany. The urban development assistance programmes therefore make a specific contribution depending on the local starting situation.

The funds in the Protection of Urban Architectural Heritage programme⁷⁹ are used in particular in urban centres of high historical, architectural and cultural value in an effort to revive the historical areas and to strengthen them as vital locations for living, working, trading, cultural and leisure activities. In the period from 1991 to 2017, measures were implemented in some 254 municipalities of the eastern federal states. Up to 2017, Federal Government funding was available totalling some €2.7 billion. Of this figure,

Figure 16: Number of children of women aged between 45 and 49 according to place of residence, 2016



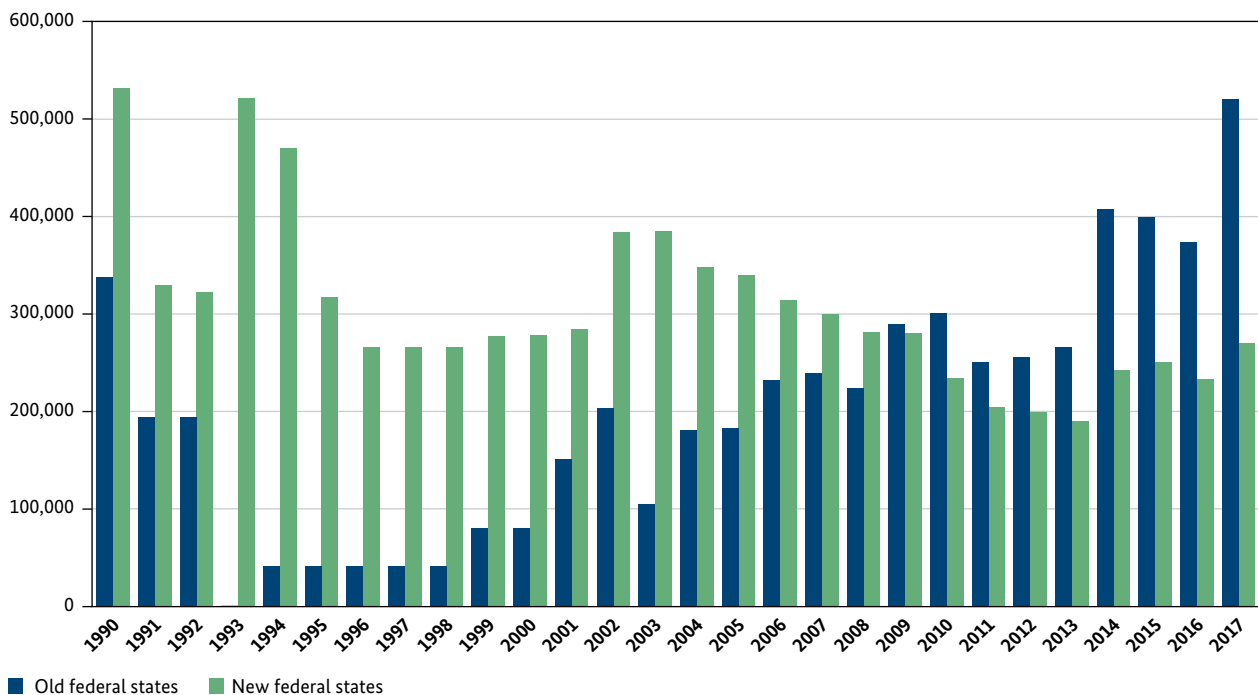
Source: Federal Statistical Office; calculations: BIB 2017, altered figure from demografie-portal.de

⁷⁸ Source: Federal Statistical Office, calculations: BiB 2017, altered figure from demografie-portal.de.

⁷⁹ The programme was launched in 1991 by the Federal Government in the eastern federal states to stop the decay of historic urban centres.

Figure 17: Federal Government funding for urban development assistance from 1990 to 2017

shares in € 1000's



Source: Federal Ministry of the Interior, Building and Community

around €2.4 billion was used for measures in the eastern federal states. The programme is being continued in 2018 with funding amounting to €110 million. €70 million is used for measures in the new federal states.

The Urban Restructuring of the New Federal States and the Urban Restructuring in the Western Federal States programmes were brought together in 2017 under consideration of the Solidarity Pact, Basket II, to produce a joint upgraded Urban Restructuring programme. The new Urban Restructuring programme makes an effective contribution throughout the nation to new urban quality and social stability in cities and municipalities. As the vacancy rates will continue to be high in most eastern German towns and cities, the special terms for support will remain the same. Up to 2017, financial assistance from the Federal Government totalling €2.9 billion was available for urban restructuring, of which some €1.8 billion was for the eastern federal states. A total of 1,206 measures in some 495 municipalities were implemented in the eastern German municipalities up to 2017. €260 million has been earmarked for the Urban

Restructuring programme in 2018, of which €120 million will flow to the new federal states.

The Social City programme⁸⁰ was and continues to be of great importance for eastern German cities and municipalities due to the structural weakness that still exists in many socially and economically disadvantaged neighbourhoods. From 1999 to 2017, the Federal Government provided funding for the programme totalling some €1.7 billion. The share of the eastern federal states (including Berlin) was around €330 million. 96 municipalities in the new federal states benefitted from the Federal Government funding. Federal Government funding of some €190 million is available for 2018.

With the urban development assistance programme entitled Smaller Towns and Municipalities – Regional Cooperation and Networks⁸¹, the Federal Government helps towns and municipalities in rural areas affected by demographic change. The aim is to strengthen small and medium-sized towns as centres for public services. The programme targets

⁸⁰ The Social City programme supports municipalities in making urban investments in the living environment, infrastructure and quality of living. Disadvantaged structurally weak parts of cities and locations are to be stabilised using funding from the programme and the quality of life improved. More justice for the generations and family friendliness in the cities, the improvement of integration, participation and social cohesion of the neighbourhoods are core issues.

⁸¹ With this programme, the Federal Government primarily supports communes entering into cooperations with neighbouring municipalities and implementing joint strategies to secure public services and quality of life. Overall urban development measures to maintain and develop the municipal infrastructure are supported.

municipalities that enter into cooperation with neighbouring municipalities and implement joint strategies to secure public services and quality of life. From 2010 to 2017, the Federal Government provided funding totalling some €428 million. The share of the eastern federal states was around €103 million. 132 measures in the new federal states benefitted from Federal Government funding. The Federal Government has earmarked around €70 million for the programme in 2018.

The consequences of demographic change and economic structural change through loss of functions and commercial vacancies are particularly visible in the centres. The Active City and Neighbourhood Centres programme serves to counteract this by strengthening the inner cities, towns and neighbourhood centres from a functional and urban development point of view. The Federal Government provided funding totalling around €882 million in the period from 2008 to 2017. The share of the eastern federal states was about €185 million. 182 measures in the new federal states benefitted from Federal Government funding. In 2018, the Federal Government is making some €110 million available for the programme.

For the Green City Future programme, the Federal Government earmarked €50 million in funding for the first time in 2017 to improve the urban green infrastructure. The funding can be used for urban development measures which serve the creation and restructuring of publically accessible green and open spaces and qualification and networking as part of the structural maintenance and development of city areas as healthy places worth living in. The eastern German states had some €8.5 million available for this purpose. In 2018, the Federal Government is providing €50 million once again for the programme.

In 2017, a total of some €75 million was available for the funding of measures under the Federal Government's programme Funding of Investments in National Urban Development Projects.⁸² Seven out of the total of 16 programmes that are supported with funding amounting to some €10.5 million are located in the new federal states (including Berlin).⁸³

3.4. Housing market and rented accommodation market

The trend on the eastern German housing markets is most heterogeneous, characterised by high, still rising vacancy rates in many cities and regions. By contrast, the demand for housing has risen considerably in some prospering cities in recent years. There is a clear urban-rural divide.

According to estimates of the BBSR, around 1.98 million dwellings and therefore 4.8% of all dwellings were vacant in Germany in 2016. In the eastern German non-city states (excluding Berlin) the vacancy rate was distinctly higher (9.7%) than in the western federal states (3.8%). The vacancy rates outside of the federal capital have increased significantly since 2011 – by some 22% to over 680,000 vacant dwellings. Only in the growing cities has the vacancy rate dropped. A further decline in the number of inhabitants is expected in the coming years, primarily in rural areas. This will result in a further rise in the vacancy rate across large parts of eastern Germany.

More and more people from both Germany and from abroad are moving to urban regions in view of the advancing urbanisation and the growing attractiveness of eastern German cities, creating a lasting demand for housing here.

The number of completed buildings in the new federal states has virtually doubled since 2011 to just under 50,000 residential units in 2017. The building of new dwellings has increased particularly in the cities. The building permits have been significantly above the completion figures in recent years. In 2017, the construction of just under 73,000 new dwellings was approved in eastern Germany, one third of which were in Berlin.

In the last few years, the growing demand for dwellings in Berlin and its urban fringe, as well as in Leipzig, has resulted in sharp rises in rents by 5% per year. In all other eastern German towns, cities and districts, the rise in rents has been moderate. By comparison with Germany as a whole, the level of rents is below average. All in all, average rents in 2017 totalled €7.0/m² where a new tenancy agreement was entered into or an existing agreement was extended, whereby the high rates of increase in Berlin play a large part due to its large stock of rented dwellings. Excluding Berlin, the average requested by a landlord totalled €5.76/m² and was therefore much less than the German average of €7.99/m².

In an effort to restrict rent rises in municipalities with strong housing market bottlenecks, the ceilings for existing rental agreements were reduced (from 20% to 15% in three years) and the so-called rent brake introduced for a limited period of time when extending tenancy agreements. Both regulations are in operation in Berlin and in 30 surrounding areas of Brandenburg. Only the reduction of the ceiling was introduced in Dresden and Leipzig and only the rent brake in the Thuringia cities of Erfurt and Jena.

⁸² Funding is provided for projects with special national reach and quality such as the conversion of military areas, intermunicipal cooperation in urban development, accessible restructuring of cities and municipalities guaranteeing inter-generational equality.

⁸³ The projects are located in Bernau near Berlin, Berlin, Greifswald, Zittau, Weißenfels, Probstzella and Schwarzburg.

The property prices in eastern Germany have similarly developed to very differing degrees. In Berlin, the prices have increased unusually steeply. According to the Higher Committee of Experts in Berlin, the average purchase prices for owner-occupied flats (excluding package sales) was €3,204/m² in 2016 and therefore double the price for 2009 (€1,587). Property price rises can also be observed in other prospering cities. The price levels for land and houses are below average outside the growing cities by national comparison.

In view of the housing market bottlenecks in the growing cities, the Federal Government initiated the Alliance for Affordable Housing and Building in 2014 in which the responsible stakeholders on the housing market agreed on common objectives and measures to intensify housing construction. This was the foundation for the housing construction offensive. The compensation paid by the Federal Government to the federal states to balance out the loss of former funding for social housing assistance was increased distinctly and the possibility also created to sell federal properties for a lower price for the purpose of building social housing. With the amendment to the construction planning law in 2017, the new territorial category of “urban areas” was introduced, which facilitates a contemporary mixture of uses and higher building densities in the cities, thereby facilitating the creation of living spaces. With the aim of reducing construction costs, the examination of standards and norms in the construction industry was initiated and serial construction advanced. The Alliance at a federal level has contributed to improving the framework conditions for the construction of affordable housing in Germany. It will be continued and will accompany the implementation of agreements on the Living Space Offensive legislative package up to 2021.

In eastern Germany too, housing assistance has been an essential element of socially responsible housing policy. Backed by social housing assistance, local housing companies, housing cooperatives and private investors provide rental homes for households requiring support in obtaining housing; they are primarily households whose income does not exceed certain limits and also those with difficulties accessing the housing market (e.g. single parents and people with disabilities). In growing regions, the construction of new favourably priced homes is assisted in the main. The adaptation of dwellings to contemporary standards is being supported in all regions of Germany, for instance through energy-efficient upgrades and conversions to meet the needs of the elderly. Further to this, social housing assistance targets home ownership, particularly for families with children.

The responsibility for social housing assistance was transferred to the federal states as part of the Federalism Reform I on 1 September 2006. Since then, the federal states have had the exclusive legislative and funding competence. Since 2007, to compensate for the elimination of Federal Government funding associated with the reform, the Federal Government has granted annual payments to the federal states (compensation funding). In view of the serious situation on the housing markets, the Federal Government has increased its commitment to social housing assistance. For the years 2017 and 2018, compensation payments have been increased to more than €1.5 billion annually for these two years.

The federal states may use the payments of the Federal Government since 2014 for all investive measures (formally: earmarking for measures of housing assistance); however, with respect to the increases for the years from 2016 to 2019, the federal states have agreed to use them for the purposes of social housing assistance and to report to the Federal Government on the appropriation of funds.

The increase in Federal Government funding has made its mark: in 2016, the construction of social rental accommodation increased distinctly by 68% compared with the previous year. In 2016, some 24,600 social rented dwellings were built, 2,924 of which in the eastern federal states. However, they are concentrated mostly in Berlin where 2,305 social rented dwellings were built, more than twice as many as in 2015. In the east German federal states, the stock of rental dwellings with rental and occupation restrictions comprises 224,229 homes (status at the end of 2016).⁸⁴

The constitutional foundation for the payment of compensation is set to end in 2019. The reform of the financial relationships between the Federal Government and the federal states provides for the federal states receiving additional turnover tax funds starting from 2020.

The Federal Government promotes social housing construction. On 2 May 2018, the Federal Cabinet decided on a draft bill to amend the Basic Law so that the Federal Government can guarantee funding for the federal states for investments of national significance in the area of social housing construction. The Federal Government can therefore assume responsibility in future together with the federal states for social housing assistance.

The demographic change is also improving and extending the number of age-appropriate homes (barrier free/low-barrier living space) necessary. A corresponding conversion of homes and residential areas ensures that elderly

84 Source: Survey of the Committee on Housing Promotion of the Federal States, calculations of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.

people and people with disabilities can continue to live in their familiar surroundings for as long as possible. This benefits all generations, particularly families with children.

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

Since 2009, the Federal Government and the KfW together have financed the adaptation of around 440,000 dwellings to the needs of the elderly including burglary protection (status: 31 December 2017). Of this figure, some 100,000 dwellings were adapted to the needs of the elderly in the new federal states. All in all, the Federal Government has so far earmarked funds totalling some €340 million. With the Age-appropriate Conversion subsidy programme funded by the Federal Government, it has been possible to support measures reducing barriers in some 112,000 dwellings (of which some 20,000 in the eastern federal states, without KfW loan assistance from own funds and without burglary protection measures).

Some 130,000 dwellings have been assisted in the programme for burglary protection throughout the nation (status 31 December 2017).

The Federal Government intends to consolidate the Age-appropriate Conversions programme of the KfW.

Housing benefit payments have been improved to help low income households with their housing costs as of 1 January 2016. The central element of the housing benefits reform in 2016 was to adjust the housing benefit to the rent and income trend since the housing benefit reform in 2009. Families as well as pensioners benefit in particular from the increase in the housing benefit payments. The number of recipients has increased by 37% from 460,000 at the end of 2015 to 631,000 households at the end of 2016 according to the Federal Statistical Office. The average housing benefit for a two-person household has risen from €114 per month to €159. The new federal states in particular benefit from this as the recipient rate, in terms of all households in the new federal states, is around 50% higher than that of the old federal states.

3.5. Rural development

The settlement structure in Germany is very decentralised for historical and political reasons. Peripheral areas and structurally weak rural regions have had to struggle for years in Germany with the migration of young people to areas of agglomeration and an aging of the rural population. A major part of these regions is located in eastern Germany. The challenges of securing public services will continue to grow in the coming years due to demographic trends and the associated decrease in municipal income.

Based on the report of the development of space in Germany of the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), the Seventh Report on Age of the Federal Government made deep analyses of the living situation of elderly people. It became clear here that very many of the rural districts and district-free cities are faced with special challenges, particularly in the eastern federal states: on the one hand, in terms of the socio-economic situation and on the other, with respect to the age structure of the population. There is need to act resulting from the interaction of these two factors at all state levels, primarily in securing health and nursing care and also in the provision of public services oriented to participation in society. This applies in particular in view of the growing number of elderly people but also has importance for all generations.

A study on rural areas conducted by the Thünen Institute based on data from the years 2000 to 2015 showed that the pronounced decline in the rate of unemployment in the predominant number of rural eastern German regions is not primarily attributable to an increase in economic activities in these areas but to “passive restructuring”. The decline in unemployment levels there was associated with a drop in the number of employed persons, which in many cases results from a lower level of available work. In particular, a decline in the volume of work in a part of the very rural regions of eastern Germany has contributed to this development.

It could furthermore be determined that although the share of knowledge-intensive industries in eastern Germany is distinctly lower than in the southern and western parts of Germany, the share of employed persons with an academic degree in the rural areas of eastern Germany is distinctly higher, and the share of employees without a professional qualification and those in “mini jobs” is distinctly lower than in the rural areas of western Germany. Nevertheless, there has not been a pronounced harmonisation in the average available income between the rural district regions in the eastern and western parts of Germany between 2000 and 2015.

At the same time, the average municipal tax revenues in eastern and western Germany have increased to a good €500 and just under €800 respectively. The absolute gap between the eastern and western German average is on a slight decline here (2000: approx. €275, 2015: €260 per inhabitant).

The federal state atlas of the Thünen Institute shows the important structures and developments differentiated according to regions at a district and municipal level as part of the monitoring of rural areas, and has now been extended in terms of content and function.

The aim of the Federal Government is to shape the rural areas for everyone to make them future-proof, worth living in and attractive. With large financial support and various programmes, it is actively committed to pursuing the objective of creating equal living conditions in all regions of Germany.

3.5.1. European Agricultural Fund

Under the European Agricultural Fund for Rural Development (EAFRD), Germany is receiving funds amounting to around €9.44 billion for the 2014 – 2020 funding period. Of this figure, the eastern federal states will receive €4.4 billion. This corresponds to a share of 47%. The EAFRD funds will be topped up with national co-financing resources from the Federal Government, the federal states and municipalities, along with other national funds. All in all, the funding in Germany comprises a volume of €17.1 billion. A share in the total volume (EAFRD funding, national co-financing and additional national funds) of €5.8 billion goes to the eastern federal states. This means some €830 million per annum is available as part of the EAFRD for the promotion of the rural regions in the new federal states.

3.5.2. Improving the Agricultural Structure and Coastal Protection (GAK) Joint Task

The further development of the Improving the Agricultural Structure and Coastal Protection (GAK) Joint Task means that since the end of 2016, investments can be supported both in very small enterprises for the provision of public services in rural areas and in facilities for local basic services. These are further elements designed to strengthen regional public services.

Brandenburg, Saxony, Mecklenburg West Pomerania and Thuringia have already made use of the new funding in 2017.

The GAK amendment has also significantly extended funding possibilities in the area of climate protection and nature conservation.

3.5.3. Federal Rural Development Programme (BULE)

In the last legislative period, the Federal Government already placed a focus on “Rural areas, demographic trends and basic public services”. In 2015, the Federal Rural Development Programme (BULE) was set up to promote and test innovative approaches to rural development. By supporting non-agricultural projects and initiatives that are important for village life and whose findings can be used throughout Germany, the programme helps to preserve rural areas as attractive places to live in.

In accordance with its constitutional competences and financial possibilities, the Federal Government is pursuing various pilot and demonstration projects to support rural areas and gain insights for future regular support measures. Regionality projects and multi-function houses have already been supported to maintain local supply and services. In promoting projects focusing on social village development, citizens in rural communities are given the opportunity to bring their interests to bear in their immediate vicinity.

The promotion of projects to publicise **Land.Digital**: Digitalisation Opportunities for Rural Areas is intended to support innovative approaches that show how digital applications can improve the living and working circumstances in rural areas. As part of the **LandKULTUR** project, pilot and innovative projects will be supported which maintain and further develop cultural participation in the rural areas.

The **Land(auf)Schwung (rural recovery)** pilot project was set up for structurally weak rural areas with the aim to improve the regional economic situation, the employment situation and the local provision of basic services by generating new momentum and to actively shape demographic change. Of the total of 13 model regions, the districts of Elbe-Elster, Greiz, Mittelsachsen, Stendal and Vorpommern-Rügen in eastern Germany are also supported. The pilot project was extended by one and a half years to 31 December 2019.

The objective of the **Kerniges Dorf! (vibrant village)** competition is to honour villages that are working on shaping their village centres. The competition aims to ensure that open spaces are used effectively and that old buildings are modernised and modified for new uses. In this way, it helps ensure that village centres remain attractive and that the spaces available are managed effectively. At the end of the 2017 competition round, three eastern German villages were honoured at the start of 2018. Nebelschütz (Saxony)

won in the “Vital and stable: small villages” category. Brachwitz with its village Friedrichsschwerz (Saxony-Anhalt) is winner in the “Vital in change: small villages” category. The village Breetz (Brandenburg) was awarded a special price for the revival of a small village which was faced with a complete state of vacancy. The competition has been conducted every two years since 2013.

Civil involvement in a future worth living in in the country is honoured every three years with the **Unser Dorf hat Zukunft (our village has a future)** federal competition. At the end of the 25th federal competition, the ten eastern German villages of Zappendorf (Saxony-Anhalt) and Lohmen (Mecklenburg-Western Pomerania) were awarded bronze, Waltersdorf and Stangengrün (both Saxony), Straupitz (Brandenburg) as well as Kaltohmfeld and Braunichswalde (both Thuringia) were awarded silver and Sauen (Brandenburg), Pinnow (Mecklenburg-Western Pomerania) and Glädigau (Saxony-Anhalt) were awarded with gold in 2017.

3.5.4. Pilot projects of regional development

Different pilot projects in the area of regional development research and practicality test new strategies for the provision of public services. The central locations concept provides “an important orientation grid” here; medium-sized centres in particular are to function as “stabilising anchors” in thinly populated areas.

With the **Long-term Securing of Supply and Mobility in Rural Areas pilot project**, 18 pilot regions are supported in better interlinking public services, local supply and mobility in order to increase the quality of life in the region and to facilitate economic development. Special value is attached here to actively incorporating the different target and user groups at a local level in the development and implementation of location concepts and mobility offers from the very beginning alongside politics, administration, civil society and providers of public sector services. The target groups include, for example, young people, families with children and the elderly. Eight pilot regions are located in the eastern federal states.

3.5.5. Multi-generation houses

The around 540 multi-generation houses supported by the Federal Government similarly make a significant contribution to mastering the diverse challenges facing primarily the structurally weak rural regions in the new federal states. Through flexible and local leisure, advisory, educational and support offers, the multi-generation houses strengthen the compatibility of family, work and care, promote neighbourly and social cohesion and contribute to the attractiveness of a location in the rural areas in eastern Germany.

Around one quarter of all multi-generation houses are located in the east German non-city states, 80% of which are in the rural areas. As a central point of encounter for all citizens, they contribute to social cohesion with low threshold offers, provide important impulses for the shaping of offers and close existing supply and service gaps. The concept is successful primarily through the selective incorporation of volunteers. On average, almost 40 volunteers work in every house in the new federal states; just under 100 visitors per house benefit from this on average every day.

The most frequent areas of activity for the multi-generation houses in the rural regions of the east German federal states were as follows for the year 2017:

- Generation-overarching leisure activities
- Advice and support of families,
- Self-determined living in old age,
- Generation-overarching education,
- Compatibility of work and family,
- Society in line with the requirements of young people and
- Compatibility of care with family and/or work.

A large number of multi-generation houses in rural areas also provide offers to integrate people with migration and refugee backgrounds. With an average of over 15 cooperation partners from local politics and administration in the eastern federal states and numerous other network partners, the multi-generation houses work oriented to the social sphere, thereby supporting the local authorities in shaping demographic change.

According to the Coalition Agreement, the aim is to secure and extend the multi-generation houses, particularly in rural areas if there is additional financial room or if a direct, complete and permanent funding is ensured.

