Germany Report
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Sustainable Governance Indicators 2018
Executive Summary

This year’s report points toward the somewhat ambiguous performance of German policymaking. On the one hand, the economy, labor market, welfare system and public finances are doing extremely well, and excel by international comparison. Even with respect to the topic of refugee immigration and integration, the situation seems to have been brought under control, at least according to some positive feedback from international organizations on the integration measures that Germany has initiated. On the other hand, there is a growing sense of complacency on the part of German politicians and voters. Because of the excellent current governance and social security conditions the immediate pressure for reform has receded over recent years. For the time being, lower reform ambitions and the larger generosity to satisfy short-term political demands have not produced measurable economic or financial damage. However, it is crucial for the long-run perspective that the incoming government adopts a more long-term approach to overall policymaking.

An important event within the review period was the federal election in September 2017. The election changed the German party system. Not only did six parties enter parliament but also the main parties lost significantly, namely the bourgeois Christian Democratic Union (CDU) and its Bavarian sister Christian Social Union, CSU), and the Social Democratic Party (SPD). The CDU/CSU dropped from 41.5% in the 2013 elections to 32.9%, while the SPD declined from 25.7% to 20.5%. Consequently, both the CDU/CSU and SPD lost their dominant position within the German party system. The 2017 election was the SPD’s worst result and the CDU/CSU’s second worst result in the post-war period. All other parties gained votes, albeit for some the gains were marginal. The Greens won 8.9%, a gain of 0.55 percentage points, while the Left Party won 9.2%, a gain of 0.6 percentage points. The Free Democrats (FDP) re-entered parliament with 10.7%, a gain of 5.9 percentage points. In addition, the Alternative for Germany (AfD) won 12.6% of the vote, considerably higher than the 5% threshold, and entered the federal parliament for the first time. The Bundestag now hosts a strong right-populist party that includes some right-extremist positions. In the eastern part of Germany, the two main parties lost more votes compared to the western part, and the smaller parties on the left and right of the party spectrum won more votes pointing to a continuing political division within the country.
At the time of writing, the composition of the new government remains uncertain. Whichever parties form the new government, the election results indicate a somewhat shrinking consensus on fundamental policies in Germany. Though this is not yet as dramatic as in other European countries in terms of populists’ voting shares.

Regarding policy performance, the 2017 situation was characterized by a very favorable picture in terms of key indicators ranging from high economic growth (above 2%), falling unemployment rates and a surprisingly high public budget surplus. With this tailwind, Germany could also keep or even increase its engagement for the provision of national or global public goods in the field of R&D, education or development aid. On social and distributive issues, the situation remains controversial with the usual left-right disputes on the extent and tendencies of social exclusion. However, the current employment boom has further reduced long-term unemployment and reduced the level of irregular employment. On the challenge of refugee integration, observers from international organizations still diagnose problems, such as insufficient coordination of relevant stakeholders. Though they also acknowledge that Germany has reacted quickly and created an environment that is conducive for the successful labor market integration of refugees. Highly salient incidents like Islamic terrorism, xenophobic attacks by right-wing radicals or the G20 Hamburg summit riots by left-wing extremists have undermined popular perceptions concerning public safety even though the objective crime data does not indicate a dramatic increase in criminal incidents.

Germany continues to do very well in terms of the quality of democracy. Of course, German democracy is affected by international trends like the continuing decline in market share for high-quality print media, which safeguard public access to information. But these trends are much less pronounced in Germany compared to other countries. The public broadcasting system continues to reach a decent proportion of the population, and provide largely high-quality and independent coverage of political developments. Though this has recently been questioned in some instances. The rule of law and the independence of the judiciary is strongly backed both by political actors’ and voters’ respect for these institutions.

The indicators for governance capacities continue to show a less convincing positioning compared to the two other SGI pillars. Overall, the governmental system’s steering capabilities are constrained by a lack of strategic planning, which is exemplified by the relatively weak role of strategic policy units. Moreover, coordination processes in multiparty governments are often dominated by informal institutions like the coalition committees where “party
“politicization” undermines strategic planning and often leads to a lack of consistent communication. Expert evaluations and impact analyses play an important role, and are regularly executed with good methodological standards and impartiality. However, there is considerable scope for improvement to develop strategic policy conclusions from deeper insights.

Summing up, this year’s report confirms Germany’s current successful governance performance. However, it raises concerns that political myopia and the lack of strategic foresight might undermine the German growth story over the next decade.

Key Challenges

Key challenges for the next government are manifold. To begin with, the short-term challenge will be to create a new and stable coalition government, able to generate a coherent governmental program that guides politics and policies over the next years.