3.5.6. Demografiewerkstatt Kommunen (workshop on demographic change in municipalities)

The Federal Government’s Demografiewerkstatt Kommunen project currently supports nine pilot municipalities, including four in the eastern federal states in coping with the effects of demographic change.

By involving the citizens and through external advice, measures tailored to suit the region are to be tested and made available to other administrative areas (districts, cities

and municipalities) in order to achieve the goal of equivalent living conditions. The Federal Government agreed in the Coalition Agreement to extend the project in the 19th legislative period.

3.6. Agriculture and privatisation of agricultural land

Agricultural and forestry enterprises continue to play an important role in the many rural regions of eastern Germany. Following a massive restructuring process in the 1990s, the agricultural sector has successfully established itself in these regions. The privatisation of former GDR agricultural and forestry areas has also made an important contribution here. When compared on an all-German or European level, companies in eastern Germany exhibit high productivity and competitiveness. In eastern Germany, around half of the agricultural land is managed by legal entities such as cooperatives or limited liability companies with farm sizes well above the national average. In the western federal states, however, individual agricultural enterprises continue to dominate the rural landscape. In terms of its share in gross value added of the economy as a whole, the agricultural sector has a greater weight in the new federal states than in western Germany.

The share of agriculture, forestry and fisheries in the gross added value of the overall economy as an average in the years 2015 to 2017 in the new federal states was 1.2% (Germany: 0.6%). Mecklenburg-Western Pomerania recorded 2.1% and hence the highest share in gross value added.

3.6.1. Sustainable agricultural structures

Agriculture in eastern Germany is competitive and a stabilising factor in structurally weak regions. The restructuring of agricultural businesses following reunification with significant funding from the Federal Government, federal states and the European Union has made an important contribution here.

The increasing takeover of economically healthy businesses by supra-regional financial investors, and in some cases by companies from outside the sector, is giving reason for concern. After many agricultural businesses were restructured - also with considerable public funds - jobs and value added are now being taken from the regions as regionally anchored agricultural businesses are converted into units of corporate groups. The danger here is that considerable state aid which has been invested since reunification to improve the competitiveness of independent agricultural

businesses and therefore to stabilise rural regions will fail to reach its goal.

A current study of the Thünen Institute⁸⁵ shows that this trend - with regional differences - is taking place almost over the entire eastern Germany. Based on the ten-year period of examination, the 700,000 ha incorporated and the regional distribution over ten rural districts, the study provides a clear picture of the structural agricultural development in eastern Germany. Supra-regional investors now hold the capital majority in 34% of the 853 businesses examined. They manage 25% of the agricultural areas investigated. 72% of the sold agricultural businesses investigated in the study were taken over by supra-regional investors. A considerable percentage of these investors come from outside the agricultural sector. Mecklenburg-Western Pomerania and Brandenburg are distinctly above the average in eastern Germany in this trend.

Since the purchases are usually made in the form of a share deal, the transfers of areas cannot be recorded by the authorities due to a regulatory loophole.

An example of this is the takeover of the insolvency estate of Agrar-Holding KTG AGRAR SE with approximately 20,000 ha by a financial investor from Liechtenstein. With the current agricultural land law, the federal states have no possibility of asserting agricultural structural objectives against the financial investors.

The federal states and the Federal Government submitted suggestions in 2015 as to how this regulatory gap in agricultural land law can be closed. It is necessary to incorporate share deals by which investors acquire entire businesses and can circumvent the primacy of farmers. Purchases of this type are not to be generally forbidden but subject to an individual case examination with possibilities of intervention with respect to the agricultural structure. This has been regulated by law for decades for the sale of individual areas. The federal states of Saxony-Anhalt, Mecklenburg-Western Pomerania and Lower Saxony are working on corresponding amendments to the law.

In addition to the general impacts on agricultural structure, the trend also impacts individual agricultural businesses. Together with other factors, the demand of investors is leading to a rise in the prices of land. The high land costs are restricting the possibilities of development in many businesses and are burdening in particular young farmers and newcomers.

⁸⁵ Supra-regional active capital owners in eastern German agricultural businesses: Developments up to 2017, Andreas Tietz, Thünen Report 52, Braunschweig, November 2017.

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

The privatisation of formerly state-owned agricultural and forest land in the eastern German non-city states has not yet been completed. In 2017, a total of around 9,650 ha of agricultural land and around 1,840 ha of forestry land were sold, including 900 ha of agricultural land and 1,380 ha of forestry land, which were sold to former owners and/or their descendants in accordance with the Compensation and Corrective Payment Act (EALG). Since 1 July 1992, a total of around 861,400 ha of agricultural land, some 594,700 ha of forestry land and around 81,100 ha of land subject to reclassification have been sold. In addition, the BVVG has sold a total of 24,700 ha of agricultural and forestry land for a broad variety of nature conservation purposes since its formation in 1992, by the sale and reassignment of assets. 483 ha of this land was released in the 2017 financial year.

On 31 December 2017, some 126,200 ha of agricultural land and some 7,600 ha of forestry land was still held by the Land Utilisation and Management Company (BVVG). In 2015, the Federal Government and federal states agreed to extend the timeframe envisaged for privatisation up to 2030.

3.7. Remediation of lignite sites

Since German reunification, the remediation of old industrial areas has been attributed an important role. The remediation of areas of the former lignite open mines is particularly important in this context.

On 2 June 2017, the Federal Government and the eastern lignite federal states signed the fifth supplementary administrative treaty on the continuation of funding for the remediation of lignite mining sites (VA VI BKS). The success story of lignite site remediation can therefore be continued. This administrative treaty secures continuity in coping with tasks for the years 2018 to 2022.

The overall financial framework for the federal states of Brandenburg, Saxony, Saxony-Anhalt and Thuringia is €1,230 million. To satisfy the legal obligations of the Lausitzer und Mitteldeutscher Bergbau- und Verwaltungsgesellschaft (LMBV), the Federal Government and the lignite federal states will share funds in a ratio of 75:25% for an amount of €874.32 million. Federal Government and federal states shall each provide half of a financial framework of €320 million for measures to avoid risks associated with the rising of ground water which had dropped due to open mining and other measures associated with lignite site remediation. The remaining €35.68 million will be assumed directly by the LMBV as its own contribution.

In addition, the lignite federal states provide additional funding to increase the so-called consequential use standard.

It is particularly important for the Federal Government that the new administrative treaty for the first time contains obligatory regulations on the procedure according to which – in line with the progress of remediation – there will be a rapid and conclusive transfer of individual projects of the LMBV to structures within the purview of the federal states which are independent of the Federal Government.

The renatured landscapes often make a decisive contribution to increasing the quality of life in the affected regions, creating attractive leisure activities and providing new starting points for tourism.

3.8. Tourism

Eastern Germany continues to be a popular travel destination for German and foreign visitors alike. A new record was reached in 2017 with some 111.5 million overnight stays. Compared with 2016, the tourist figures for the eastern German states (including Berlin) have increased by 0.9%. With some 31.15 million overnight stays (up 0.3%), Berlin continues to be at the top of the list, followed by Mecklenburg-Western Pomerania with its second best result in the history of the federal state (down 1.8% to some 29.75 million overnight stays). The highest percentage growth was achieved by Saxony-Anhalt with 4.4% to over eight million overnight stays for the first time. With more than 13 million overnight stays (up 1.6%), Brandenburg had a new record result. Similarly, with some 19.5 million overnight stays (up 4.1%), Saxony recorded its best result in the statistical record since 1992. With some 9.9 million overnight stays, Thuringia also recorded a new record. Domestic tourism continues to be the most important pillar of tourism in eastern Germany. That being said, cities and regions with cultural and historical sights attract high numbers of foreign visitors. This became particularly evident in 2017 during the Reformation anniversary in the core states of the Reformation (Saxony, Saxony-Anhalt and Thuringia).

The volume of foreign guests in eastern Germany rose across the board in 2017 compared with the previous year. The result reflects a successful placement on the international travel market. Saxony recorded the highest growth with an increase of 10.9%, followed by Saxony-Anhalt with a share of plus 10% and Thuringia with an increase of 9.8%. In Brandenburg, the share of foreign guests compared with 2016 increased by 2.4%, in Berlin by 1.2% and Mecklenburg-Western Pomerania by 0.6% (however at a generally higher level).

The Germany Travel Mart (GTM) also helps boost the internationalisation of the tourism business in the new federal states. The event is hosted every year by the German National Tourist Board (DZT) in cooperation with different partner regions and cities. It brings together German providers with top buyers from foreign tour operators and travel agents as well as travel journalists from more than 40 countries. Dresden will host the GTM in 2018. In addition to its collaboration with the DZT, the tourist marketing company of Saxony has eight of its own representatives in foreign markets.

In addition to their own marketing, the federal states also collaborated in 2017 beyond federal state boundaries. The 500-year Reformation anniversary in 2017 as well as currently the preparations for the “100 Years of Bauhaus” anniversary in 2019 are connecting elements as cultural historical highlights.

From 7 to 11 March 2018, Mecklenburg-Western Pomerania was for the first time a German federal partner state of the Internationale Tourismusbörse (ITB) Berlin. The ITB Berlin is the leading trade fair for the international travel industry. Over 10,000 exhibitors from over 180 countries presented their products and services to some 170,000 visitors, including 110,000 trade visitors.

Mecklenburg-Western Pomerania successfully presented itself as a travel region at the ITB opening gala before more than 3,000 invited guests from 110 countries and was represented at the trade forums of the ITB congress, the “ITB Buyers Circle” as well as at events on the subjects of sustainability, health travel and active tourism. Here and at the fair stand, 26 exhibitors and representatives from the holiday state attracted much attention from international purchasers, multipliers and potential guests and also generated a significant media echo. With the momentum created at the ITB Berlin, Mecklenburg-Western Pomerania in the north east of Germany wishes to further advance internationalisation of the travel region.

3.9. Health and long-term care

Figure 18 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: 83.19 years; new federal states: 83.25 years). With a life expectancy of 77.23 years, men in the new federal states have not quite caught up with their counterparts in the old federal states (78.57) years.

Mortality rates for women in eastern and western Germany have similarly levelled and converged in the case of men (Figure 19). 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. The differences in cardiovascular mortality were small compared to the early 1990s.

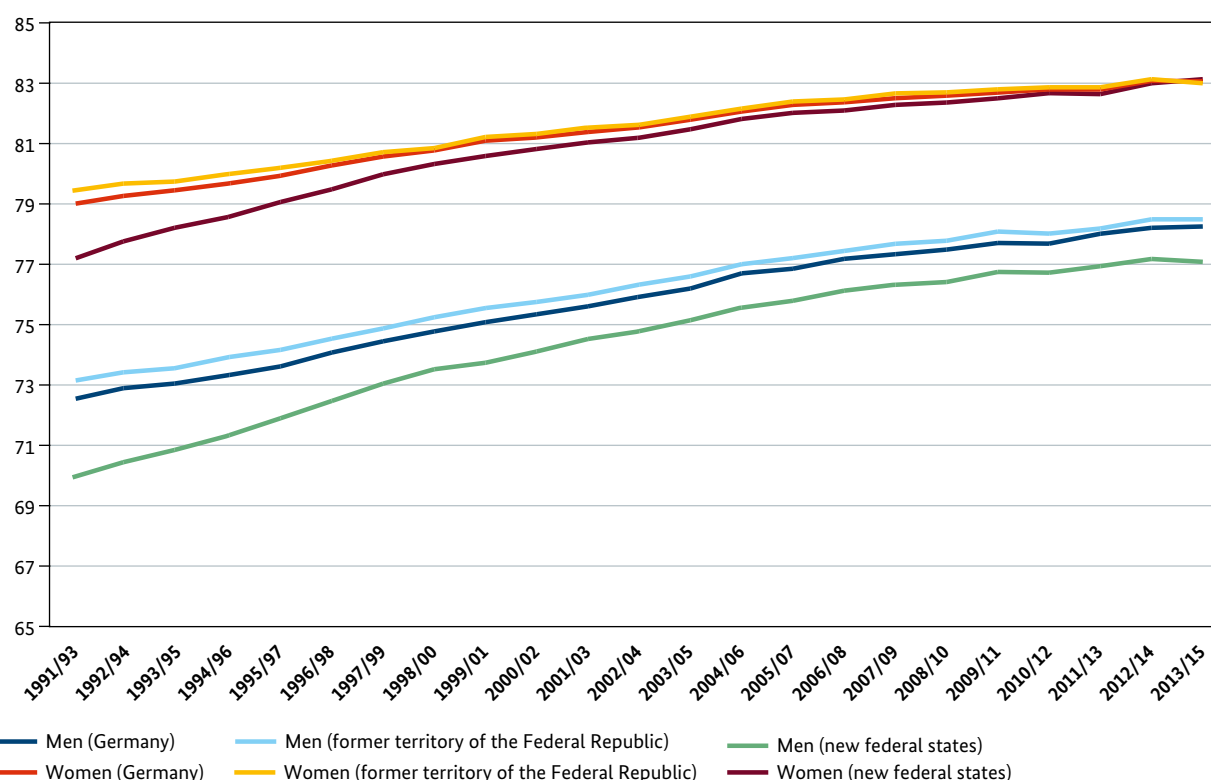
3.9.1. Medical care

Securing nationwide, needs-based and high-quality medical and health care services that are easily accessible is a key element of the provision of basic public services. This is particularly important for the eastern federal states in the light of demographic developments, 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 regions. This is essential due to the more serious structural problems that generally exist in the eastern German states and the higher population age than in western German states.

Looking forward, the legislature has adopted a series of measures to ensure high-quality, needs-based and easily accessible health care for people in rural regions in particular.

Figure 18: Life expectancy at birth, divided into new and old federal states

Period surveyed: Years



Source: Federal Statistical Office, General Life Tables for Germany, the former territory of the Federal Republic, the new federal states 2010/2012; www.destatis.de (status as of 26 March 2018)

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

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

In the field of outpatient care, the primary goal is to create incentives for doctors to open surgeries, to promote young doctors in the regions affected, to improve training in general medicine, to achieve improvements in providing care rapidly, to facilitate the establishment of cooperative health services (such as doctors' networks and medical care centres), as well as to open hospitals for outpatient care if certain conditions are met.

In the field of inpatient care, the framework conditions for the use of service guarantee incentives have been defined in greater detail, funding for the differentiated provision of emergency structures has been upgraded and a structural fund has been set up to support measures aimed at structural improvements. The structural fund receives funding from the health fund and supports projects of the federal states if these contribute an equal amount. The Coalition Agreement provides for the funds to be continued for a further four years with funding of €1 billion per annum.

Special focus will now be placed on initiating special measures to overcome sectoral boundaries by further promoting collaboration and networking in the health care system. This too is a significant contribution to securing nationwide, high-quality health care throughout Germany.

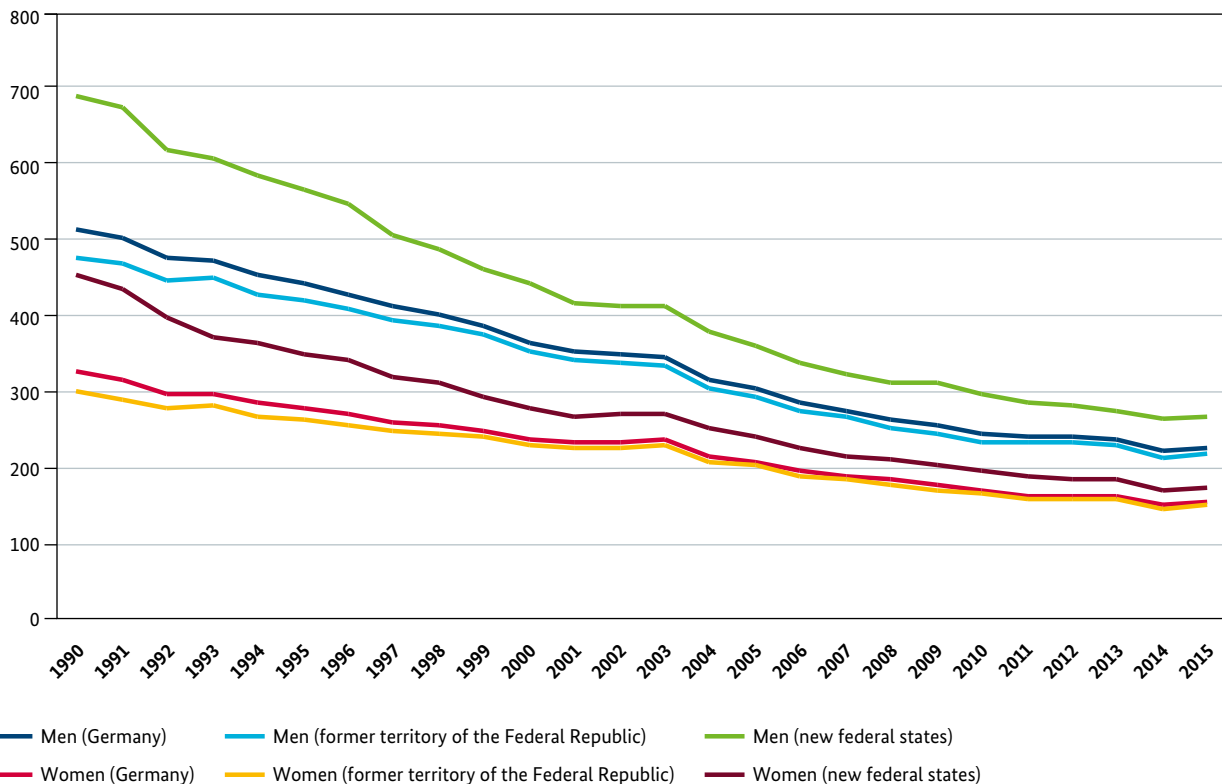
3.9.2. Improvement of health care through telemedicine projects

Telemedicine projects are a key instrument for better health care services. This particularly applies to regions affected by demographic change, especially in the new federal states. For example, remote video consultations can make it much easier for patients to consult their doctor, especially when it comes to follow-up appointments or medication reviews. Online consultations and the evaluation of radiographic findings by means of telemedical consultations have been included as telemedical services in the list of regular outpatient services. Further telemedical services are to follow.

Seeking to further advance high-quality health care in Germany, the instrument of the Innovation Fund is applied in the period from 2016–2019 to promote innovative and cross-sectoral forms of health care in particular as well as patient-centred health care research. A funding amount of €300 million per year is provided for this purpose. The Coalition Agreement provides for the Innovation Fund being continued beyond 2019 with an annual €200 million. The Innovation Fund offers the possibility to test new approaches of patient care in projects and to examine the

Figure 19: Death caused by cardiovascular diseases

Per 100,000 inhabitants



Source: Federal Statistical Office; www.destatis.de (status as of 27 February 2017) New federal states: without Berlin
Former territory of the Federal Republic: with Berlin

solutions for their suitability to be transferred to standard care. Projects supported by the Innovation Fund are conducted in all federal states so that the patients also benefit in the new federal states. In numerous projects supported by the Innovation Fund, innovative approaches are tested which inter alia pick up on the challenges of a nationwide, needs-based and local health care system using telemedicine and new forms of collaboration, also with a view to the rural and structurally weak regions. For example, in the “LandRettung” project in the rural district of Vorpommern-Greifswald, a new emergency medical direction is being tested and evaluated which takes the special features of thinly populated areas into consideration.

3.9.3. Long-term care services

In Germany, nearly 3.5 million people (as of December 2017) require long-term care services, of which a disproportionately high number, i.e. 700,000 persons, live in the new federal states. Around 77% of the people who require such care services receive care at home predominantly from members of their own family and also from outpatient care services.

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

The Federal Government has made the strengthening of long-term care one of its priority fields of action in the past and in this legislative period. An immediate long-term care programme and a “concerted long-term care action plan” is provided for in the current legislative period.

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

The long-term care insurance benefits have been greatly improved by the Long-Term Care Strengthening Acts. A key element of the reforms is the introduction of a new definition of the need for long-term care and of a new instrument to assess individual care needs based on which the previous three categories of care have been changed to five levels of care. All people in need of long-term care have

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

The Federal Government also aims to improve the statutory parameters for employing nursing staff. For example, the long-term care self-administration has received the statutory mandate to ensure that, by 30 June 2020, a scientifically based procedure is developed and tested for the uniform assessment of staffing requirements in long-term care facilities. By reforming nursing careers, nursing training will also be modernised. Training in the care of the elderly, nursing the sick as well as nursing children will be regulated as part of the reform of the nursing professions in a new Nursing Profession Act and merged to create a generalist uniform nursing training. In addition, the possibility continues to exist to obtain separate certificates in the nursing of sick adults and children as well as the nursing of the elderly. The attractiveness of the profession is to be increased by bringing together the nursing training courses and the related measures for quality improvement in training. Those completing the new nursing training have more possibilities of career development due to the flexible areas of deployment.

In the First Act to Strengthen Long-Term Care, the legislature has made it unambiguously clear in the contract and remuneration law for long-term care insurance providers that the payment of remuneration laid down in collective bargaining agreements or in church labour law regulations may not be denied as being uneconomical in the negotiations between health insurance companies and long-term care facilities. The Third Act to Strengthen Long-Term Care extended this provision to the payment of salaries up to the level of collective bargaining agreements.

In adjusting the regulatory framework, the Federal Government has also combatted low wages in the care sector. For example, since 1 August 2010, a special minimum wage has been in force in geriatric care. Since 1 January 2015, this

minimum wage has also been applied to outpatient nursing care (based on the Second Ordinance on Mandatory Working Conditions in the Care Sector). The minimum wage in the care sector ensures minimum pay for people working in the care sector and thus prevents wage dumping. In 2017, the minimum wage in the care sector was €10.20 per hour in the western federal states (including Berlin) and €9.50 per hour in the eastern federal states. On 1 January 2018, these levels were increased to €10.55 per hour in the old federal states (including Berlin) and €10.05 per hour in the new federal states. Even though there is still a difference, the increase in the minimum wage in the eastern federal states (excluding Berlin) is higher than in the western federal states (including Berlin). The minimum wage in the care sector will rise as a result of further increments starting from 2019 to €11.05 per hour in the old federal states (including Berlin) as well as €10.55 per hour in the new federal states, and starting from 2020 €11.35 per hour and €10.85 per hour. Since 1 October 2015, the minimum wage for the care sector has also been applied to additional caregivers (Section 43b of the Social Code XI). It is important to note that professional geriatric nurses generally receive significantly higher wages than the minimum wage for the care sector.

3.10. The promotion of sports

The Federal Government's sports promotion policy and the restructuring of top-level sports promotion are geared to sports-related aspects and necessities to create optimum conditions for the top level performance of the athletes. The geographic distinction between east and west is irrelevant for this promotion.

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

In 2018, the Federal Government has made around €16 million in funds available for building sports facilities throughout Germany. In the preceding budget year of 2017, a total of approx. €15.7 million in funds was approved, including around €4.8 million for sports facilities for top level sport in the new federal states.

An outstanding example of successful sports promotion is Germany's Olympic and Paralympic training centre in Kienbaum (Brandenburg). Today, it is Germany's largest and most important facility for central training courses by top level sports associations where national team athletes

are trained for international sports events. It is one of the most advanced training centres in the world.

In the 2017 budget year, a total of €16.7 million was made available for the six Olympic support centres in the new federal states and for the Olympic and Paralympic training centre in Kienbaum. This amounts to around 44% of the €37.8 million in financial support available for training centres throughout Germany.

To support top level sport in Germany, the Federal Armed Forces are providing 744 state sponsorship places with funding of €32 million in 2018. The Federal Armed Forces support top level sports through their own 15 sports promotion groups. The sports promotion groups in Frankenberg (Saxony) and Oberhof (Thuringia) offer ideal training and competition locations. This is particularly reflected by the fact that the sports soldiers supported in these sports promotion groups were involved to a considerable extent in the medals won during the Olympic Winter Games in 2018 in Pyeongchang.

In 2018, funding for scientific support from the Institute of Applied Training Science in Leipzig (IAT) and the Institute for Research and Development of Sports Equipment in Berlin (FES) totals €19.2 million.

It is the declared objective of the Federal Government's sports policy to combat doping. The Institute for Doping Analysis and Sports Biochemistry in Kreischa (Saxony) supported by the Federal Government is an anti-doping laboratory certified by the World Anti-Doping Agency (WADA).

To underpin its commitment to the fight against doping in sport, the Federal Government continued financial assistance to victims of doping in the GDR, thereby assuming a share of responsibility for the injustice committed against athletes by the former GDR. With the Second Doping Victim Assistance Act, a second fund was set up in 2016 for an amount of €10.5 million.

3.11. The promotion of culture

3.11.1. Promotion of cultural institutions

Also in the 19th legislative period, the Federal Government commits to its co-responsibility to maintain and modernise the cultural infrastructure. This benefits amongst others the cultural lighthouse establishments supported by the Federal Government Commissioner for Culture and the Media (BKM) such as the German Marine Museum in Stralsund, the Prussian Castles and Gardens Berlin-Brandenburg Foundation, the Fürst-Pückler Park Bad Muskau Foundation, the Franck Foundations in Halle as well as the Klassik Stiftung Weimar.

The BKM also provides some €4 million for important cultural projects in the five eastern states from the Investments for National Cultural Institutions in Eastern Germany funding project. 27 projects are being funded including the following:

- Further modernisation of the exhibition in the castle of the Fürst-Pückler Park in Branitz/Cottbus
- Refurbishing of the bunker lookout of the Historical Technical Museum of Peenemünde
- Repair work in the German Hygiene Museum Dresden
- Further furnishing of the armoury in the Residential Palace of Dresden
- Completion of modernisation of the Winckelmann Museums in Stendal
- Restoration of the southern Kavalierhaus of the cultural heritage site of the Oranienbaum castle
- Refurbishment and fitting of the UNESCO cultural heritage Haus am Horn in Weimar as a protected monument

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

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

For decades, the BKM has been working together with federal states and municipalities to promote the legacy of Bauhaus by supporting the Bauhaus Dessau Foundation and the Klassik Stiftung Weimar. On the occasion of the Bauhaus anniversary, the BKM has contributed €52 million to the construction of new Bauhaus museums in Weimar, Dessau and Berlin. In 2017, three exhibitions were held in the Bauhaus institutions in Weimar, Dessau and Berlin which are to be understood as a prologue on the path to the anniversary year of 2019. In the school year 2016/2017, the Bauhaus Agents, an innovative, educational programme, was launched in Dessau, Weimar and Berlin.

In the first funding round of the Bauhaus Today fund of the German Federal Cultural Foundation (KSB), ten projects have been selected and approved, and in the second funding round 14 projects were selected. To fund anniversary activities, the BKM is providing a total of €16.5 million through the KSB. Further projects such as the Grand Tour of the Modern are supported by the BKM with funds totalling some €3 million.

Dresden's Residential Palace also receives special funding. Between 2013 and 2016 alone, the Federal Government contributed €29 million to construction costs for its restoration. In 2017, work was started on the expansion of the second floor in the north wing for museum use.

3.11.2. Preservation of historical monuments

Historical cultural monuments are a foundation for our cultural identity. With monument protection programmes and special investment measures, nationally important cultural monuments are funded which contribute to the national cultural heritage. Examples of outstanding cultural monuments in eastern Germany supported with BKM funds are the industrial tower of Weberei Cammann & Co. in Chemnitz, the Lutheran church in Apolda, the Heckenweg settlement in Magdeburg, the Hyparschale in Templin as well as the former society house "Zum Greif" in Greifswald.

3.11.3. European Cultural Heritage Year 2018

Germany is one of the initiators of the European Cultural Heritage Year 2018 brought to life by the European Commission and is involved in it under the motto "SHARING HERITAGE". The aim is to bring together citizens and primarily younger people as the "heirs to the heritage" with evidence of common history and culture, thereby strengthening identification with the European heritage. Focus is placed on the architectural and archaeological heritage. Amongst the projects supported from the cultural budget of the BKM there are also numerous projects in eastern Germany, such as the exhibition "Beiderseits der Oder: Geschichtsraum/Grenzraum/Begegnungsraum" in Potsdam, the network project "Die Herrnhuter. Von Sachsen nach Europa" or the project for children and young people "Europäische Aufklärung im Netz" of Gleimhaus Halberstadt.

3.11.4. Reformation Anniversary

In 2017, the Federal Republic of Germany celebrated this event of global importance throughout the country with a diverse event programme. The climax was a special ceremonial service in the Lutheran town of Wittenberg on 31 October 2017. Around €50 million from the BKM budget

alone has been made available under the Reformation Anniversary funding programme from 2011 up to the end of the anniversary year. The nationwide programme provided support to over 300 cultural projects from various fields covering a wide range of topics and implemented in different regions. The funding of restoration measures of authentic reformation sites was particularly sustainable. The focus here was placed on the core federal states of the Reformation (Saxony-Anhalt, Saxony and Thuringia).

3.11.5. Cultural promotion in Germany's capital

Individual projects and events are funded from the capital's cultural fund which are important to the federal capital of Berlin and of national and international significance. In 2018, the Federal Government provided some €10.9 million for projects. The BKM also contributes to financing the Prussian Cultural Foundation with its museums, libraries and archives and the related extensive building measures. It also provides funding for the Humboldt Forum which is being built as the Berlin Palace, the Jewish Museum, the International Film Festival and the Academy of Arts as well as the Barenboim-Said Academy. In the coming years, the Federal Government will also be investing up to €200 million in the second special investment programme for the Prussian Palaces and Gardens Foundation Berlin Brandenburg.

The new Zentrales Kunstgutdepot of the Foundation was funded using monies from the first programme and will be handed over to the Foundation in June 2018. The Federal Government is also the largest funder of the Palaces Foundation, providing even more financial assistance than the federal states of Brandenburg and Berlin.

3.11.6. German Federal Cultural Foundation - New Federal States Fund

Since its inception in 2002, the German Federal Cultural Foundation (KSB) has supported a total of 1,463 projects in the new federal states with funding totalling some €81.5 million. Of these projects, €7.3 million went to the Fund to Promote Civic Commitment to Culture in the New Federal States (New Federal States Fund) which will end in 2019 with the expiry of the Solidarity Pact II. In addition to the structural further development and professionalisation of cultural work in rural and structurally weak regions, the New Federal States Fund aims primarily to strengthen civic involvement on a lasting basis. So far, the New Federal States Fund has supported around 230 clubs in the areas of activity of the visual and performing arts, music, film, new media, photography, literature and social culture. Almost all supported clubs continue to be active in their regions.

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

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

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

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

Handling of State Security files in the future

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

Fund for Institutionalised Children in the GDR from 1949 to 1990

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

By the end of 2016, just under 18,100 persons concerned had concluded agreements to receive assistance. By the end of the fund’s lifetime on 31 December 2018, all of the persons concerned who have registered are to be given the opportunity to take advantage of advisory services and to receive assistance from the fund. The work of the fund’s steering body therefore focuses on ensuring an orderly completion of the process. In 2019, the steering committees of the Institutionalised Children – West Fund and of the Fund for Institutionalised Children in the GDR from 1949 to 1990 will present a final report that will form the basis for the critical appraisal of the social effects of the institutionalisation of children.

Research projects on the institutionalisation of children in the GDR

The project Opening up the Access to the Files for Institutionalised Children in the Former GDR of the German Institute for Institutionalisation Research is aimed at improving the possibilities for inspecting the files for former children institutionalised in homes of the GDR. There are

estimated to be around 1,000 archives in the territory of the former GDR. In addition to federal state archives, there are numerous district archives as well as archives of organisations that today maintain children's homes.

A directory to be prepared on this basis and the information contained therein will be incorporated in the medium term in the home atlas (www.jahrhundertkind.de). Persons concerned, centres of first contact and advisory centres as well as courts and scientists can benefit from this directory.

With the project entitled Documentation of Re-education in the Lives of Institutionalised Children in the GDR – Establishment of an Eye Witness Archive of former GDR Institutionalised Children/Publication of the initiative group Geschlossener Jugendwerkhof Torgau e.V., an eye witness archive of former GDR children in institutionalised care is being set up on the basis of interviews in which the eye witnesses report on their experiences in the special homes and with the GDR Jugendhilfe. The so-called special homes in the former GDR served the purposes of socialist re-education. The interviews are prepared in the memorial in the former closed youth work yard Torgau as audio files and transcribed for scientific purposes, archived in an eye witness database and evaluated.

The aim of the project includes comparing the policy of the “Jugendhilfe” with the personal strategy adopted by children and young people against the treatment they received.

The eye witness archive of the former GDR children in institutionalised care is also to be continuously supplemented following the end of the project and will in future be accessible on a permanent basis in the memorial under consideration of data protection requirements. A planned publication furthermore guarantees the permanent safeguarding and availability of eye witness interviews with the most recent group of victims of the SED regime on their life history for research, science and education.

Establishment of an assistance system – the Recognition and Assistance Foundation

The Recognition and Assistance Foundation (fund volume of €288 billion) was set up by the Federal Government, the federal states and the Churches on 1 January 2017. Assistance is now also being given to people who, as children and young people, endured suffering and wrongs in inpatient facilities providing disability aid and psychiatry from 1949 to 1975 (Federal Republic of Germany) and from 1949 to 1990 (GDR). The lifetime of the Foundation will end on 31 December 2021. Registrations for assistance will be received up to 31 December 2019. As with the funds for institutionalised children, the period of time in which suffering and wrongs took place that is relevant in the context

of the Foundation is shorter for the Federal Republic of Germany than for the GDR. This ends in the Federal Republic of Germany as early as 1975, as the recommendations of the psychiatry enquiry were implemented here from the end of 1975 and the Victims Compensation Act (OEG) came into force in 1976.

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

Research project on forced adoption in the GDR

Although individual cases of forced adoptions in the GDR are documented, there are no definite findings of systematic unlawfulness by the SED here. In order to close gaps in the historical analysis of GDR unlawfulness, the question as to whether there is evidence of such systematic unlawfulness will be investigated, and as to what the extent of this might be in figures and whether it is indeed possible to verify GDR unlawfulness in a sound, scientific manner. With this aim in mind, a preliminary study was commissioned in February 2017, a certain percentage of which is co-financed by the State of Brandenburg. The study is entitled Dimension and Scientific Verifiability of Political Motivation in GDR Adoption Procedures, 1965-1990. This preliminary study generated an initial structure for investigating the subject and developed a research design for any main study. This approach was agreed with by the Federal Commissioner for the Files of the State Security Service of the former German Democratic Republic, the federal state commissioners for state security files, the Central Adoption Offices in the new federal states, the Federal Foundation for the Critical Appraisal of the SED Dictatorship, the Union of Victims' Associations of Communist Tyranny (UOKG) and the competent federal and state ministries.

Dialogue Forum on Political Victims of the GDR Dictatorship

The Dialogue Forum on Political Victims of the GDR Dictatorship, which was established in 2016 by the Federal Government Commissioner for the New Federal States, has continued its successful work throughout 2017. In addition to the Union of Associations of Victims of Communist Tyranny (UOKG), the Dialogue Forum also comprises members of the Federal Foundation for the Critical Appraisal of the SED Dictatorship, the Federal Commissioner for the Files of the State Security Service of the former German Democratic Republic and representatives of the federal state

commissioners for the state security files of the former German Democratic Republic. The Dialogue Forum meets every six months. The aim of the Forum is to provide victims and their representatives with a further opportunity to speak with the Federal Government. The exchange of views on ways in which the situation of the political victims of the GDR can be improved serves to provide each side with new information and promote an understanding of the positions of the various sides involved.

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

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

Strengthening research on the history and heritage of the GDR

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

Centre of information on dictatorship and resistance in the former State Security Headquarters

In its resolution on 9 June 2016, the German Bundestag also endorsed the further development of the former State Security Headquarters in the Normannenstraße in Berlin as a centre of information on dictatorship and resistance. The State Security documents archive provides an anchor point to a certain extent in order to inform the public on the activities of the Ministry for State Security.

In 2015, the new permanent exhibition in House 1, the former official residence of Erich Mielke, was opened to the public. It deals in depth with the subject of state security in the SED dictatorship. One year later, the Minister of State for Culture, Prof. Monika Grütters, together with the town mayor of Berlin, Michael Müller, inaugurated the permanent exhibition of the Robert Havemann Society on the peaceful revolution of 1989 and on the role of opposition and resistance in the GDR in the courtyard of the state security area. In 2017, the Robert Havemann Society moved its archive of GDR opposition to Normannenstraße. On 16 June 2018, this was followed by the presentation of the new permanent exhibition of the BStU Glimpses into the Secret World as the most recent mosaic stone of the overall concept in the state security documents archive, which explains the task and work of the authority to a broad-based public.

Events and publications related to the history of communism

On 14 February 2018, the new poster exhibition “Communism in its Age” was presented in the Federal Foundation for the Critical Appraisal of the SED Dictatorship. During the 80s, the photographer Harald Hauswald wandered through East Berlin and photographed what others had overlooked or viewed to be uninteresting: small everyday scenes, lonely and old people, young couples in love, rockers, hooligans and young people standing up for peace and environmental protection in the church. The exhibition presents over 100 well-known and unknown photographs of Harald Hauswald on 20 panels. Historian and book ... author Stefan Wolle, who like the photographer, grew up in the GDR, wrote the texts for the exhibition. The exhibition can be ordered as a poster set for school and non-school educational work for a moderate fee.

Work with eye witnesses

The personal memories of eye witnesses are particularly impelling in coming to terms with history. The Minister of State for Culture, Prof. Monika Grütters, initiated the eye witness portal launched in the Haus der Geschichte der Bundesrepublik Deutschland Foundation to make them available to as many people in Germany as possible. The online platform secures and systematically records thousands of interviews with eye witnesses from the past decades and keeps these impressions for the coming generations.

The Coordinating Eye Witness Office funded by the Federal Government liaises with eye witnesses of the SED wrongs for them to appear in schools and non-school educational establishments. The Office is a joint service centre of the Berlin Hohenschönhausen Memorial Foundation, the Foundation for the Critical Appraisal of the SED Dictatorship and the Berlin Wall Foundation. It has so far been possible for over 183,000 young people to use the service of the Eye Witness Office.

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

The former central remand centre of the Ministry of State Security in Berlin-Hohenschönhausen is a prominent authentic memorial site to remember SED injustice. The 2017 Federal Budget contains funds for the first time for federal participation in a second construction phase to safeguard and restore the memorial site. While the first construction phase, completed in 2013, focused on the restoration of the old building, the second phase is largely aimed at safeguarding and renovating the new prison building from the 1960s, which features a cellblock and interrogator wing, day-release cells and the prison hospital. The construction work is to start in 2018.

Berlin Wall Foundation

On 5 February 2018, the Berlin Wall had been gone for as many days as it had divided Berlin, Europe and the world between 1961 and 1989: exactly 10,316 days. On this occasion, the Berlin Wall Foundation co-funded by the Federal Government presented a special exhibition until 15 August 2018 with predominantly unpublished photographs from the 28 years of Berlin with and without the wall. The photographs showed unknown perspectives of intra-German identity in the shadow of the wall. The political history wasn't the focus, but rather the unusual perspective and details.

Monument to Freedom and Unity

Following an intensive public debate, the German Bundestag once again committed to the Berlin Monument to Freedom and Unity on 1 June 2017 and requested the German Government to realise the winning design 'Citizens in Motion' by Milla and Partner and to aspire to its inauguration in the autumn of 2019. The goal of creating the Freedom and Unity Monument has always been to create an uplifting place of remembrance to commemorate the Peaceful Revolution in 1989 and reunification and remember what are possibly the best moments of our recent German history. For the further implementation of the monument project, the budgetary commission of the German Bundestag must first endorse the revised funding concept submitted by the Federal Government on 21 June 2018.

2. Diversity of civic involvement

Civic involvement in Germany has become significantly more important in recent years and makes an important contribution to solving social challenges. Over 30 million people are involved in community projects every year.

A special focus is placed on sports. In 2017, around 27.4 million people were actively involved in Germany's 90,000 sports clubs and some 8.6 million worked in the area of sport and movement on a voluntary basis. Following the leading areas of sport and movement, the areas of schools and nursery schools as well as culture and music attract the majority of civic involvement. Around 3 million people support the German Association for Public and Private Welfare, over 1.1 million people are members of the volunteer fire brigades. Some 1.8 million are involved in civilian protection duties and disaster management, and around 100,000 volunteers of all age groups are involved in voluntary services. However, civic involvement is also playing an increasing role in science and research: Citizen Science projects bring science and research closer to ordinary people and enrich research.

In recent years, a large number of citizens have also – quite impressively – become involved in spontaneous activities to support the many refugees who have come to Germany, often organising these services themselves. According to the study entitled *Involvement in Helping Refugees*, which was conducted by the Institute for Demoscopy Allensbach on behalf of the Federal Ministry for Families, a total of 55% of the population aged 16 and over have supported refugees in Germany in some way since 2015 (for example clothing or money donations, active assistance or readers' letters). Currently (as of October 2017), 19% of the population are still actively involved in this support. Their commitment in welcoming and accommodating those seeking asylum and protection or in their integration is an impor-

tant part of social cohesion. Setting an example of this kind of commitment also creates the basis for people with a migration background to become involved in voluntary work themselves.

2.1. Civic involvement in eastern and western Germany

Figures on a comparison of civic involvement in eastern and western Germany are available through the 2014 survey of volunteers according to which more people in western Germany became involved than in eastern Germany. This difference is demonstrated for all age groups. In younger years, these differences are smaller, however. Involvement in activities such as neighbourhood assistance, such as running errands or doing odd jobs around the house, or childcare for unrelated persons are roughly equal in eastern and western Germany.⁸⁶

2.2. Promoting civic involvement

The Federal Government supports civic involvement which is important for a functioning society by strengthening the framework conditions and fostering a culture of recognition for such involvement.

Strengthening the infrastructure for civic involvement

In order to strengthen the infrastructure for civic involvement, the Federal Government supports the following by way of example:

- The **Federal Network for Civic Involvement (BBE)**, including the annual Week of Civic Involvement organised by the BBE as well as the Federal Association of Volunteer Agencies (bagfa) and the Civic Foundations Workshop project operated by the Civic Foundations Initiative (IBS).
- The **Involved City** programme. This programme supports civic involvement in numerous municipalities and the necessary partnerships between public authorities, civil society and local businesses. Since the beginning of 2018, the network programme has been continued with a second phase in which 47 of the originally funded municipalities participate, 18 of which are in the new federal states.
- The **Houses of Resources** programme. With this pilot programme, agencies receive funding that they are able to pass on to other, smaller migrant organisations and local initiatives, including those which are in the process

of being set up, in order to improve their opportunities for making their integration work a success. The support includes advice, support with gaining access to funding and with implementing projects, the provision of premises and technical equipment as well as assistance with networking and connecting with other people involved in civic activities. Four of the Houses of Resources offices are located in the new federal states (Bautzen and Dresden in Saxony as well as Halle/Saale and Magdeburg in Saxony-Anhalt).

Strengthening recognition for civic involvement

In order to strengthen recognition for civic involvement, the Federal Government awards various prizes and stages competitions. Examples of these are as follows:

- The **German Civic Involvement Prize** which has been awarded since 2009. The organisers of the over 650 regional and supra-regional prizes for civic involvement and action by citizens can nominate their prize winners to receive the German Civic Involvement Prize. In its form as the Prize of Prizes, the German Civil Involvement Prize thus strengthens the culture of recognition by recognising civic involvement by members of the public as well as all those who make civil activity visible through the awarding of prizes. Ninety-three of the some 514 regional prizes are awarded in the new federal states (excluding Berlin).
- With the **Helping Hand** award, the Federal Ministry for the Interior, Building and Community has been honouring ideas and strategies to awaken people's interest in volunteering as part of civil protection initiatives every year since 2009. Members of aid organisations or companies engaging voluntarily in civil protection can apply for the award totalling €40,000 for their projects. In 2018, the Helping Hand award celebrated its tenth anniversary. A special prize for sustainability will be awarded on this occasion.
- The nationwide **Municipality Moves the World** competition. This award moves into its third round in 2018. It is designed to foster and raise the visibility of civic involvement by migrants who, together with players promoting the One World concept, work to help achieve development policy goals at the municipal level.
- The federal competition **Living Together Hand in Hand – Shaping Communities**. This competition is aimed at initiating, identifying, honouring and making public the outstanding local activities aimed at integrating migrants and fostering cohesion in the local population.

⁸⁶ Statistics and diagrams on civic involvement in eastern and western Germany are to be found in the Annual Report of the Federal Government on the Status of German Unity in 2017 on p. 72 f.

Cooperations between municipalities and other partners, for example from the area of organised civic involvement of the charity associations, sports clubs, migrant organisations etc., are explicitly desired. In July 2018, 21 prize winners were awarded from the 146 participating municipalities. Of these, three municipalities of a total of ten participating municipalities come from eastern Germany.

- The nationwide competition **Democratic Action** of the Förderverein Demokratisch handeln e.V. promoted by the Federal Ministry of Education and Research. The competition aims to strengthen the democratic attitudes and democratic culture in the everyday life of schools and youth work. School projects and initiatives in eastern and western Germany are supported that create democracy and democratic competency of pupils.
- The **People and Success** competition which has been run since 2011. This competition honours successful involvement for safeguarding and improving the provision of infrastructure in rural areas and bringing it into public awareness. In the summer of 2017, trendsetting projects to safeguard added value and jobs in rural areas were awarded prizes. They are amongst other things also supported by voluntary involvement as in the city of Kalbe in Saxony-Anhalt.

2.3. Federal Volunteer Service and Youth Volunteer Service

The Federal Volunteer Service (BFD) was launched in 2011 following the suspension of civilian service and military service. The existing voluntary civic involvement was strengthened sustainably and placed on a broad basis. People who take part in Federal Volunteer Service work primarily in social spheres, but the service also offers placements in sport, integration, environmental protection, culture and education as well as in civil protection and disaster management.

Men and women of any age (after finishing their compulsory school education) can get involved in the Federal Volunteer Service. In 2017, an average of 41,909 volunteers were in service. Throughout Germany, the “older” volunteers (aged 27+) currently make up a very pleasing proportion of all volunteers in Germany – almost 30%. The flexible arrangements in place for those over 27, particularly the option to work part-time, serve to increase the attractiveness of the BFD. The Federal Volunteer Service is accepted equally in western and eastern Germany alike. In the eastern part of the country, a considerably higher number of older people are involved in this service.

Due to the huge potential that civic participation offers when it comes to integrating refugees who have come to Germany, and to the high level of willingness among the general public to get involved in this work, the Federal Government is financing additional positions in the Federal Volunteer Service that are linked to work with refugees. Refugees with good prospects of being able to remain in Germany can also get involved in the BFD. Since the programme's launch on 1 December 2015, 10,665 BFD agreements have been concluded, of which 6,611 in the western federal states and 4,754 in the eastern federal states. This corresponds to a share of 58 to 42% in February 2018.

Within the Youth Volunteer Service (involving a year of voluntary service in the social or environmental sphere in Germany, or as part of the International Youth Volunteer Service, or with *weltwärts*), more than 60,000 young people from western and eastern Germany are involved in services that benefit public welfare and social cohesion within our society. This might be undertaken in welfare facilities, childcare, youth care or healthcare facilities, in culture, sport, nature and environmental protection or in the service of peace and reconciliation work abroad.

2.4. Strengthening the integration of migrants

There are numerous programmes with which projects can be supported for the integration of migrants. More recent programmes are as follows, for example:

- The **Structural Support of Migrant Organisations** programme. Since 2017, the Federal Office for Migration and Refugees (BAMF) has supported seven migrant organisations working in refugee aid, in the development of their umbrella structures and to make their work more professional. The programme permits them to set up their own branches and to strengthen their role as points of contact and representatives of interest at a national level. For example, the structural assistance of BAMF ensures that the expertise of migrant organisations can be used and is made visible for nationwide integration work. Based in Halle/Saale (Saxony-Anhalt), the umbrella association of the migrant organisations in eastern Germany (DaMOst e.V.) supports exclusively migrant organisations from the new federal states with specific migration and integration issues in eastern Germany. In view of the lack of systematic migration into work and the all-in-all lower migration to the former GDR, DaMOst e.V. is aimed in particular at the joint representation of interests and strengthening existing structures of migrant self organisations in the new federal states.

- **The Culture Makes You Strong. Alliances for Education** programme. With this programme the Federal Ministry for Education and Research supports non-school measures of cultural education for children and youths at educational disadvantage, thereby making an important contribution to breaking down the link between social origin and successful education.

Different partners in the alliances at a local level develop projects of cultural education for children and young people supported by civil society stakeholders through voluntary involvement. Up to €250 million are earmarked for this between 2018 and 2022.

- **The Integration Through Sport** programme is being implemented throughout Germany by BAMF together with the German Olympic Sports Federation (DOSB), the sporting federations at the level of the federal states (LSB) and local sports centres. The aim of the programme is to encourage people with a migrant background to become actively involved at all levels of club life – both as active members and as volunteers. Training is also provided for volunteers and officials on how to deal with interculturalism in sport. The programme was extended in 2015 to cover all asylum seekers and persons with temporary suspension of deportation, regardless of origin and prospects of being allowed to stay in Germany. In 2017, of the 4,000 offers and measures, some 1,500 were conducted in the new federal states. Of the 4,115 clubs and associations funded, some 1,000 are located in the new federal states.

3. Preventing extremism and promoting democracy

3.1. Extremism and xenophobia

Germany is a cosmopolitan, democratic and pluralistic country located in the centre of Europe. Not only does our country have a democratic state constitution, government based on the rule of law, and functioning institutions, it also has highly developed structures for democratic civil involvement and distinctive forms of co-determination. These provide a good basis for a well-functioning society. Nevertheless, there are also problems that threaten the cohesion of our society. The challenges we face today are diverse because xenophobia, race discrimination, stereotypes, prejudgements and violence also exist in Germany. Attacks on democracy, freedom and the rule of law place the state and society in its entirety before diverse challenges.

The state can create favourable framework conditions to strengthen social cohesion. This includes both security policy tasks as well as preventive measures to strengthen democratic activity as well as measures to inhibit processes of radicalisation. The violence from left-wing and right-wing extremists against the police, the rescue forces and other representatives of the state and of the civil society must be systematically countered at all levels. These framework conditions also comprise living conditions based on shared values such as mutual respect and appreciation. Ensuring a cohesive society depends on many factors, but above all on having shared values and a strong level of solidarity within the community, at work, in our clubs and associations, in the neighbourhood and in the family. The task of the Federal Government is to prevent extremist trends lastingly and sustainably and to promote a peaceful democratic society.

Fortunately, violent acts motivated by right-wing extremism declined considerably in 2017 (2017: 1.054; 2016: 1.600). This trend also applies to eastern Germany (2017: 572; 2016: 774).

However, this is not a reason to slow down combatting extreme right-wing trends. The programmes presented in the following therefore continue to have great importance.

3.2. Strengthening our democracy

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

In addition to conducting the federal programmes Living Democracy! (Federal Ministry for Family Affairs, Senior Citizens, Women and Youth) and Cohesion through Participation (Federal Ministry of the Interior, Building and Community), the Federal Government therefore adopted the Federal Government's Strategy to Prevent Extremism and Promote Democracy (July 2016), the National Action Plan on Countering Racism – Positions and Measures to Deal with Ideologies and Inequalities and the Relating Discrimination (June 2017) as well as the Federal Government's Report on Work and Efficacy of Federal Programmes on the Prevention of Extremism (June 2017). These programmes outline its work in these subject areas. The National Prevention Programme against Islamic Extremism was also adopted in 2017.

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

The strategy is to be applied throughout Germany, in areas that are decisive when it comes to preventing extremism and promoting democracy, i.e. in neighbourhoods, municipalities and districts, in institutions, clubs and associations, in schools, but also in many other areas where people are working to promote democracy and defend human rights and civil liberties. It also involves strengthening an online presence, activities in prisons and probation support as well as in the area of international collaboration to prevent extremism and foster democracy.

National Action Plan on Countering Racism – positions and measures to deal with ideologies of inequality and related discrimination (NAP)

The NAP had to be restructured to include subjects of homophobia and transphobia so that in its core are the positions and former and planned measures of the Federal Government in the following fields of action: human rights policy, protection against discrimination and the prosecution of crimes, education and political education, civic and political involvement for democracy and equality, diversity in working life, education and training, strengthening intercultural and social skills in the workplace, racism and hatred on the internet, and research.

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

Under consideration of the results of the evaluation of the scientifically supported Federal Extremism Prevention Programmes, a report was adopted by the Federal Cabinet in June 2017 for the first time with recommendations for action and providing an analysis of the effectiveness of the programmes.

National Prevention Programme against Islamic Extremism

Following on from the existing prevention measures of the Federal Government, a National Prevention Programme against Islamic Extremism was adopted by the Federal Government on 29 March 2017. This programme builds on the Federal Government strategy to prevent extremism and promote democracy, incorporating all state levels. The new programme is to take account of the special current challenges presented by Islamic extremism to the society as a whole.

Prevention and repression must go hand in hand here. The programme intensifies the measures of the Federal Government to counteract this phenomenon. To prevent young people from becoming radical in the first place, measures are envisaged for and with young people in the municipalities, families, their social environment, educational establishments, prisons, internet and Muslim associations and communities as well as an extension of research in this area. A total of €100 million is earmarked for these measures in the programme for 2018. The involvement of the civic society and political education play an important role in prevention work.

The Cohesion through Participation programme

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

The Cohesion through Participation programme was initially aimed at the eastern German states only. However, as a result of relevant need in western Germany as well, funding was extended to the whole country in 2017. From 2017, the focus of projects will also be placed on strengthening democracy at the municipal level. The aim is to enable members of associations to use the experience and abilities that they have gained from the project thus far to shape democratic participation structures more effectively at the local level. In addition, the Cohesion through Participation programme supports pilot projects focusing on “concepts, methods and instruments of intercultural learning in clubs and associations” that involve cooperation between a project executing agency specialising in intercultural education at the level of the federal states – whether involving sport, the fire brigade or the Federal Agency for Technical Relief (THW). The aim is to work together to develop and implement a tailor-made concept for intercultural learning for the different association structures. In addition to developing their intercultural skills, the clubs are then to be provided with support to help get them ready for taking up migrants. The annual budget set aside for the programme is currently €12 million.

The Federal Government's Living Democracy! programme

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

The budget allocated to the programme has been slightly increased in 2018 compared with the previous year.

Of the total of €115.5 million in funding, some €20.2 million (17.5%) has been allocated to eastern Germany.

Living Democracy! supports 265 local Partnerships for Democracy with almost €26 million, 93 of which are in eastern German states with some €9 million. The support is primarily intended to help these groups strengthen their work in countering right-wing extremism. At the 16 Centres for Democracy spread across Germany, the mobilisation of right-wing sympathisers being observed in many areas has led to an increase in cases for the mobile advisory teams and for victim support services. Attacks on those people becoming involved in the civic society also play an increasingly large role here. Of the almost €15.5 million earmarked in 2018, around €4.4 million (28.4%) will go to the five eastern German states.

With some €9.9 million, some 35 agencies are also supported in the Federal Government's programme to develop their structures and to provide them with a more professional approach and consolidate their expertise in a broad range of subjects – from democracy work with young people having had a disadvantage in education through to the empowerment of migrants to anti-discrimination advice. Some €840,000 of the funds allocated for this purpose will go to eastern Germany.

Lastly, support is provided for new and innovative approaches to strengthen democracy and prevent radicalisation in pilot projects. In the programme segment D, projects against group-related homophobia and on strengthening democracy in rural areas focus on the phenomena of anti-Semitism, Islamophobia/Muslimophobia, anti-Gypsyism, homophobia and transphobia, and the strengthening of democracy in rural areas, racism and early prevention. Of the over €10.6 million in this area, some €2.6 million go to eastern Germany. In the programme segment E, pilot projects on the prevention of radicalisation address right-wing extremism, left-wing militancy as well as Islamic orientations and acts with an amount of €8.8 million, of which some €1.1 million goes to the eastern federal states.

In 2017, the federal programme was extended to include five additional problem areas in which pilot projects are supported on the subjects of involvement and diversity in the working and corporate world (2018: almost €2.1 million, of which some €605,000 go to the eastern German states), the fostering of democracy in the area of education (2018: almost €4 million, of which some €15,000 go to the eastern German states), living together in the migrant society (2018: almost €5.7 million, of which some €180,000 go to eastern German states), strengthening of involvement in the internet – against hatred in the internet (2018: over €6 million, of which €355,000 go to eastern German states) as well as prevention and deradicalisation in prison and probation assistance (2018: over €4 million, of which €640,000 go to eastern German states).

3.3. Political education

The experience of German history gives rise to a special responsibility for Germany to strengthen values such as democracy, pluralism and tolerance in the consciousness of the population. The Federal Agency for Civic Education (BpB) is tasked with promoting an understanding of political issues, strengthening awareness for the importance of democracy and encouraging people to become involved in politics. It provides a range of different services that serve to help improve democratic participation and prevent extremism. This includes events, print products, audio-visual and online products which deal with both current and historical topics alike. The different educational services are designed to motivate and empower citizens to think critically about political and social issues – whether by looking at ideas considered as “absolute truths” or at conspiracy theories, rejecting violence in the political debate or gathering and processing arguments that legitimise a pluralistic society and that can be brought wherever this concept is called into question.

The educational services provided by BpB for multipliers and interested citizens range from printed publications, seminars and conferences, digital documents, through to specialist articles and eye witness accounts as printed publications or on DVD, as well as on the websites www.chronik-der-mauer.de, www.jugendopposition.de and the relevant online dossiers at www.bpb.de. An important goal in this educational work, especially with young people, is to awaken an interest in looking critically at the SED dictatorship and at the relations between the two Germanys. By deepening people's understanding of the historical context in this way, the hope is to strengthen their awareness of freedom, democracy and respect for human rights. Another important task of the BpB is to provide educational services for the prevention of extremism and promotion of democracy.

The aim in this is to support local players in their work in these areas and to empower them to recognise and actively combat structures that foster violence in their own social space. These measures are implemented in close coordination with local initiatives and educational institutions in the local area. The Bundeswehr is also intensively involved in the area of political education. It explores, processes and delivers information on interrelationships in the political world in general and in security policy in particular, as well as working to counter extremist ideas. In these ways, it makes a significant contribution to strengthening an awareness for democracy. At the Bundeswehr Centre for Public Information in Strausberg, Brandenburg, the Bundeswehr hosts seminars on issues of security policy. These not only explore socio-political topics, but especially look at current security and defence policy issues.

Part C:

Economic data of the new federal states

(current as of August 2018)

As a result of a need to update past data, there may also be changes in this section for the years before 2017.

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

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

Eastern Germany = new federal states including Berlin

Western Germany = old federal states excluding Berlin

1. Economic development as a whole and by sector

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

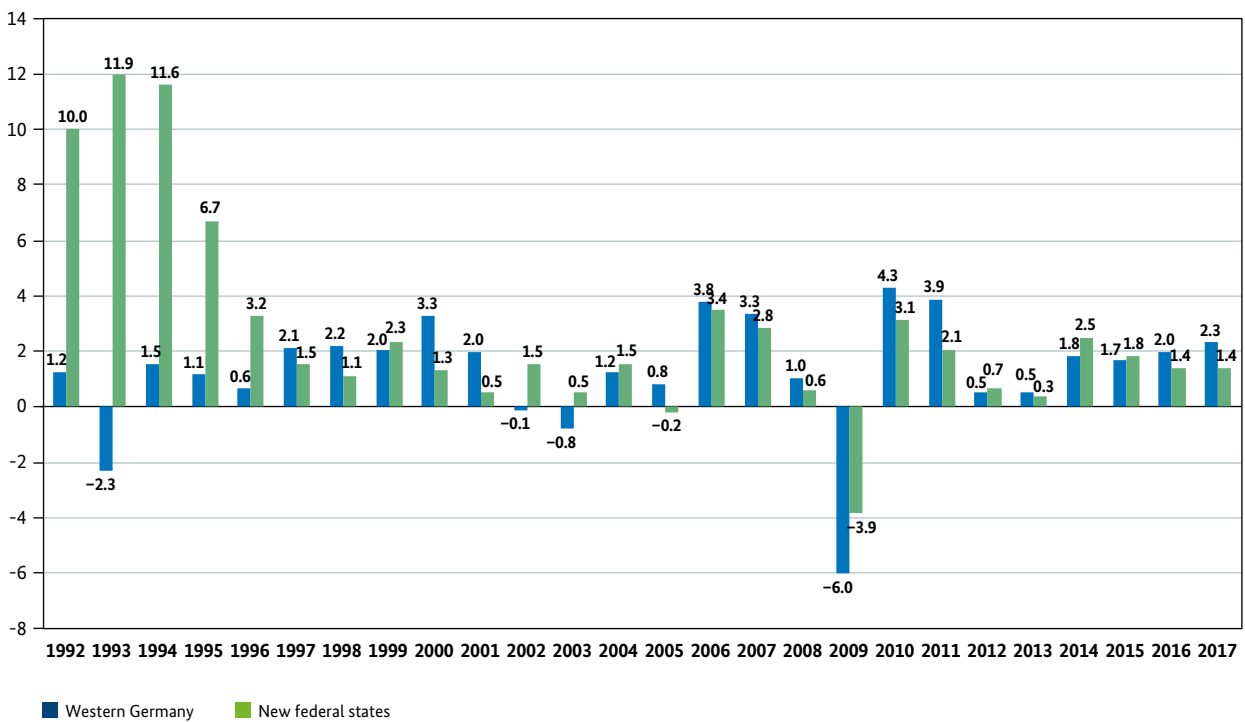
Gross domestic product in current prices per capita

Year	Berlin	Brandenburg	Mecklenburg-Western Pomerania	Saxony	Saxony-Anhalt	Thuringia	Western Germany	Eastern Germany	New federal states	Germany	New federal states/western Germany	Eastern Germany/western Germany
in €						in %						
1991	19,744	7,643	7,377	7,729	7,142	6,534	22,687	9,701	7,342	19,754	32	43
1995	24,965	14,940	14,497	15,400	13,971	13,708	25,206	16,645	14,626	23,354	58	66
2000	25,869	17,315	16,455	17,157	16,232	16,385	27,959	18,539	16,785	25,983	60	66
2005	26,761	19,239	18,204	20,044	18,689	18,629	30,226	20,660	19,155	28,288	63	68
2010	31,547	22,720	21,587	23,309	22,241	21,883	34,059	24,382	22,532	32,137	66	72
2011	32,749	23,498	22,512	24,509	22,755	23,291	35,707	25,441	23,527	33,673	66	71
2012	32,803	24,065	22,892	25,053	23,906	23,719	36,348	25,970	24,145	34,296	66	71
2013	33,133	24,815	23,807	24,745	24,502	24,802	37,101	26,681	24,929	35,045	67	72
2014	34,191	25,881	24,530	26,932	25,067	26,162	38,290	27,732	25,951	36,211	68	72
2015	35,594	26,382	25,035	28,004	25,766	26,900	39,365	28,649	26,715	37,260	68	73
2016	36,798	26,887	24,454	28,947	26,364	27,674	40,301	29,477	27,414	38,180	68	73

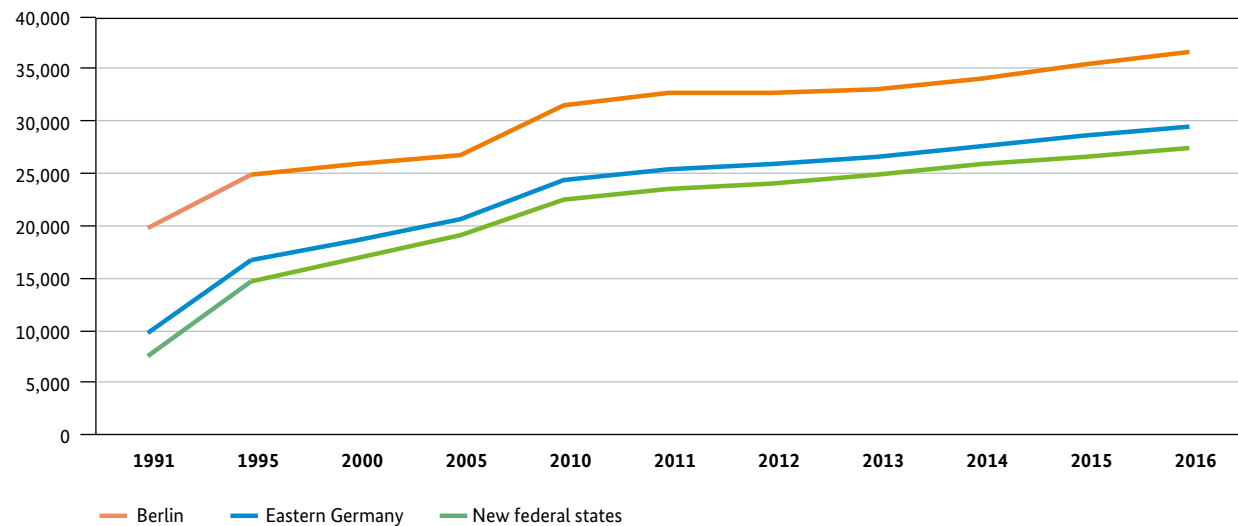
Gross domestic product (price-adjusted, chain-linked)

Year	Berlin	Brandenburg	Mecklenburg-Western Pomerania	Saxony	Saxony-Anhalt	Thuringia	Western Germany	Eastern Germany	New federal states	Germany
Change year-on-year in %										
1992	3.4	8.5	7.6	9.1	8.8	17.0	1.2	7.5	10.0	1.9
1995	1.8	8.2	7.7	8.2	4.3	4.0	1.1	5.2	6.7	1.7
2000	1.5	3.1	0.4	0.4	1.1	1.9	3.3	1.4	1.3	3.0
2005	1.7	0.8	-0.1	-0.5	-0.5	-0.3	0.8	0.3	-0.2	0.7
2010	3.0	2.8	-0.2	3.1	4.3	4.7	4.3	3.1	3.1	4.1
2011	3.6	0.8	1.9	3.3	-0.9	4.3	3.9	2.5	2.1	3.7
2012	0.0	0.7	-0.4	0.6	2.4	-0.3	0.5	0.5	0.7	0.5
2013	0.0	0.7	0.5	0.1	-0.7	1.4	0.5	0.3	0.3	0.5
2014	2.3	3.0	1.4	3.0	0.7	3.6	1.8	2.4	2.5	1.9
2015	3.3	1.2	1.2	2.7	1.6	1.5	1.7	2.2	1.8	1.7
2016	3.2	1.2	0.4	2.1	0.9	1.3	2.0	1.9	1.4	1.9
2017	3.1	1.4	1.8	1.4	0.8	1.6	2.3	1.9	1.4	2.2

Change in GDP (in real terms) over preceding year, in %



Gross domestic product in current prices per capita, in €

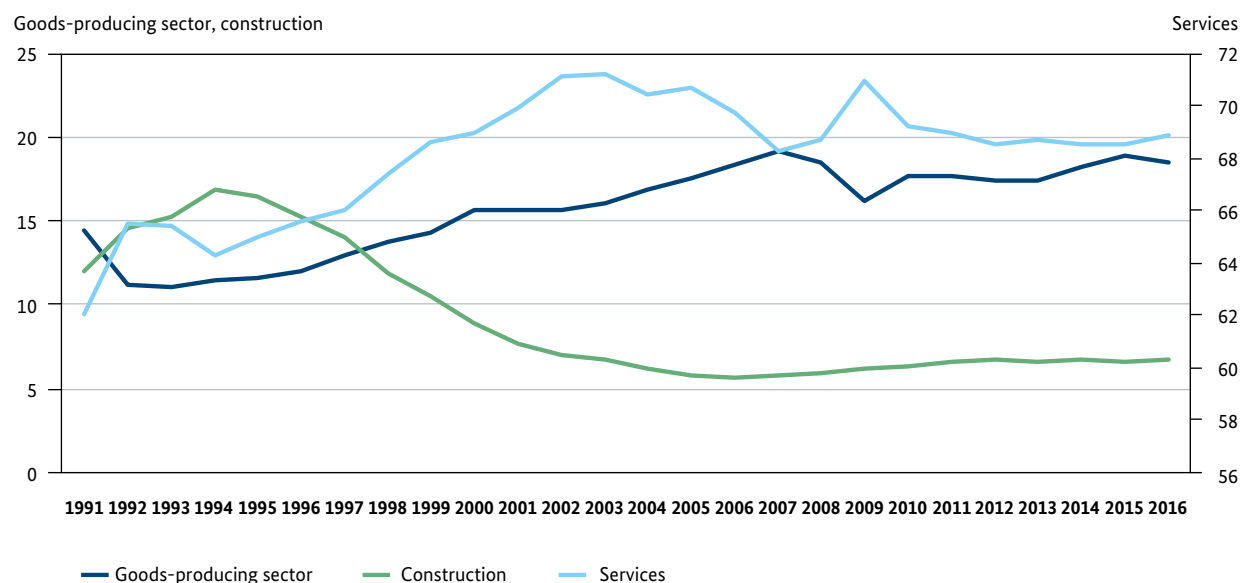


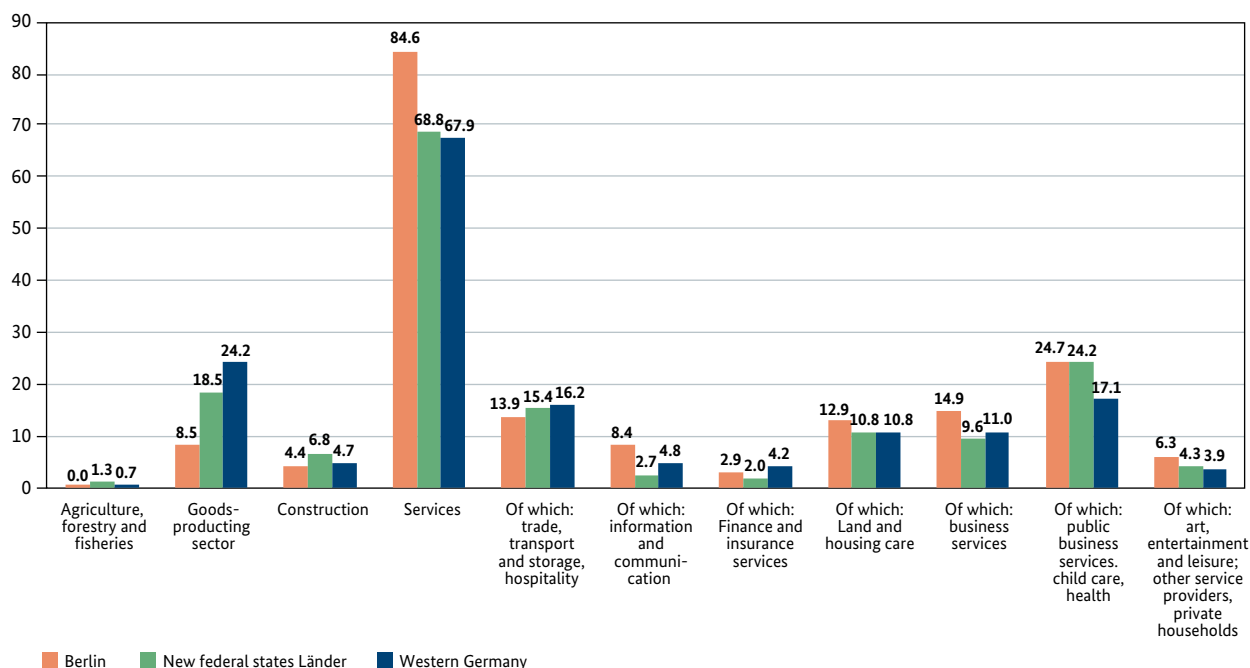
1.2. Gross value added (GVA) overall and per sector

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

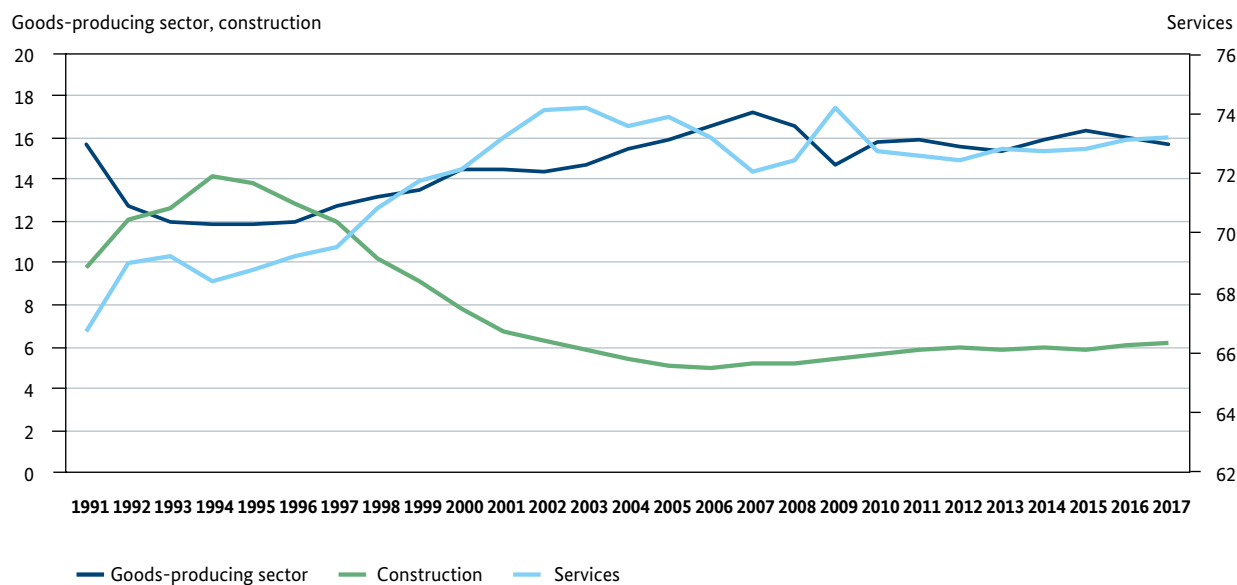
		1992	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017
Change year-on-year, in %													
Berlin	Agriculture and forestry, Fisheries (A)	-21.4	-8.3	-7.9	-14.5	-35.7	-26.4	6.7	-21.7	-13.6	45.5	-15.4	-1.3
	Goods-producing sector (C)	-7.9	-0.0	3.0	1.5	6.3	9.2	-7.0	-6.3	3.1	1.4	3.8	-3.5
	Construction (F)	14.0	-0.2	-9.0	-7.6	11.3	5.7	-3.6	0.3	4.6	4.0	10.2	5.1
	Services (G-T)	4.9	2.3	2.2	1.8	2.2	3.5	1.0	1.0	2.1	3.3	2.9	3.9
New federal states	Agriculture and forestry, Fisheries (A)	-5.5	9.1	-8.5	-36.5	-21.0	-10.1	4.7	-4.1	-11.1	5.2	-1.0	-1.4
	Goods-producing sector (C)	-5.2	8.4	13.6	5.4	16.6	4.6	-3.4	2.1	9.2	4.9	0.5	1.6
	Construction (F)	27.1	2.5	-10.8	-7.9	6.4	4.9	-0.9	-4.2	3.2	-2.6	-1.1	-1.3
	Services (G-T)	12.8	8.4	1.7	0.2	0.6	2.1	0.7	0.6	1.1	1.0	1.9	1.6
Eastern Germany	Agriculture and forestry, Fisheries (A)	-5.7	9.0	-8.5	-36.5	-21.1	-10.2	4.7	-4.1	-11.1	5.2	-1.0	-1.4
	Goods-producing sector (C)	-6.4	5.7	11.2	4.7	14.6	5.4	-4.1	0.6	8.2	4.3	1.0	0.8
	Construction (F)	23.9	2.0	-10.5	-7.9	7.1	5.0	-1.4	-3.5	3.4	-1.5	0.9	-0.1
	Services (G-T)	9.4	6.3	1.9	0.7	1.1	2.5	0.8	0.7	1.4	1.7	2.2	2.4
Western Germany	Agriculture and forestry, Fisheries (A)	-2.0	0.6	-2.9	-25.2	-25.3	-10.4	-2.5	8.1	-12.3	18.9	-0.5	-0.6
	Goods-producing sector (C)	-2.5	-0.8	6.9	1.2	18.9	8.9	-2.0	-0.1	5.5	1.6	2.3	3.3
	Construction (F)	3.4	-5.3	0.8	-3.3	7.7	3.5	-1.1	-2.2	2.7	0.4	2.2	2.6
	Services (G-T)	3.0	2.8	2.9	1.2	0.5	3.1	1.1	1.1	0.6	1.2	1.9	2.1
Germany	Agriculture and forestry, Fisheries (A)	-2.7	2.4	-4.2	-27.9	-24.4	-10.3	-0.8	5.2	-12.0	15.8	-0.6	-0.7
	Goods-producing sector (C)	-2.8	-0.3	7.3	1.6	18.4	8.5	-2.2	0.0	5.8	1.9	2.1	3.0
	Construction (F)	7.1	-3.1	-2.1	-4.3	7.6	3.8	-1.1	-2.5	2.8	0.0	1.9	2.1
	Services (G-T)	3.8	3.3	2.7	1.2	0.6	3.0	1.0	1.0	0.7	1.2	1.9	2.2

Gross value added in the new federal states in 2017 by economic sector, in %



Share in gross value added in 2017¹, in %

Gross value added in eastern Germany in 2017 according to economic sector, in %



1 All data under Teilbereiche Dienstleistungen from 2016.

Source: Working Group "National Accounts of the Federal States", figures of the Federal Statistical Office: August 2017/February 2018. In-house table.

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

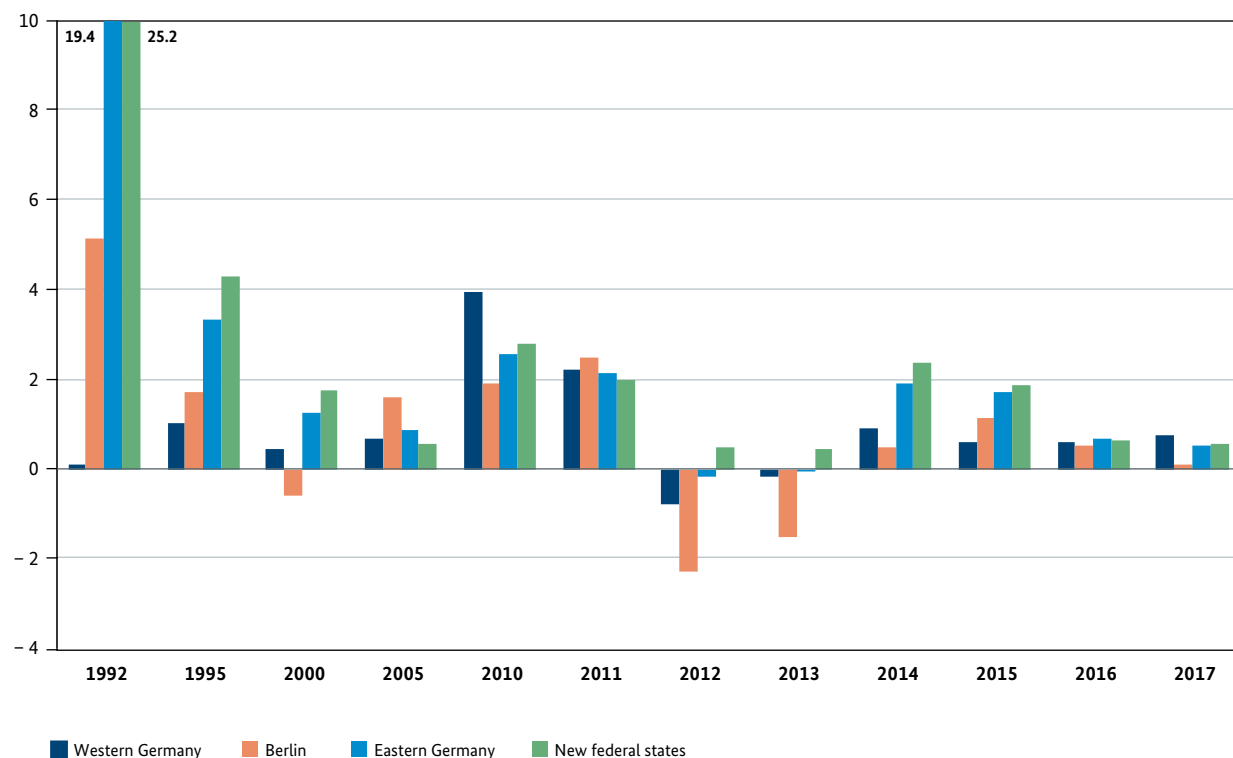
Gross domestic product in current prices per gainfully active person, per hour of work (productivity)

Year	Berlin	Brandenburg	Mecklenburg-Western Pomerania	Saxony	Saxony-Anhalt	Thuringia	Western Germany	Eastern Germany	New federal states	Germany	New federal states/eastern Germany	Eastern Germany/western Germany
in €										in %		
2000	34.70	26.06	24.40	24.33	25.32	23.50	39.02	26.76	24.68	36.52	63	69
2005	37.86	31.32	28.32	29.61	30.39	28.16	43.90	31.38	29.63	41.46	67	71
2010	42.53	35.14	31.77	33.08	34.14	31.14	47.67	35.20	33.13	45.25	69	74
2011	43.96	36.30	33.39	34.32	34.74	32.59	49.10	36.46	34.33	46.68	70	74
2012	44.25	37.60	34.64	35.31	36.85	33.48	50.08	37.54	35.58	47.69	71	75
2013	45.32	39.52	36.73	36.56	38.25	35.47	51.32	39.07	37.22	49.01	73	76
2014	46.74	40.94	37.34	38.07	39.05	37.42	52.53	40.44	38.56	50.27	73	77
2015	48.43	41.72	37.97	39.79	40.20	38.48	53.92	41.78	39.75	51.65	74	77
2016	49.76	42.61	39.06	41.16	41.30	39.97	55.31	43.07	40.98	53.03	74	78
2017	50.68	43.51	40.32	41.98	42.43	41.23	56.79	44.09	42.00	54.42	74	78

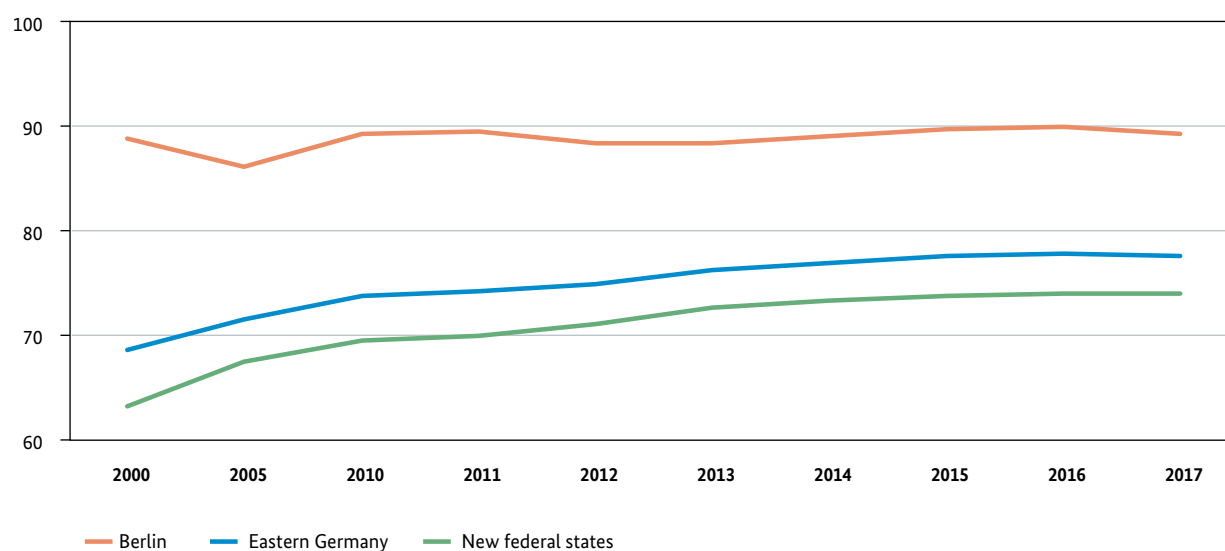
Gross domestic product (price-adjusted, chain-linked) per gainfully active person (domestic)

Year	Berlin	Brandenburg	Mecklenburg-Western Pomerania	Saxony	Saxony-Anhalt	Thuringia	Western Germany	Eastern Germany	New federal states	Germany
Change year-on-year, in %										
1992	5.1	21.5	19.5	25.1	22.7	37.2	0.1	19.4	25.2	3.3
1995	1.7	5.6	4.6	5.2	2.6	2.7	1.0	3.3	4.3	1.3
2000	- 0.6	2.9	0.3	0.5	3.1	2.5	0.4	1.3	1.7	0.7
2005	1.6	1.5	0.0	0.3	0.7	0.4	0.7	0.9	0.6	0.7
2010	1.9	2.4	0.5	2.6	4.2	4.0	4.0	2.6	2.8	3.8
2011	2.5	0.7	3.1	2.8	- 0.6	3.7	2.2	2.2	2.0	2.3
2012	- 2.3	0.5	0.5	- 0.3	2.9	- 0.4	- 0.8	- 0.2	0.5	- 0.7
2013	- 1.5	1.1	0.7	- 0.4	- 0.1	1.9	- 0.2	0.0	0.5	- 0.1
2014	0.5	2.9	0.4	2.7	1.2	3.9	0.9	1.9	2.4	1.1
2015	1.1	0.9	0.8	2.8	2.1	1.7	0.6	1.7	1.9	0.8
2016	0.5	- 0.3	0.3	1.1	0.5	1.1	0.6	0.7	0.6	0.6
2017	0.1	0.0	1.0	0.4	0.6	1.2	0.7	0.5	0.6	0.7

Development of productivity year-on-year, in %



Productivity in current prices per gainfully active person, per hour of work (western Germany = 100)

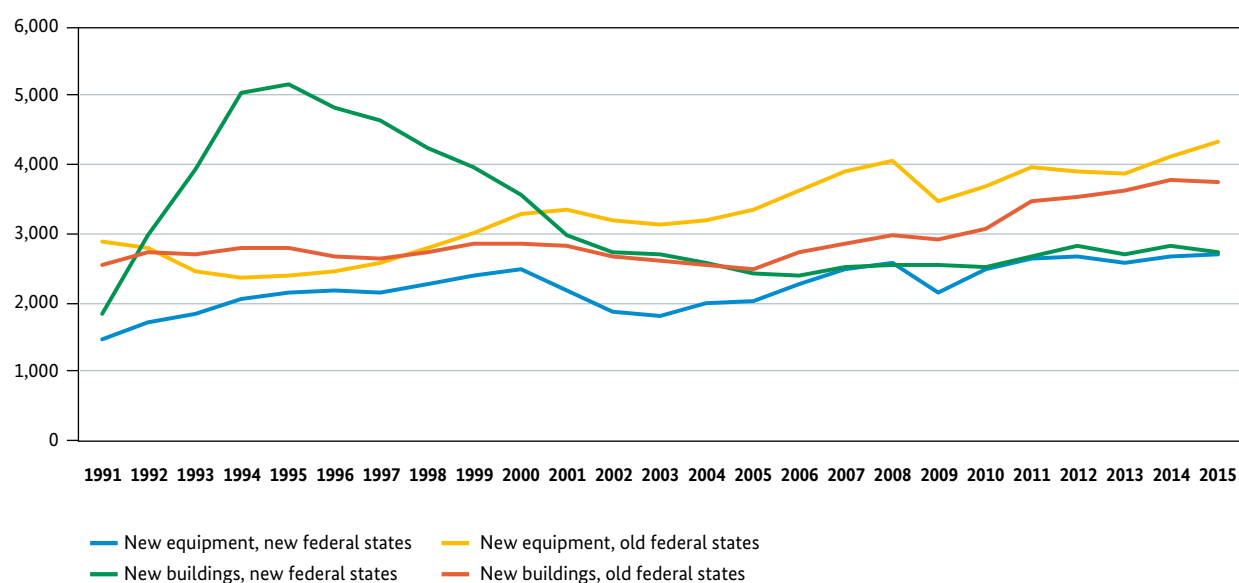


1.4. Investments in the overall economy and in the goods-producing sector

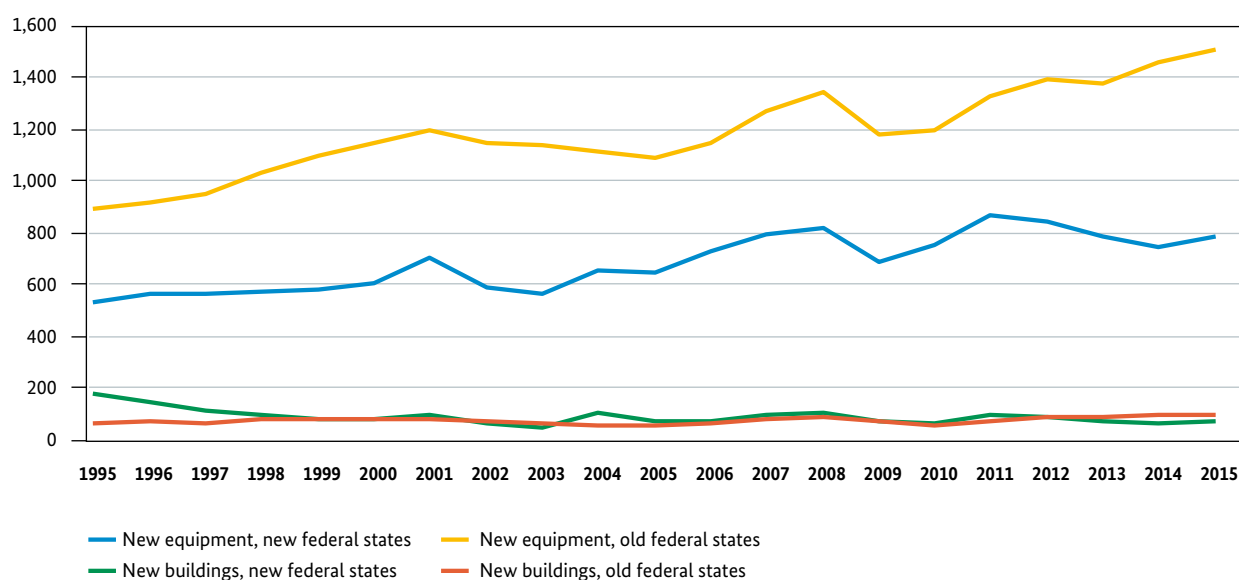
Investments in the overall economy and in the goods-producing sector per capita, in current prices

Year	Overall economy				Goods-producing sector			
	New equipment and other plants		New buildings		New equipment and other plants		New buildings	
	New federal states	Western Germany	New federal states	Western Germany	New federal states	Western Germany	New federal states	Western Germany
in €								
1991	1,466	2,883	1,834	2,543				
1992	1,694	2,806	2,980	2,744				
1993	1,840	2,445	3,931	2,711				
1994	2,053	2,371	5,040	2,805				
1995	2,140	2,384	5,185	2,794	534	899	174	63
1996	2,185	2,453	4,847	2,676	565	918	141	69
1997	2,127	2,571	4,637	2,624	562	953	110	61
1998	2,278	2,797	4,256	2,742	571	1,032	94	74
1999	2,395	3,013	3,975	2,840	582	1,102	74	78
2000	2,497	3,276	3,562	2,860	605	1,148	78	81
2001	2,172	3,336	2,983	2,823	708	1,200	91	81
2002	1,863	3,194	2,722	2,669	588	1,148	63	70
2003	1,798	3,140	2,711	2,607	569	1,146	46	61
2004	1,992	3,209	2,560	2,554	652	1,114	104	53
2005	2,013	3,338	2,432	2,476	646	1,091	71	54
2006	2,264	3,625	2,389	2,730	728	1,155	72	60
2007	2,474	3,906	2,522	2,866	792	1,277	92	80
2008	2,572	4,052	2,554	2,968	821	1,351	101	88
2009	2,127	3,461	2,552	2,901	689	1,182	67	67
2010	2,490	3,694	2,528	3,065	753	1,199	64	56
2011	2,636	3,964	2,664	3,482	873	1,332	94	67
2012	2,659	3,916	2,834	3,541	844	1,397	83	85
2013	2,577	3,889	2,709	3,623	790	1,383	71	90
2014	2,681	4,113	2,811	3,770	750	1,462	65	97
2015	2,702	4,336	2,735	3,747	784	1,517	72	96

Investments per capita in the overall economy



Investments per capita in the goods-producing sector



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

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

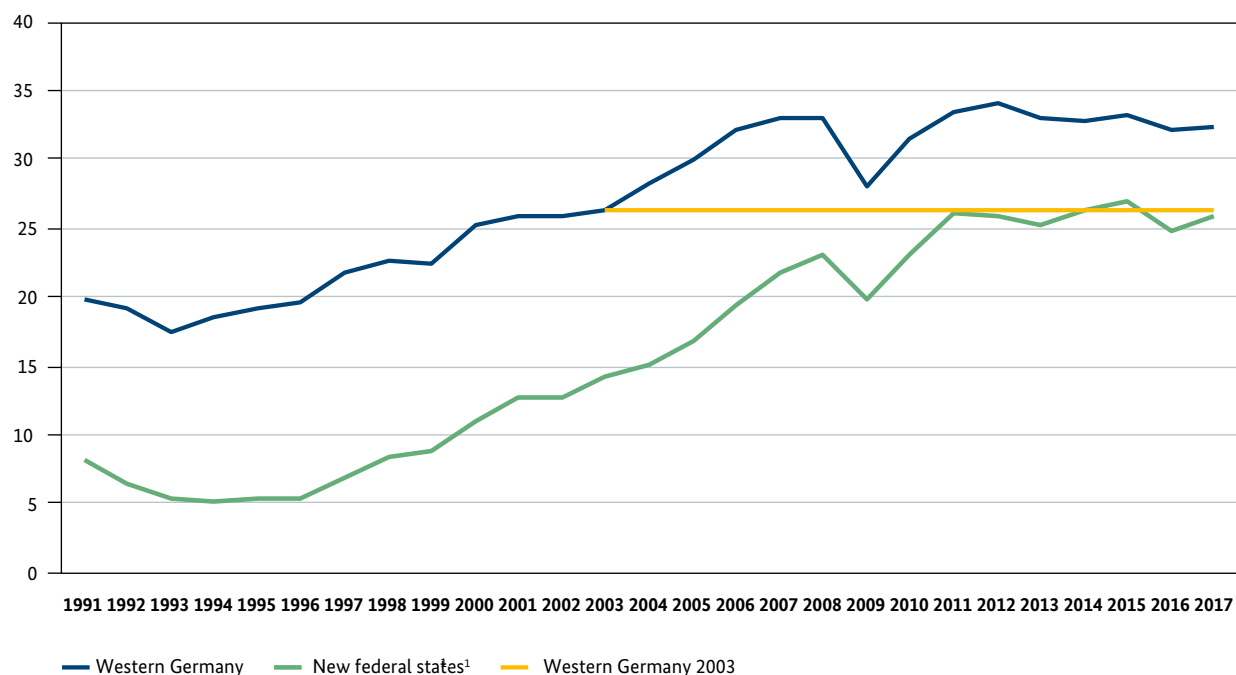
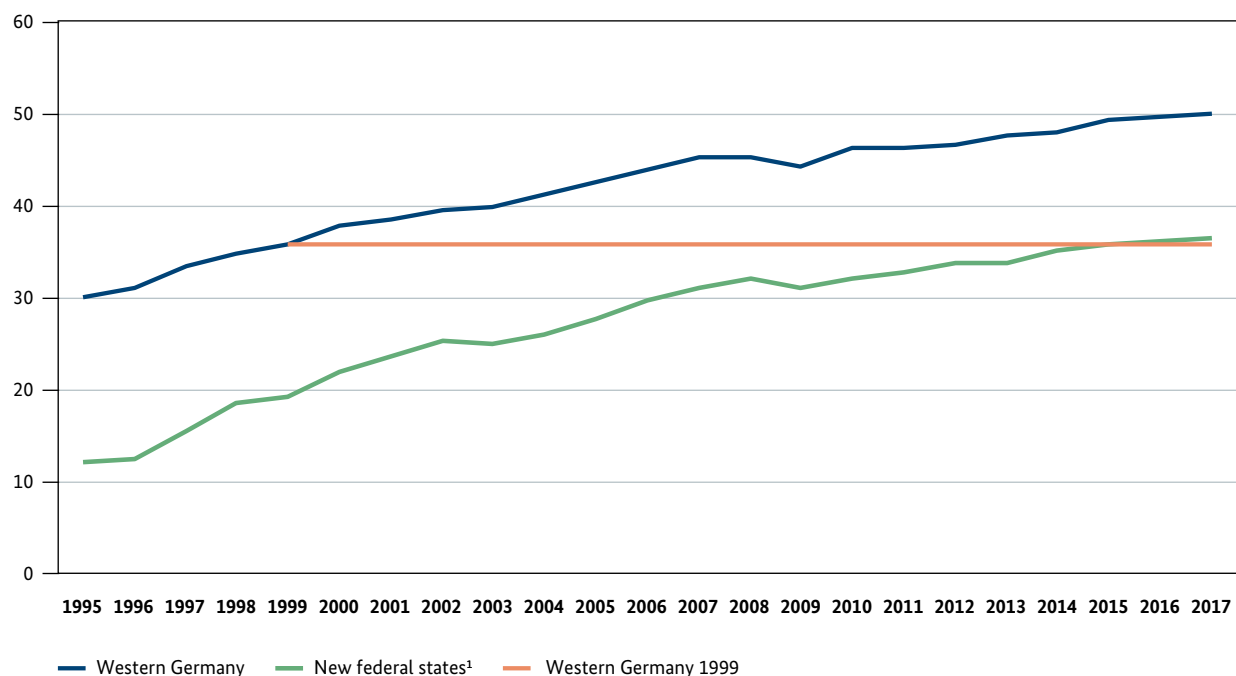
Year	Overall economy		Goods-producing sector	
	New federal states	Western Germany	New federal states ¹	Western Germany
1991	8.2	19.9		
1992	6.5	19.3		
1993	5.3	17.5		
1994	5.1	18.7		
1995	5.4	19.3	12.2	29.9
1996	5.4	19.7	12.5	31.1
1997	6.9	21.8	15.3	33.4
1998	8.4	22.8	18.4	34.6
1999	8.7	22.6	19.1	35.6
2000	11.0	25.4	22.0	37.7
2001	12.8	26.1	23.6	38.5
2002	12.7	25.9	25.1	39.5
2003	14.2	26.5	24.8	39.6
2004	15.1	28.3	25.8	41.2
2005	16.9	30.2	27.6	42.5
2006	19.5	32.3	29.6	43.8
2007	21.9	33.2	30.9	45.0
2008	23.1	33.1	32.0	45.1
2009	20.0	28.1	30.9	44.2
2010	23.2	31.7	32.0	46.3
2011	26.1	33.7	32.6	46.2
2012	26.0	34.3	33.8	46.6
2013	25.3	33.2	33.8	47.5
2014	26.4	32.9	34.9	48.0
2015	27.0	33.4	35.8	49.1
2016	25.0	32.3	35.9	49.4
2017 ²	25.9	32.5	36.3	49.9

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

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

2 Economy as a whole for 2017, provisional.

Source: Federal Statistical Office; calculations of export rate: i-Punkt Berlin

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

Western Germany: due to revised operating reports, only limited comparisons can be made between the sales figures for the economic sector WZ08-2910 from 2014 onwards/the higher level aggregates and previous periods.

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

Source: Federal Statistical Office.

1.6. Start-ups and liquidations

Commercial start-ups and company liquidations

Year	Overall economy						Goods-producing sector					
	Commercial start-ups ¹		Company liquidations ¹		Balance per 100,000 citizens ¹		Commercial business start-ups ¹		Company liquidations ¹		Balance per 100,000 citizens ¹	
	New federal states ²	Western Germany ³	New federal states ²	Western Germany ³	New federal states ²	Western Germany ³	New federal states ²	Western Germany ³	New federal states ²	Western Germany ³	New federal states ²	Western Germany ³
1991 ⁴	140,000	391,000	11,000	297,000	882	147						
1992 ⁴	96,000	398,000	24,000	288,000	499	170						
1993 ⁴	79,000	407,000	41,000	298,000	265	167						
1994 ⁴	74,000	419,000	44,000	328,000	211	139						
1995 ⁴	76,000	452,000	49,000	358,000	191	143						
1996 ⁴	86,000	421,000	74,000	344,000	69	120						
1997 ⁵	72,700	355,600	56,500	273,700	116	128						
1998	76,600	358,100	60,100	277,900	118	125						
1999	72,300	345,400	60,900	288,600	82	89						
2000	66,100	335,400	60,700	266,000	39	108						
2001	63,700	327,000	60,400	264,400	24	97						
2002	60,300	328,700	57,300	270,800	22	89						
2003 ⁶	76,200	346,700	60,300	309,700	118	57						
2004	91,700	391,800	59,000	304,000	245	135						
2005	70,800	345,200	61,900	317,200	67	43	2,500	12,700	2,400	13,500	1	-1
2006	62,900	331,100	58,000	312,600	37	29	2,500	11,800	2,200	12,600	2	-1
2007	51,000	300,900	55,600	300,000	-35	1	2,100	10,700	2,200	11,800	-1	-2
2008	48,300	282,800	55,500	300,300	-56	-27	2,100	9,600	2,100	10,700	-	-2
2009	46,900	297,200	49,300	288,700	-19	13	1,900	10,100	2,100	11,100	-2	-2
2010	45,400	304,900	46,500	285,800	-9	30	1,700	10,200	1,700	10,500	-	-0
2011	41,400	293,600	45,000	286,700	-29	11	1,500	9,700	1,700	10,300	-2	-1
2012	33,100	250,200	42,800	276,900	-77	-41	1,200	7,800	1,600	10,400	-3	-4
2013	31,100	245,100	40,400	265,000	-74	-31	1,200	7,400	1,600	10,000	-3	-4
2014	29,300	220,900	38,700	260,900	-75	-62	1,000	6,900	1,600	9,400	-5	-4
2015	27,900	213,100	38,200	242,600	-82	-45	1,000	6,500	1,600	9,100	-5	-4
2016	26,400	200,800	36,800	227,500	-83	-40	1,000	6,300	1,600	8,300	-5	-3
2017	26,200	197,200	35,400	218,000	-73	-31	900	5,900	1,400	8,300	-4	-4

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

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

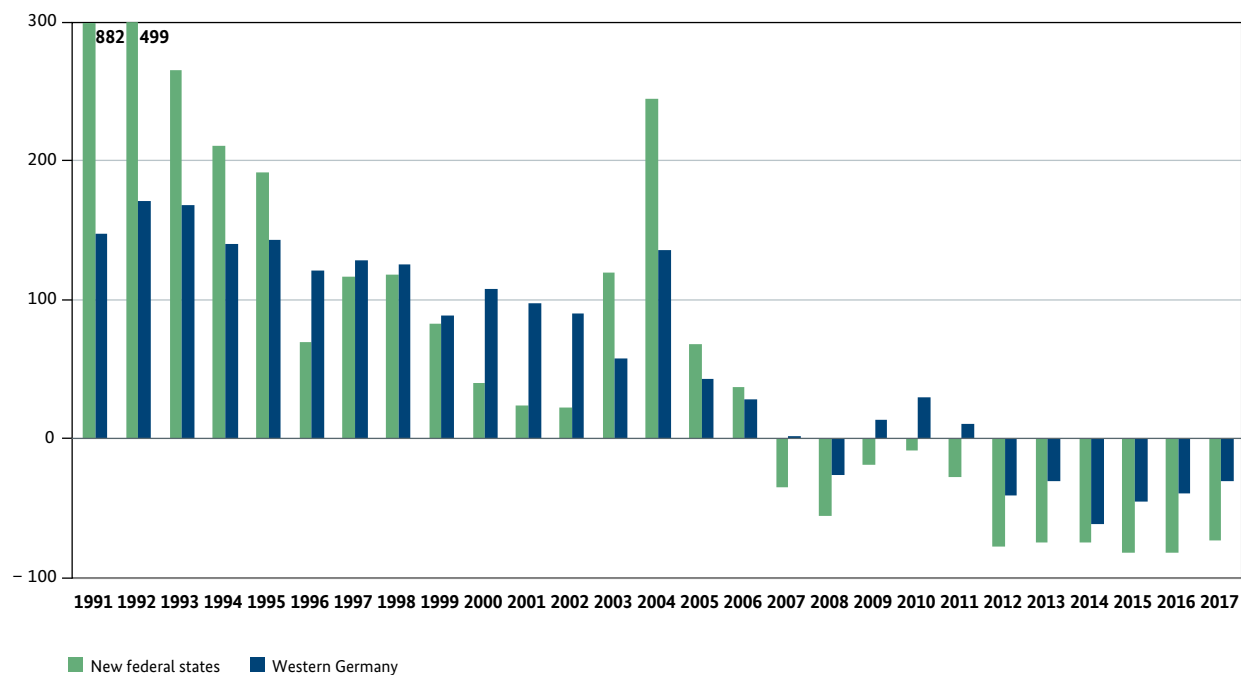
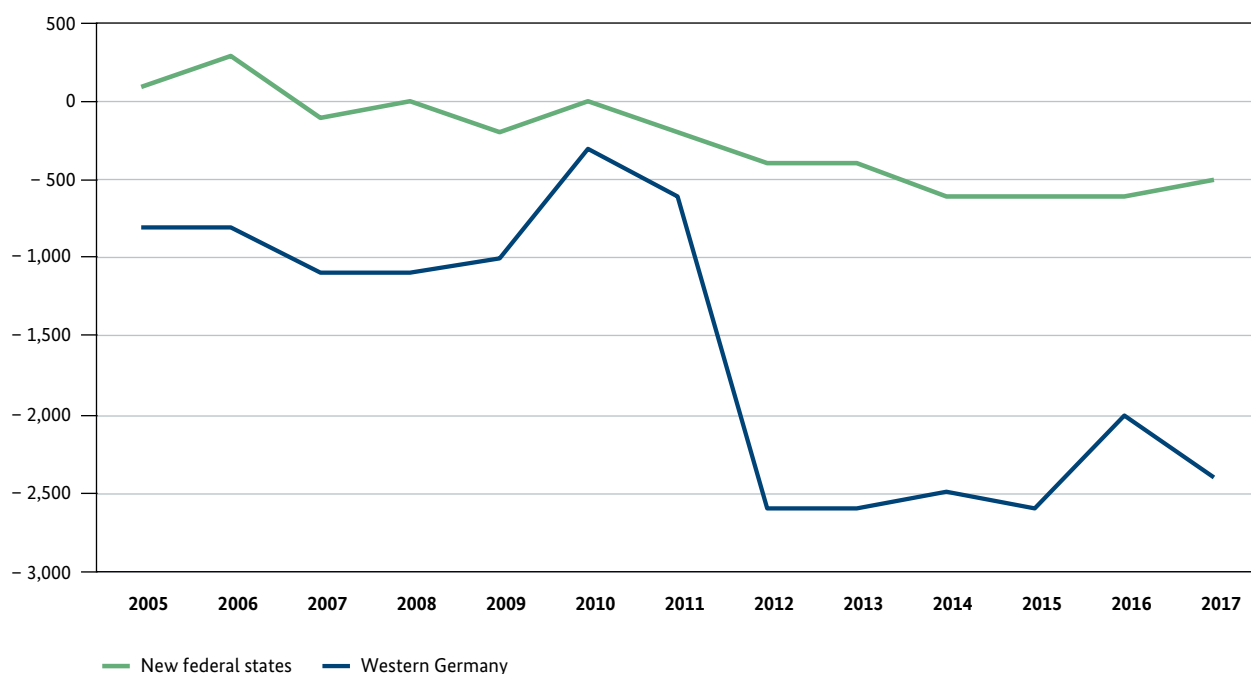
3 Western Germany: up to 1995 including West Berlin, from 1997 excl. Berlin.

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

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

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

Source: IfM Bonn (based on business registration statistics kept by the Federal Statistical Office). In-house calculations and presentations.

Change in the number of businesses in the overall economy per 100,000 inhabitants

Change in the number of businesses in the goods-producing sector


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

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

2016	State, private non-profit institutions	Higher education institutions	Commerce ²	Total	State, private non-profit institutions	Higher education institutions	Commerce	Total
€ million				Share in gross domestic product, in %				
Berlin	1,469	1,209	1,875	4,552	1.12	0.93	1.44	3.49
Brandenburg	511	239	409	1,159	0.76	0.36	0.61	1.73
Mecklenburg-Western Pomerania	263	248	247	759	0.64	0.60	0.60	1.85
Saxony	915	900	1,387	3,203	0.77	0.76	1.17	2.71
Saxony-Anhalt	292	350	219	860	0.49	0.59	0.37	1.46
Thuringia	281	358	586	1,225	0.47	0.60	0.98	2.05
Germany¹	12,721	16,627	62,826	92,174	0.40	0.53	2.00	2.93

Year		R&D personnel					
		Total ^{2,3}	Share from business ^{2,3}	Share of total for Germany as a whole ¹ in %	Per 10,000 citizens	Per 10,000 persons gainfully active	Gap in R&D potential in the new federal states as a percentage of number of persons gainfully active in %
1995	Western Germany	380,813	250,704		60	126	
	New federal states	47,574	21,535	10.4	34	78	- 38
	Berlin	30,419	11,076	6.6	89	184	46
2000	Western Germany	405,168	276,271		63	125	
	New federal states	49,793	22,492	10.3	36	83	- 34
	Berlin	29,408	13,726	6.1	89	182	45
2005	Western Germany	400,989	274,979		62	125	
	New federal states	46,999	18,827	9.9	36	83	- 34
	Berlin	26,937	10,698	5.7	83	173	39
2010	Western Germany	459,392	303,551		71	137	
	New federal states	57,836	22,748	10.5	46	98	- 28
	Berlin	31,073	10,913	5.7	95	184	34
2011	Western Germany	482,225	321,003		75	142	
	New federal states	61,230	24,786	10.6	49	104	- 27
	Berlin	31,216	11,340	5.4	95	183	29
2012	Western Germany	495,219	330,305		77	144	
	New federal states	63,177	25,504	10.7	50	107	- 26
	Berlin	32,412	11,669	5.5	97	186	29
2013	Western Germany	494,572	325,793		76	143	
	New federal states	61,786	23,173	10.5	49	105	- 26
	Berlin	31,824	11,408	5.4	94	179	26
2014	Western Germany	509,241	336,037		78	146	
	New federal states	62,575	23,902	10.3	50	106	- 27
	Berlin	33,001	11,767	5.5	96	183	25
2015	Western Germany	541,977	366,061		83	153	
	New federal states	63,339	25,375	9.9	50	107	- 30
	Berlin	34,785	13,332	5.4	100	188	23
2016	Western Germany	557,417	373,531		84	156	
	New federal states	64,666	25,893	9.8	51	109	- 30
	Berlin	35,372	13,604	5.4	100	187	20

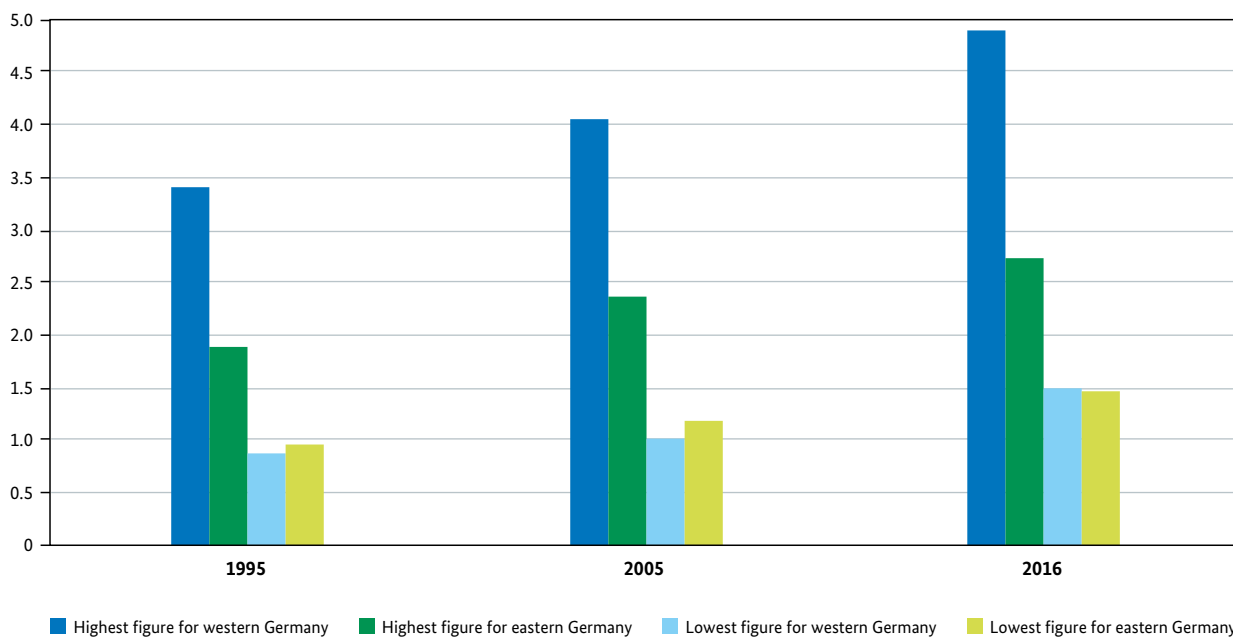
1 Including data that cannot be divided up.

2 Percentage distribution over the federal states according to the structure of 2015.

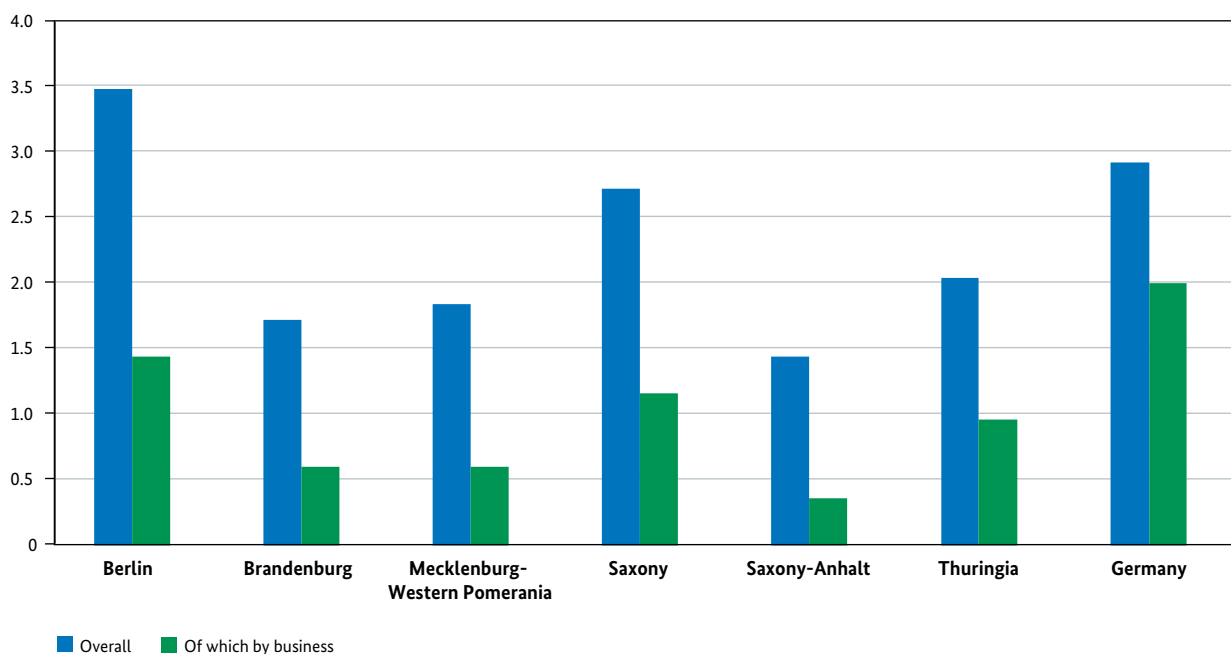
3 In full-time equivalents.

Source: Federal Statistical Office (DESTATIS); Stifterverband statistical data; Working Group "National accounts of the federal states". In-house table.

Share of R&D expenditure (total) in GDP in the non-city states, in %



Share of research & development expenditure in GDP in 2016, in %



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

Fragmentation: Number of gainfully active persons subject to the payment of social security contributions in the goods-producing sector in western (WG) and eastern Germany (EG)¹, according to size of plants¹

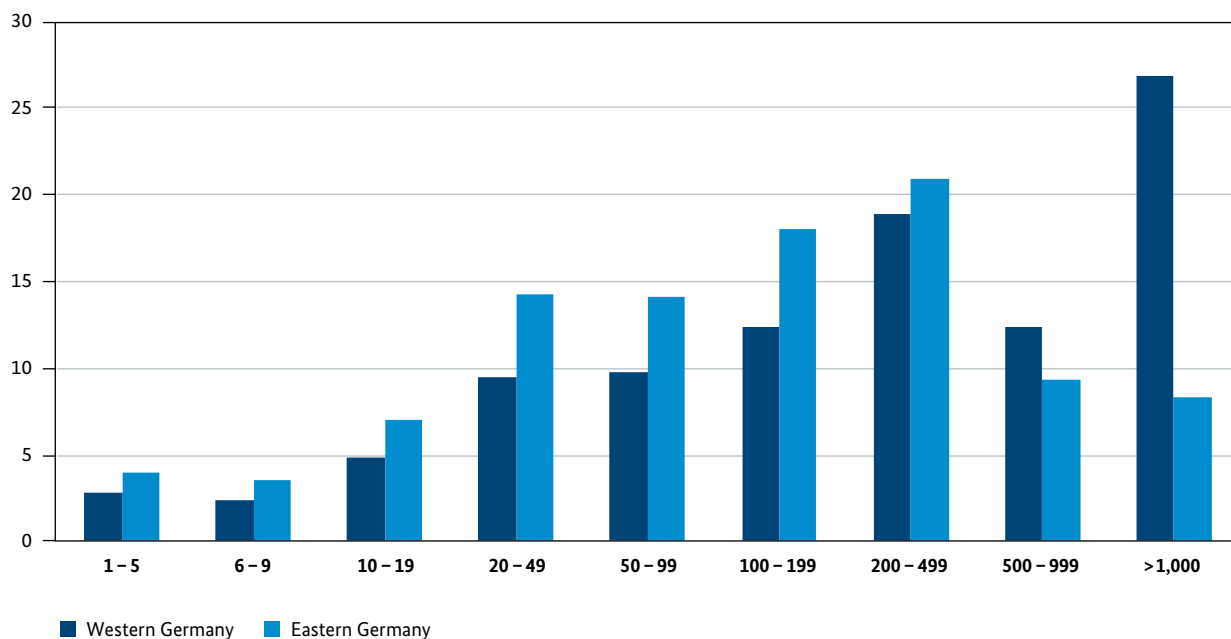
Year ²		1 – 5	6 – 9	10 – 19	20 – 49	50 – 99	100 – 199	200 – 499	500 – 999	1,000 and more
Total no. employees										
2005	WG	222,636	175,016	321,106	571,309	557,344	696,498	1,067,569	668,218	1,507,171
	EG	49,195	40,760	77,193	133,534	128,613	134,799	144,135	57,133	80,131
2006	WG	218,238	172,324	317,439	568,298	557,427	705,070	1,049,378	643,077	1,490,301
	EG	47,759	39,333	75,389	133,433	133,183	139,791	143,111	62,385	80,440
2007	WG	215,122	170,067	318,052	579,662	576,627	717,006	1,076,609	651,796	1,488,303
	EG	47,109	38,917	76,634	135,719	136,889	151,261	156,853	61,666	82,477
2008	WG	193,125	155,158	297,852	551,129	557,714	701,153	1,058,643	657,274	1,477,363
	EG	42,151	35,549	69,195	133,497	133,973	152,043	163,178	63,856	85,716
2009	WG	189,166	153,448	291,005	547,800	546,178	682,917	1,031,916	639,773	1,415,265
	EG	41,811	35,387	66,969	131,652	132,505	151,885	161,284	60,357	83,768
2010	WG	186,334	152,261	289,623	544,332	538,280	674,521	1,009,913	609,397	1,390,733
	EG	41,426	35,059	66,989	132,108	132,275	152,036	159,785	65,041	76,588
2011	WG	182,181	149,811	289,108	550,077	547,922	695,960	1,032,720	631,786	1,425,701
	EG	40,716	33,952	68,219	132,818	132,500	160,064	165,185	73,424	83,319
2012	WG	177,903	149,044	290,025	551,036	546,928	706,820	1,057,613	650,909	1,482,197
	EG	40,118	33,813	67,422	132,040	134,515	159,954	173,580	75,678	74,072
2013	WG	173,539	146,965	285,412	551,240	554,888	696,208	1,070,661	659,253	1,497,891
	EG	39,635	32,968	66,270	131,789	133,388	157,731	178,750	77,004	70,831
2014	WG	170,540	145,436	282,585	549,610	561,134	700,525	1,077,663	676,040	1,531,504
	EG	38,622	32,610	66,409	131,625	131,575	158,782	182,507	83,723	72,366
2015	WG	166,642	143,864	283,975	552,430	559,397	715,630	1,081,445	673,688	1,566,857
	EG	37,994	31,887	65,353	131,698	129,045	158,807	188,419	72,649	86,008
2016	WG	163,123	142,675	283,478	554,755	564,500	726,101	1,092,655	699,347	1,572,043
	EG	36,967	31,723	64,888	131,949	128,045	161,769	191,200	75,822	92,559
2017	WG	160,288	140,040	281,035	557,476	571,013	727,359	1,113,714	726,522	1,584,746
	EG	36,169	31,767	64,274	130,841	128,458	165,190	191,436	84,789	76,461

¹ Due to the retrospective revisions of the employment statistics, these data may differ from the previously published data.

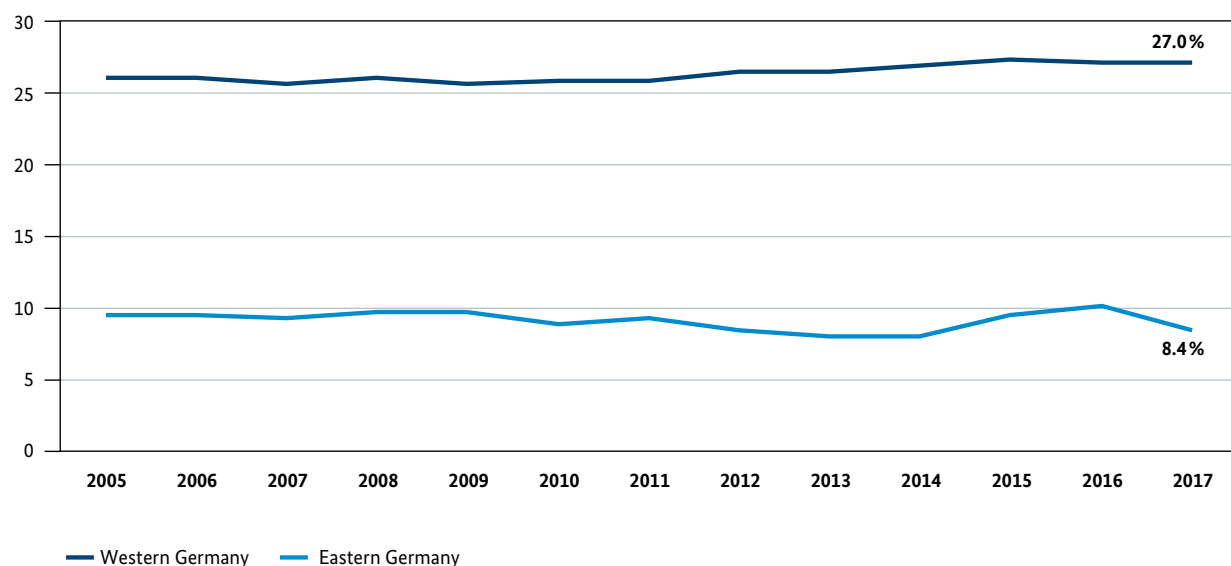
² 2005–2007 according to D WZ 2003/2008–2017 according to WZ 2008.

Source: Federal Employment Agency. In-house table.

Share of gainfully active persons in the goods-producing sector in 2017 according to size of plants, in %



Share of gainfully active persons in the goods-producing sector companies with 1000+ staff as a percentage of total no. of gainfully active persons in the goods-producing sector



2. Labour market data

2.1. Number of persons unemployed, unemployment rate and underemployment rate in eastern Germany

Attribute	2018				Change over monthly figure in preceding year (Unemployment/under-employment rate in preceding year)			
	June	May	April	March	June	May	April	
					absolute	in %	in %	
Gainful employment								
Gainfully active persons (monthly average; inside Germany) ¹	.	.	.	.	.	.	.
Gainfully active persons subject to the payment of social security (estimated)	...	...	6,086,200	6,058,100	...	...	2,0
Registered unemployment within the meaning of Section 16 of the German Social Code III (SOCIAL CODE III)	562,568	577,129	597,993	624,291	- 52,944	- 8.6	- 7.9	
of which 27.6% under Social Code III ²	157,200	162,511	175,063	195,789	- 12,476	- 7.4	- 7.1	
of which 72.1% under Social Code II ²	405,368	414,618	422,930	428,502	- 40,468	- 9.1	- 8.2	
55.9 % men	314,380	324,184	338,243	357,905	- 28,090	- 8.2	- 7.3	
44.1 % women	248,186	252,943	259,750	266,386	- 24,855	- 9.1	- 8.6	
7.7% aged 15 to under 25 years	43,178	43,684	45,305	47,350	- 2,802	- 6.1	- 5.3	
1.8% of which aged 15 to under 20 years	10,356	10,505	10,907	11,367	- 589	- 5.4	- 2.8	
23.9% of which aged 55+	134,700	137,715	142,255	149,333	- 8,451	- 5.9	- 5.7	
16.4% foreigners	92,440	93,233	95,116	96,163	- 2,046	- 2.2	- 1.1	
83.1% Germans	467,508	481,306	500,245	525,487	- 51,155	- 9.9	- 9.2	
5.9% severely disabled persons	33,065	33,589	34,086	34,660	- 1,767	- 5.1	- 4.8	
Unemployment rate as a percentage								
of the civilian labour	6.6	6.8	7.1	7.4	7.3	-	7.4	
Men	7.0	7.3	7.6	8.1	7.7	-	7.9	
Women	6.2	6.3	6.5	6.7	6.8	-	6.9	
aged 15 to under 25 years	7.2	7.3	7.8	8.2	8.0	-	8.0	
aged 15 to under 20 years	5.8	5.9	6.4	6.7	6.4	-	6.3	
aged 55 to under 65 years	7.3	7.4	7.9	8.3	7.9	-	8.1	
Foreigners	16.7	16.8	19.3	19.5	19.2	-	19.1	
Germans	5.9	6.1	6.3	6.6	6.5	-	6.7	
Total of dependent, gainfully active persons in the civilian labour force	7.4	7.6	7.9	8.2	8.1	-	8.3	
Underemployment ³								
Underemployment in the wider sense	642,791	657,529	679,069	705,569	- 61,645	- 8.8	- 8.5	
Underemployment in the narrower sense	797,643	812,659	833,796	862,090	- 79,491	- 9.1	- 9.0	
Underemployment excl. short-time employment	803,612	818,466	839,550	867,876	- 79,969	- 9.1	- 9.0	
Underemployment rate (excl. short-term work)	9.3	9.4	9.7	10.1	10.2	-	10.4	
Persons receiving benefits ³								
Unemployment benefit in the case of unemployment	139,795	143,148	153,063	173,531	- 6,280	- 4.3	- 4.4	
Persons fit for employment and entitled to receive benefits	1,106,007	1,110,351	1,117,904	1,125,412	- 89,236	- 7.5	- 7.9	
Persons not fit for employment and entitled to receive benefits	393,121	392,322	393,384	395,375	- 21,671	- 5.2	- 5.8	
Percentage of persons fit for work who are entitled to receive benefits	10.6	10.7	10.8	10.8	11.4	-	11.5	



Attribute	2018				Change over monthly figure in preceding year (Unemployment/under-employment rate in preceding year)			
	June	May	April	March	June	May	April	
					absolute	in %	in %	
Number of registered vacancies								
Monthly increase	37,447	40,529	35,335	39,129	1,949	5.5	9.1	− 11.6
Increase since start of the year	228,065	190,618	150,089	114,754	2,570	1.1	0.3	− 1.8
Total vacancies ⁴	152,858	151,733	149,894	148,664	14,458	10.4	11.1	9.8
BA (BA-X) job index)	,	,	,	,	,	.	.	.
Participants in selected active labour-market measures								
Overall total ³	214,439	215,263	214,156	212,129	− 32,142	13.0	− 14.1	− 13.2
Of which: activation and integration into employment	36,977	37,402	38,001	37,983	− 8,547	− 18.8	− 22.7	− 22.6
Career choice and vocational training	39,757	40,443	40,773	40,849	− 204	− 0.5	− 0.7	− 0.3
Occupational further training	42,031	42,847	42,736	43,066	− 3,963	− 8.6	− 9.7	− 9.5
Taking up gainful activity	40,327	40,424	40,477	40,067	− 9,694	− 19.4	− 18.7	− 16.2
Special measures to integrate disabled persons	15,067	15,027	14,951	14,887	96	0.6	− 0.3	0.4
Job-creation measures	38,744	37,549	35,677	33,734	− 8,773	− 18.5	− 19.7	− 18.5
Grants that can be freely allocated/other grants	1,536	1,571	1,541	1,543	− 1,057	− 40.8	− 40.3	− 39.6
Seasonally adjusted development compared to previous month	June 18	May 18	Apr. 18	March 18	Feb. 18	Jan. 18	Dec. 17	Nov. 17
Gainfully active persons (domestic) ¹	.	.	.	.	.	.	.	.
Employees subject to the payment of social security contributions	...	...	6,000	− 2,000	6,000	17,000	16,000	15,000
Unemployed persons	− 4,000	− 2,000	− 2,000	− 2,000	− 5,000	− 8,000	− 8,000	− 8,000
Underemployment (excl. short-time employment)	− 4,000	− 5,000	− 5,000	− 6,000	− 8,000	− 10,000	− 8,000	− 7,000
Registered vacancies	1,000	2,000	1,000	0	0	0	2,000	1000
Unemployment rate as a percentage of the civilian labour force	6.9	6.9	7.0	7.0	7.1	7.1	7.2	7.3

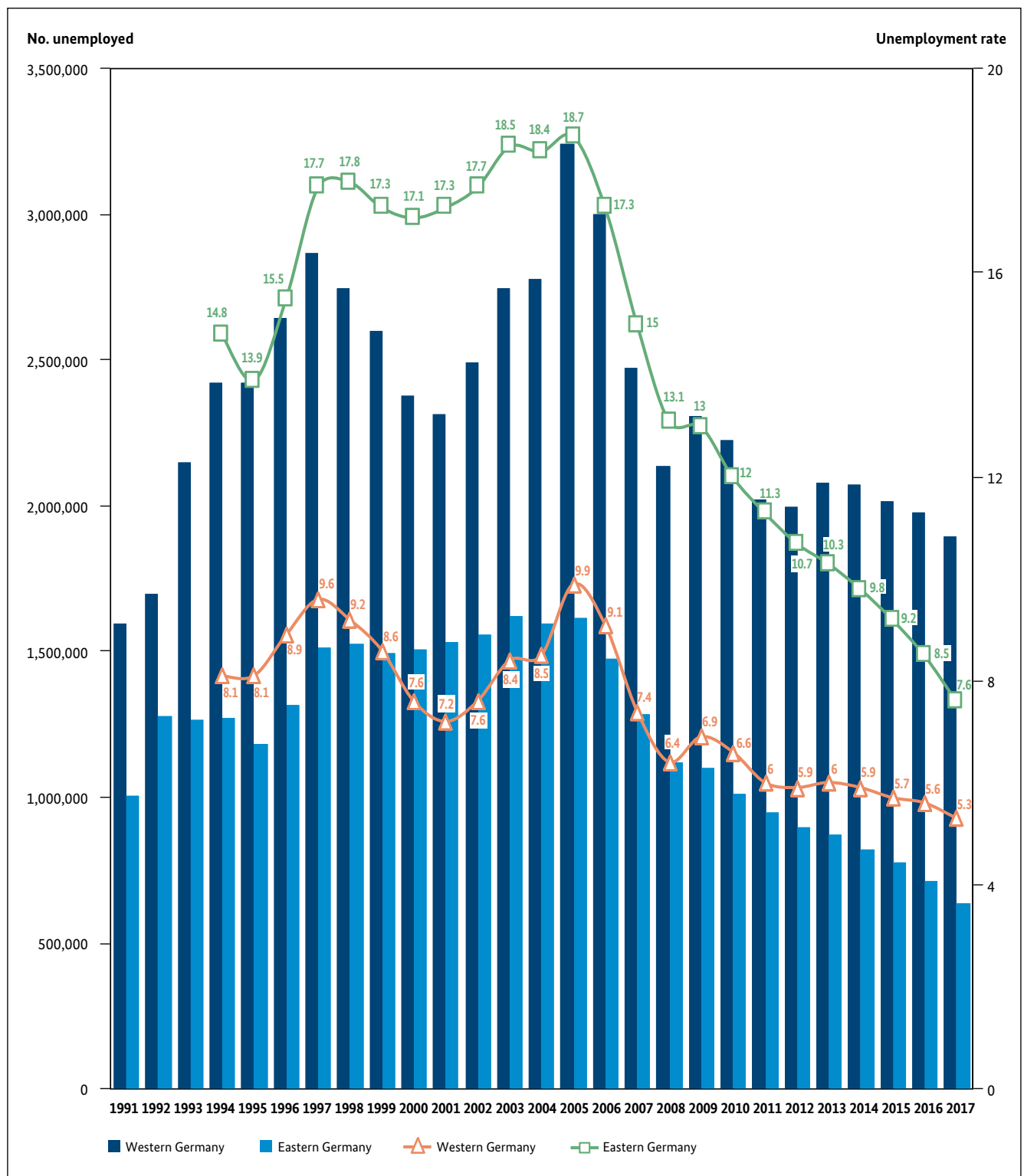
1 Source: Federal Statistical Office.

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

3 Final values are only determined after a waiting period. Most of the latest data can be extrapolated based on previous values. The value for Germany also includes the number of beneficiaries receiving this employment benefit abroad.

4 According to the IAB Job Vacancy Survey, employment agencies and job centres had reported 49.9% total job vacancies in the fourth quarter of 2017. Due to different survey concepts used, it is not possible to extrapolate the number of registered vacancies using the inverse reporting quota to obtain the number of vacancies in the overall economy.

2.2. Unemployment in eastern and western Germany over time



Source: Federal Labour Agency/current as at May 2018. In-house table.

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

Labour-market instruments ¹	Figures – average figures, in 1,000 persons –										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
For information only: Unemployed persons	639	712	774	824	870	897	950	1011	1101	1120	1285
Activation and integration into employment	43	43	38	40	40	34	40	51	64	33	22
Activation and integration into employment	43	43	38	39	40	34	39	50	32	–	–
Of which: measures with an employer	3	3	3	3	4	4	4	5	5	–	–
Trial employment of disabled persons	0	0	0	0	0	0	0	0	0	0	0
Commissioning of third party with placement	–	–	–	–	–	–	–	0	31	30	15
Commissioning of agency with integration measures	–	–	–	–	–	–	–	0	1	3	7
Career choice and vocational training⁴	39	39	37	35	38	58	72	84	82	78	77
Career choice and vocational training					38	43	53	61	67	69	77
Career guidance measures	–	–	–	–	–	15	19	23	15	8	1
Career entry support programme	17	17	13	11	10	8	7	5	3	–	–
Assisted training	2	1	1	–	–	–	–	–	–	–	–
Pre-vocational training measures	7	7	7	7	8	9	11	13	14	16	19
Assistance during training	5	5	5	5	5	5	5	5	6	6	6
Vocational training outside of a company	5	6	7	9	12	16	23	30	35	40	42
Grants towards training allowances for disabled and severely disabled persons	1	1	1	1	1	1	1	1	2	2	2
Grant for severely disabled persons following initial training and further training	0	0	0	0	0	0	0	0	0	0	0
Entry qualification	2	2	2	2	2	2	2	2	2	3	0
Training bonus (residual allocations)	–	–	1	0	1	2	3	4	3	1	–
Socio-educational support, training management	–	–	–	–	–	0	0	0	0	0	0
Transitional support/activation support	–	–	–	–	–	–	0	0	2	2	3
Entry qualifications for young people (National Training Pact)	–	–	–	–	–	–	–	0	0	0	3
Occupational further training	45	47	50	50	49	47	55	66	77	75	65
Promoting occupational further training	42	44	47	48	46	43	51	61	61	49	42
General measures for further training (rehabilitation)	1	1	2	2	2	2	2	2	2	0	0
Wage payment subsidies for occupational further training of employees	3	3	2	2	1	1	1	2	2	1	1
ESF training during short-time work	–	–	0	0	0	0	0	1	2	0	–
Determination of suitability/training measures	–	–	–	–	–	–	–	0	10	24	23
Determination of suitability/training measures (rehabilitation)	–	–	–	–	–	–	–	0	0	0	0
Taking up gainful activity	47	45	45	43	45	66	94	118	125	129	143
Promotion of dependent employment	40	37	36	33	35	46	61	81	86	73	60
Re-integration grants	25	25	27	26	27	32	40	53	58	53	44
Re-integration grants for particularly severely disabled persons	3	3	3	3	3	4	5	5	4	4	4
Back-to-work bonus for dependent gainful employment subject to the payment of social security contributions	8	6	5	3	2	2	3	4	4	4	4
Federal programme for the re-integration of long-term unemployed entitled to benefits ⁵	3	2	0	–	–	–	–	–	–	–	–
Employment subsidy (residual allocations)	0	1	1	1	1	2	5	12	12	4	0
Wages safeguards for older employees (residual allocations)	–	–	0	0	1	5	7	6	5	4	3
Personnel service agencies	–	–	–	–	–	–	0	0	0	1	1
Recruitment grant for start-ups	–	–	–	–	–	–	–	0	1	2	3
Recruitment grant for substitution (job rotation)	–	–	–	–	–	–	–	–	0	0	0
Training allowance for young employees	–	–	–	–	–	0	0	0	0	0	0
Back-to-work voucher (residual allocations)	–	–	–	–	0	1	1	2	1	0	–
Back-to-work support	–	–	–	–	–	–	–	0	0	1	1
Promoting self-employment	7	8	9	10	10	21	33	37	39	56	83
Entry bonus for self-employed persons	1	1	1	2	2	3	4	5	6	8	9



Labour-market instruments ¹	Figures – average figures, in 1,000 persons –										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Benefits for integrating of self-employed persons	1	1	2	2	2	1	–	–	–	–	–
Start-up grant	5	6	6	6	5	17	29	32	30	31	22
Transition allowance for self-employed persons	–	–	–	–	–	–	–	–	–	–	1
Business start-up grant (one-person business)	–	–	–	–	–	–	–	–	3	17	51
Special measures for inclusion of disabled persons	15	15	16	16	17	18	20	22	23	25	26
Special measures for advanced training	2	2	2	3	3	3	3	3	3	4	4
Vocational assessment/career choice	0	0	0	0	0	0	0	0	0	0	0
Special measures for promoting vocational training	7	8	8	8	9	10	10	12	13	14	14
Case-based support	0	0	0	0	0	0	0	0	0	–	0
Individual rehabilitation measures	4	4	4	4	5	5	5	6	7	7	7
Assisted employment	1	1	1	1	1	1	1	0	0	–	–
Job-creation measures	43	43	45	63	77	83	92	152	165	181	181
Casual job opportunities	33	35	41	47	57	66	86	150	152	148	147
Of which: type with compensation	–	–	–	47	56	60	70	116	124	135	136
Promotion of jobs	4	4	4	5	3	0	–	–	–	–	–
Federal programme for social participation in the labour market	6	4	0	–	–	–	–	–	–	–	–
Employment phase involving a job in the community	–	–	0	11	17	16	6	–	–	–	–
Job creation measures (residual allocations)	–	–	–	–	–	0	0	2	13	32	31
Traditional structural adjustment measures	–	–	–	–	–	–	–	–	–	1	2
Job-creation infrastructure measures	–	–	–	–	–	–	–	–	–	0	1
Work in social projects for the long-term unemployed	–	–	–	–	–	–	–	–	–	–	–
Casual job opportunities under the Alhi initiative	–	–	–	–	–	–	–	–	–	–	–
Special 'Jump Plus' programme	–	–	–	–	–	–	–	–	–	–	–
Support that can be freely allocated/other support	2	2	2	4	4	6	6	8	11	38	49
Support that can be freely allocated under Social Code II	2	2	2	3	4	6	6	7	3	–	–
Support that can be freely allocated under Social Code III	–	–	–	–	–	0	0	0	2	4	6
Other, additional benefits	–	–	–	–	–	0	0	1	6	34	44
Support for learning German	–	–	–	–	–	–	–	–	–	–	–
European Globalisation Adjustment Fund ³	–	–	0	0	0	0	0	0	–	–	–
Total no. instruments	235	234	232	252	270	312	378	500	547	558	563
Part-time retirement (only cases eligible for support from the Federal Employment Agency)	–	–	6	10	13	14	14	15	15	16	17
Total number of participants	235	234	238	262	283	325	393	515	563	574	580
For information											
Integration services provided by the municipalities ²	10	11	10	9	9	8	8	9	8	5	1
Persons in short-time work (total of all grounds for claims)	24	27	26	30	46	40	38	90	152	21	16

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

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

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

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

5 Due to incorrect entries, the number of entries and exits has been overrecorded by approximately 10% nationwide.

Source: Statistics from the Federal Labour Agency.

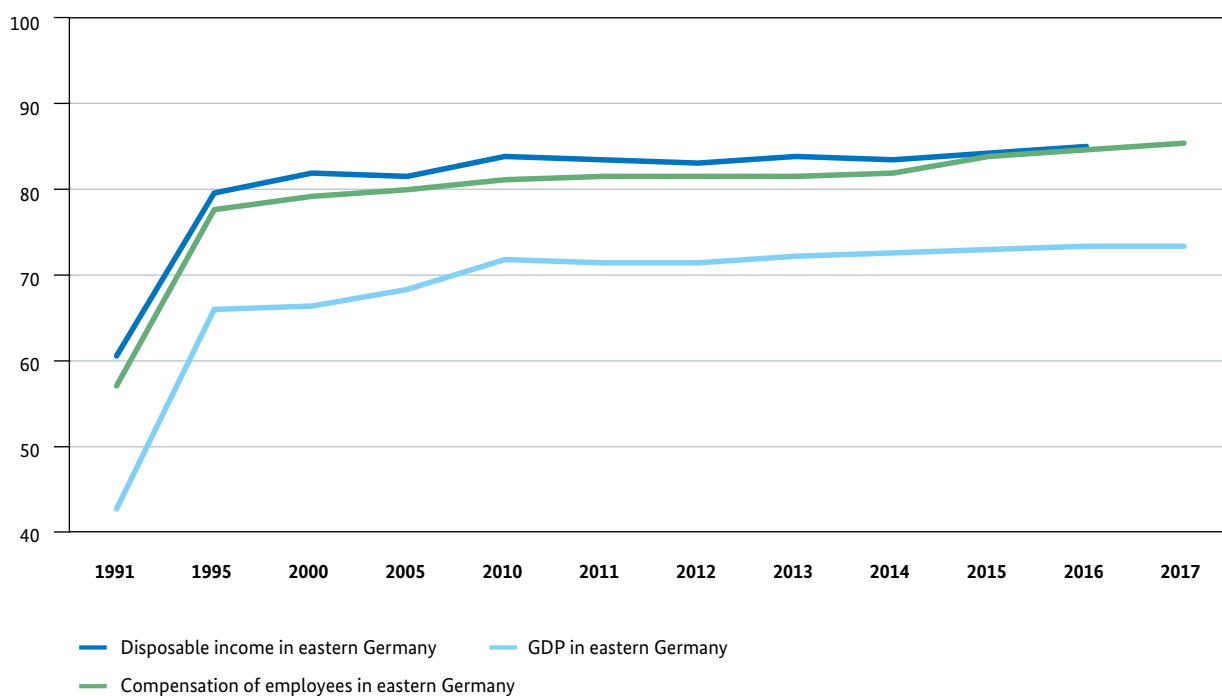
3. Income and public finances

3.1. Disposable income

Disposable income per capita

Year	Berlin	Western Germany	Eastern Germany	New federal states	Germany	New federal states/ Western Germany	Eastern Germany/ Western Germany
	in €					in %	
1991	13,055	13,788	8,352	7,248	12,560	53	61
1995	15,367	15,316	12,175	11,400	14,637	74	79
2000	15,539	16,598	13,563	13,091	15,961	79	82
2005	16,402	18,546	15,100	14,778	17,848	80	81
2010	17,856	20,100	16,836	16,572	19,452	82	84
2011	18,183	20,719	17,264	17,023	20,035	82	83
2012	18,380	21,202	17,585	17,373	20,487	82	83
2013	18,552	21,390	17,914	17,741	20,704	83	84
2014	18,835	21,822	18,222	18,053	21,113	83	84
2015	19,302	22,158	18,647	18,465	21,468	83	84
2016	19,719	22,594	19,147	18,986	21,919	84	85

Disposable income and GDP per capita as well as compensation of employees per employee (domestic), in % (Western Germany = 100)



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

Year	Brandenburg	Mecklen- burg-Western Pomerania	Saxony-Anhalt	Saxony	Thuringia	New federal states	Berlin	Eastern Germany	Western Germany
Adjusted public spending per capita by federal state ¹ , in €									
1991	–	–	–	–	–	–	5,832	–	3,845
1995	5,092	5,254	5,240	5,079	5,025	5,125	7,290	5,548	4,396
2000	4,783	4,851	4,785	4,521	4,687	4,692	6,420	5,025	4,156
2005	4,753	4,963	5,028	4,520	4,561	4,723	6,695	5,113	4,347
2010	5,246	5,219	5,243	5,167	5,103	5,192	6,753	5,512	4,993
2011	5,276	5,415	5,386	5,022	5,147	5,209	6,754	5,530	5,127
2012 ²	5,647	5,872	5,647	5,216	5,192	5,458	7,189	5,823	5,605
2013 ³	5,644	5,661	5,580	5,527	5,273	5,533	6,971	5,840	5,748
2014 ³	5,838	5,837	5,899	5,848	5,379	5,773	7,200	6,081	5,920
2015 ³	6,031	5,989	6,247	5,738	5,499	5,878	7,405	6,210	6,137
2016 ³	6,124	6,115	6,210	5,726	5,616	5,922	7,605	6,292	6,379
2017 ³	6,319	5,854	6,458	6,123	5,669	6,109	7,622	6,446	6,571

Year	Brandenburg	Mecklen- burg-Western Pomerania	Saxony-Anhalt	Saxony	Thuringia	New federal states	Berlin	Eastern Germany	Western Germany
Adjusted public spending by federal state ¹ Of which public taxes and parafiscal charges ¹ per capita by federal state, in €									
1991	–	–	–	–	–	–	5,428	–	3,661
of which	–	–	–	–	–	–	1,420	–	2,335
1995	4,466	4,588	4,520	4,691	4,479	4,567	5,633	4,775	4,126
of which	2,066	1,896	1,879	2,005	1,899	1,959	2,357	2,036	2,545
2000	4,486	4,678	4,491	4,471	4,395	4,491	5,644	4,713	4,108
of which	2,202	2,160	2,121	2,181	2,122	2,161	2,635	2,252	2,947
2005	4,520	4,730	4,574	4,544	4,323	4,530	5,735	4,769	4,047
of which	2,107	2,030	2,127	2,125	2,103	2,106	2,513	2,186	2,832
2010	5,038	5,182	5,033	5,121	4,819	5,044	6,359	5,314	4,614
of which	2,640	2,516	2,556	2,639	2,543	2,592	3,208	2,718	3,260
2011	5,310	5,636	5,372	5,577	5,099	5,412	6,455	5,629	4,944
of which	2,826	2,698	2,828	2,835	2,761	2,802	3,289	2,903	3,522
2012 ²	5,698	5,801	5,728	5,607	5,340	5,625	7,197	5,956	5,493
of which ²	2,985	2,916	2,993	3,021	2,956	2,984	3,472	3,087	3,734
2013 ³	6,028	5,928	5,748	5,788	5,503	5,796	7,178	6,091	5,692
of which ³	3,215	3,038	3,110	3,146	3,108	3,133	3,516	3,215	3,871
2014 ³	6,068	6,093	5,960	6,158	5,552	5,992	7,484	6,314	5,879
of which ³	3,226	3,258	3,187	3,236	3,197	3,222	3,816	3,350	4,013
2015 ³	6,398	6,442	6,652	6,010	5,737	6,209	7,753	6,546	6,166
of which ³	3,451	3,414	3,387	3,425	3,388	3,416	3,906	3,522	4,235
2016 ³	6,446	6,737	6,694	6,054	6,018	6,327	7,980	6,690	6,498
of which ³	3,687	3,532	3,660	3,617	3,607	3,626	4,169	3,745	4,531
2017 ³	6,717	6,536	6,778	6,387	6,276	6,522	8,299	6,917	6,799
of which ³	3,919	3,770	3,754	3,830	3,784	3,819	4,294	3,924	4,714

Year	Brandenburg	Mecklenburg-Western Pomerania	Saxony-Anhalt	Saxony	Thuringia	New federal states	Berlin	Eastern Germany	Western Germany
Tax revenue of the federal states per capita ⁴ , in €									
1995	642	545	520	591	517	567	1,116	–	1,326
2000	480	451	383	438	393	429	1,210	–	1,475
2005	513	432	378	450	457	447	987	–	1,290
2010	810	642	633	659	637	677	1,154	–	1,442
2011	904	737	747	746	734	773	1,253	–	1,592
2012	986	817	825	803	816	847	1,358	–	1,719
2013	1,097	902	902	897	889	937	1,531	–	1,817
2014	1,159	982	923	959	933	990	1,641	–	1,905
2015	1,280	1,055	1,011	1,066	1,022	1,089	1,801	–	2,000
2016 ⁵	1,295	1,083	1,121	1,126	1,071	1,144	1,879	–	2,125
2017 ⁵	1,422	1,177	1,164	1,236	1,133	1,235	1,905	–	2,234

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

2 Quarterly cash statistics including extra budgets; excluding municipal special-purpose associations. 'Total' includes extra, joint budgets. Revised results.

3 Quarterly cash statistics including extra budgets; in 2012, excluding municipal special-purpose associations. 2013, 2014 and 2015 revised results.

4 Shares of federal states in income and corporation tax as well as income from regional taxes.

5 Provisional.

Source: Federal Statistical Office; Federal Finance Ministry, "Daten zur horizontalen Umsatzsteuerverteilung, zum Länderfinanzausgleich und zu den Bundesergänzungszuweisungen" 1995–2017.

4. Overview

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

2017	Berlin	Brandenburg	Meckl.- West Pom.	Saxony- Anhalt	Saxony	Thuringia	New federal states
Area in km ² (on 31 Dec. 2015)	892	29,654	23,214	20,452	18,449	16,202	107,972
Population in 1,000 ¹	3,592	2,498	1,611	2,230	4,077	2,153	12,569
Share of total population, in %	–	19.9	12.8	17.7	32.4	17.1	100.0
Population density in persons/km ² ¹	4,028	84	69	109	221	133	116
Gross domestic product (GDP)¹, Change over preceding year, in % (price-adjusted, chain-linked)	3.1	1.4	1.8	0.8	1.4	1.6	1.4
GDP in current prices, in € million	136,614	69,132	42,783	60,695	121,738	61,906	356,254
GDP per capita in 2015, in € (current prices)	38,032	27,675	26,560	27,221	29,856	28,747	28,343
GDP per gainfully active person in 2015, in € (current prices)	69,977	61,904	56,980	60,070	59,262	58,973	59,555
Gross value added in the goods-producing sector¹, Change over preceding year, in % (price-adjusted, chain-linked)	– 3.1	2.2	5.8	2.2	2.2	3.4	2.7
Gross value added¹ in € million (in current prices)	123,121	62,304	38,557	54,700	109,714	55,792	321,067
Agriculture, forestry and fisheries	5	910	844	954	850	607	4,165
Goods-producing sector excl. construction	13,461	12,528	5,831	14,014	26,616	14,992	73,980
Of which: goods-producing sector	10,440	8,818	4,299	10,915	22,220	13,107	59,359
Construction	5,447	4,125	2,488	3,640	7,871	3,823	21,947
Services	104,209	44,741	29,394	36,092	74,377	36,370	220,974
Labour force participation rate in 2016²	78.3	80.5	77.5	79.4	81.2	80.2	79.7
Gainfully active persons in thousands³	1,950	1,115	750	1,010	2,054	1,049	7,927
Unemployed persons in the reporting month June 2018^{4 5}	153,469	80,126	61,033	85,858	122,990	59,092	562,568
Unemployment rate – June 2018^{4 5}							
– Reporting month	7.9	6.0	7.4	7.6	5.8	5.2	6.6
– Preceding month	8.8	6.7	8.0	8.1	6.4	5.8	7.3
Registered vacancies – June 2018^{4 5}	25,399	24,203	17,284	19,912	40,253	25,807	152,858
Underemployment rate (excl. short-term work) – June 2018, provisional⁵	11.2	8.2	10.1	10.8	7.9	7.4	9.3
Gainfully active persons subject to the payment of social security contributions – June 2018^{5 9 10}	1,468,300	844,100	570,100	797,600	1,602,200	804,100	6,086,400
Applicants for vocational training places without places as at 30.09.2017^{5 10}	2,348	1,169	513	338	660	300	5,328
Vacant vocational training places in September 2017 ^{5 10}	1,197	1,689	1,339	1,064	1,665	1,275	8,229
Business registrations⁶	44,839	17,049	9,700	11,268	27,095	11,212	76,324
Of which: start-ups	41,063	13,106	7,814	9,348	22,363	9,053	61,684
Trade registrations	34,819	17,661	11,448	13,307	29,771	14,415	86,602
Funding programmes							
Funding programmes for commercial and freelance compa- nies from the ERP Special Fund⁷							
Cumulative commitment volume from 1990–2017 (in € million)	2,502	9,314	8,473	9,457	15,316	10,478	53,038
Joint task ‘Improving the Regional Economic Structure’ (GRW) from 1991 to 2017⁸							
Commitment amount (in € million)	1,993	8,349	4,475	8,757	11,871	6,868	40,319

1 Federal Statistical Office and state statistical offices. Series 1 Volume 1 (as at August 2017/February 2018).

2 Federal Statistical Office, share of the active population (gainfully active persons and unemployed persons according to ILO concept) in overall population, per sex and federal state. Sample updated on the basis of the 2011 census, persons in private households. New federal states including Berlin.

3 Research group „Erwerbstätigenrechnung des Bundes und der Länder“. As at May 2018. New federal states including Berlin.

4 Federal Employment Agency, as at June 2018.

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

6 Federal Statistical Office and state statistical offices, business registrations, insolvencies. As at 21.03.2018.

7 Federal Ministry for Economic Affairs and Energy, as at 31.12.2017, ERP commitments from 1990 (net amounts after deduction of waivers, reductions, cancellations), from 2004, figures for Berlin as a whole.

8 Federal Office for Economic Affairs and Export Control, from January 1991 to December 2017 includes ERDF co-financing (Berlin: whole city).

9 Extrapolated level of employees.

10 Federal Employment Agency, employment subject to the payment of social security contributions, labour market in figures, market for training places (vocational training market).

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

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

Federal state	Population ¹ in 2017 in 1,000	Gainfully active population ³			Unemployed persons in 2016 ⁵		Gross domestic product in 2017 ¹		
		2017 in 1,000	Labour force parti- cipation ² 2017 in %	Gainfully active persons ⁴ 2017 in 1,000	in 1,000	Quote in %	(in current prices), in € billion	(in current price) per capi- ta in €	(price-adjusted, chain-linked) change over preceding year
Meckl.-West. Pom.	1,611	782	77.5	742	71	8.6		26,560	1.8
Brandenburg	2,498	1,270	80.5	1,212	93	7.0	69,1	27,675	1.4
Saxony-Anhalt	2,230	1,087	79.4	1,011	97	8.4	60,7	27,221	0.8
Thuringia	2,153	1,072	80.2	1,023	69	6.1	61,9	28,747	1.6
Saxony	4,077	2,018	81.2	1,927	140	6.7	121,7	29,856	1.4
New federal states²	12,569	6,229	79.7	5,915	639	7.6	356,3	28,343	1.4
Schleswig-Holst.	2,887	1,420	78.0	1,367	92	6.0	93,4	32,342	2.1
Hamburg	1,821	981	79.8	939	69	6.8	117,6	64,567	2.4
Lower Saxony	7,963	3,981	77.3	3,829	244	5.8	288,0	36,164	2.5
Bremen	679	330	74.9	315	36	10.2	33,7	49,570	3.3
North Rhine-Westph.	17,894	8,806	75.1	8,437	701	7.4	691,5	38,645	1.7
Hesse	6,229	3,166	77.5	3,059	166	5.0	279,1	44,804	2.2
Rhineland-Palatinate	4,070	2,062	77.4	1,993	106	4.8	144,3	35,455	2.5
Baden-Württemb.	10,989	5,819	80.1	5,647	213	3.5	493,3	44,886	2.3
Bavaria	12,976	6,910	80.6	6,748	231	3.2	594,4	45,810	2.8
Saarland	995	489	76.0	467	35	6.7	35,3	35,460	1.2
Western Germany	66,504	33,964	77.9	32,801	1,894	5.3	2,770,5	41,659	2.3
Berlin	3,592	1,877	78.3	1,744	169	9.0	136,6	38,032	3.1
Germany	82,666	42,070	78.2	40,460	2,533	5.7	3,263,4	39,477	2.2

Federal state	Industrial turnover 2017 ⁶		Industrial plants in 2015 ⁹ per 100,000 popu- lation	Gainfully active persons in 2017 ⁹ per industrial plant	Export rate ^{6, 7} 2017 in %	Public figures			
	in € billion	Change over preceding year, in %				Tax coverage rate ⁸ Actual figure 2017 in %	Personnel costs ratio ⁸ Actual figure 2017 in %	Investment ratio ⁸ Actual figure 2017 in %	Tax expendi- ture ratio ⁸ Actual figure 2017 in %
Meckl.West. Pom.	16.0	9.3	45	82	33.2	26.5	12.1	3.0	3.0
Brandenburg	26.3	1.8	49	83	28.0	24.4	9.9	2.7	2.7
Saxony-Anhalt	40.9	4.4	66	90	29.4	23.8	11.5	4.2	4.2
Thuringia	35.5	3.9	84	97	32.5	29.0	11.4	4.2	4.2
Saxony	67.4	5.6	76	91	37.3	24.8	14.8	1.0	1.0
New federal states²	211.2	4.4	56	93	35.9	25.5	12.3	2.8	2.8
Schleswig-Holst.	37.9	5.4	46	99	38.1	75.0	33.5	6.7	4.1
Hamburg	78.2	14.0	26	186	30.8	85.8	32.8	5.5	3.7
Lower Saxony	213.8	4.5	48	146	46.7	80.7	39.6	4.4	3.9
Bremen	35.9	29.2	44	176	64.1	56.8	30.1	10.6	11.1
North Rhine-Westph.	350.1	5.5	57	121	44.4	76.3	34.8	9.1	3.6
Hesse	115.9	5.5	45	146	52.6	81.7	34.1	6.3	3.6
Rhineland-Palatinate	99.4	8.1	55	132	53.8	77.8	37.7	5.2	4.5
Baden-Württemb.	361.5	3.4	76	154	55.1	78.4	34.9	8.9	2.9
Bavarian	369.9	5.7	57	175	53.2	82.6	38.4	10.4	1.3
Saarland	29.2	6.0	48	188	50.8	70.8	36.8	9.1	8.8
Western Germany	1,691.6	5.9	56	146	49.8	80.0	36.4	8.2	3.4
Berlin	25.2	1.9	20	125	57.3	57.7	30.8	10.5	4.9
Germany	1,902.8	5.7	56	135	48.2	78.3	35.2	9.2	3.5

1 Working Group for National Accounts of the Federal States; figures of the Federal Statistical Office: August 2017/February 2018.

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

3 Active population (= gainfully active persons + unemployed persons) aged 15–65 years (sample updated on the basis of the 2011 census, persons in private households); employment rate = share of gainfully active persons (employed and unemployed in accordance with the ILO concept) in the population at an employable age (15 to 65 years old).

4 Employed persons aged 15 to under 65 years according to federal states, results of the 2017 Microcensus. From 2016 onwards, estimations are based on the population update on the basis of the 2011 census; the results can only be compared to a limited extent with previous years.

5 Federal Employment Agency, unemployed persons according to legal groups: data as at June 2018, annual average for 2017; new federal states incl. Berlin, old federal states excl. Berlin. Rate based on total civilian labour force.

6 In manufacturing plants as well as coal and stone mining with 20 employees or more.

7 Share of foreign sales in total sales.

8 Share of total expenditure in the federal state budget; only core federal state budgets (excl. extra budgets, excl. municipalities, excl. special-purpose associations); instead of Germany: federal states together; Federal Ministry of Finance, as at July 2018.

9 Based on manufacturing plants with 20 employees or more in September 2017.

Source: Federal Statistical Office, Federal Employment Agency, Working Group for National Accounts of the Federal States and for Calculation of Gainfully Active Persons and in-house calculations.

4.3. National accounts in an east-west comparison

		Western Germany		New federal states		New federal states in relation to western Germany, in %		Share of new federal states in Germany as a whole, in %	
		1991	2017	1991	2017	1991	2017	1991	2017
Resident population ¹	1,000	61,912.5	66,504.1	14,624.7	12,569.4	23.6	18.9	18.3	15.2
Gainfully active persons (domestic)	1,000	30,300	36,357	6,787	5,982	22.4	16.5	17.5	13.5
Employees (domestic)	1,000	27,210	32,889	6,439	5,366	23.7	16.3	18.3	13.4
Unemployed ³	1,000	1,596	1,894	1,006	639	63.0	33.7	38.6	25.2
Gross domestic product (GDP) (in current prices)	€ bn	1,404.6	2,770.5	107.4	356.3	7.6	12.9	6.8	10.9
GDP per capita (in current prices)	€	22,687	41,659	7,342	28,343	32.4	68.0	37.2	71.8
GDP per gainfully active person (in current prices)	€	46,356	76,203	15,821	59,555	34.1	78.2	38.8	80.8
GDP per gainfully active person, per hour of work (in current prices) ²	€	37.62	56.79	26.40	44.09	70.2	77.6	–	–
GVA per gainfully active person, per hour of work (in current prices) ²	€	33.84	51.18	23.74	39.74	70.2	77.6	–	–
Compensation of employees	€ bn	731.8	1,409.0	84.8	185.3	–	–	9.9	11.1
Compensation of employees per employee	€	26,895	42,840	13,164	34,522	48.9	80.6	–	–
Compensation of employee per hour of work ²	€	24.28	33.49	17.61	27.11	72.5	80.9	–	–
Gross wages and salaries	€ bn	598.1	1,153.9	71.4	154	–	–	10.2	11.2
Gross wages and salaries per employee	€	21,980	35,084	11,086	28,639	50.4	81.6	–	–
Gross investment in plant per capita⁴	€	5,300	7,800	3,300	5,300	62	68	–	–
Capital stock per gainfully active person ⁵	€	229,251	410,262	84,608	363,053	37	88	–	–
Capital stock per capita ⁶	€	112,195	220,822	39,264	170,449	35	77	–	–
New federal states / old federal states in %									
Unit wage costs⁷	%	71.75	65.44	74.18	68.22	3.4	4.3	–	–

1 Working group "Volkswirtschaftliche Gesamtrechnungen der Länder"; calculations of the Federal Statistical Office as at August 2017/February 2018.

2 Figures for 1991 according to ESA 1995. Figures for 2017 (revision in 2014) according to ESA 2010. New federal states including Berlin. The figures according to the 2014 revision of the National Accounts are available from the year 2000 onwards and are not recalculated for any years prior to 1991.

3 Annual average figures. Monatsbericht zum Arbeits- und Ausbildungsmarkt – Juni 2018, p. 59, 60.

4 1991, 2015 figure derived using in-house calculations for 1991 and 2015.

5 1991, 2015, here: gross fixed assets at the end of the year at replacement prices in relation to the annual average number of gainfully active persons (calculations as at November 2016/February 2017, WZ 2008).

6 1991, 2015, here: gross fixed assets at the end of the year at replacement prices per capita (calculations as at November 2016/February 2017, WZ 2008).

7 Employee compensation per hour of work in relation to gross value added per gainfully active person, per hour of work, in current prices.

Sources: Working Groups for National Accounts of the Federal States and for Calculation of Gainfully Active Persons at Federal and at Federal-State Level; Federal Employment Agency; Federal Statistical Office; figures and relationships: in-house calculations.

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