For this next German government, it is of crucial importance that it does not lose sight of the medium- and long-term tasks that Germany faces. It may appear paradoxical, but this risk has risen with the country’s highly successful economic and financial performance over recent years. Exceptional circumstances like the record low levels of government interest rates in combination with strong economic growth and the employment boom have considerably softened short-term budget constraints. The consequences of which were clearly visible in the last election campaign and will also impact the ongoing negotiations for a new coalition government. Politicians of all parties assume that they can extrapolate the current highly favorable economic and financial situation by increasing government and social security spending, while lowering taxes and introducing a wave of new regulations. This policy approach is hardly viable over the longer run, among other things, because of the effects of an aging population on economic growth, and increased pressure on health care and pension spending. Therefore, a responsible and realistic policy approach with a long-term perspective must develop appropriate answers regarding the following policy fields.

Pension policy: The system continues to benefit from a favorable relationship between the active population (still comprising the baby boomer generation) and pensioners. In the coming years, with the retirement of the baby boomers and as a consequence of increasing life expectancy, the dependency ratio will quickly rise. Political parties have remained largely silent on the issue of how
to react and keep the system (and contribution rates) stable. The only consensus seems to relate to benefit increases for parents, workers with particularly long-working histories and measures for fighting poverty in retirement. Expert recommendations for a further increase in the statutory pension age have regularly been rejected by Germany’s main political parties.

Health and old-age care system: The social security systems for health and old-age care are characterized by even larger pressures on spending. Demographic change, and increasing societal expectations regarding the quality of services and medical progress have meant that demand for higher spending is almost unlimited. Over recent years, governments could impress voters by regularly increasing benefit levels as the employment boom provided the necessary finances. In the coming years and decades, with the shrinking active population, the imbalance between spending demand and available finances will increase dramatically. Current political programs are completely silent on how to contain this pressure.

Tax policy: With respect to the tax policy debate, German politics seems to be characterized by a neglect of constraining factors related to increasing international competition. With the far-reaching Trump tax reform, a new wave of global corporate tax competition may have commenced. In Europe, the United Kingdom (to compensate for the consequences of Brexit) and France (as Macron wants to push French competitiveness) plan to make their systems more competitive. Without a reaction, Germany will find itself with the highest business tax burden of any major industrial country.

European reforms: Another major challenge for Germany relates to the European reform debate. Europe is urgently waiting for the next German government to develop a constructive strategy for how to reform Europe and the euro zone in order to increase resilience to crises and promote citizen trust in the union. Germany has to find the right balance between defending its self-interests (e.g., preventing a strategy of fiscal exploitation with massive transfers from northern to southern and eastern Europe) and constructive solidarity.

Refugee policies: Another major challenge involves refugee and immigration policy. After a dramatic 2015, refugee numbers have decreased considerably. However, this policy field still poses highly complicated questions concerning how to foster integration and steer immigration. The refugee issue has split society. The rise of several right-wing protest movements and the success of an anti-migration party, the AfD, indicates that part of the population is deeply distrustful of Germany’s political, economic and media elites. While the right-wing anti-immigration positions still constitute only a minority, they are
particularly present in the eastern part of the country, pointing to a divide that persists more than 25 years after unification. The next government must build on the last grand coalition’s effort to promote a successful integration policy and develop – together with Germany’s EU partners – workable strategies to keep migration flows at manageable levels (i.e., levels that do not overstretch popular support or undermine financial sustainability).

Climate policy: The radical exit from nuclear power in combination with Germany’s ambition to be a front-runner in climate policies poses complicated policy trade-offs. One of the contentious issues is the timeframe for closing down coal-fired power plants.

Germany is economically and financially in a very good situation. The country recovered more quickly than many other countries from the global financial crisis. Economic growth rates have been exceptionally high in recent years and the short-run outlook for 2018 remains bullish. However, far-reaching policy mistakes that endanger the long-run sustainability of economies are typically made in good times.
Policy Performance

I. Economic Policies

Economy

Germany’s economic structure is characterized by a healthy mix of service and industrial sectors. In the five years following the reform plan “Agenda 2010” of 2003, Germany’s economic policy successfully addressed numerous serious economic weaknesses prevalent in the post-unification period. This wave of reforms has affected labor market institutions, unemployment benefits, the pension system, corporate taxation, the constitutional debt brake and liberalized labor migration from outside the European Union. It has also improved Germany’s competitiveness and increased its attractiveness as a destination for foreign investment. Moreover, the European sovereign debt crisis has further strengthened the country’s reputation as a safe haven for financial and real investment. As a result, the German state and wider German economy currently benefits from extremely low interest rates. The ongoing employment boom, rising real wages and pensions, very low interest rates, buoyant construction investment, very strong export performance and increasing public expenditure have created almost ideal growth conditions lifting GDP growth above 2% in 2017. The chances are excellent that Germany will experience a tenth year of continuous growth in 2018 (Sachverständigenrat 2017/18). The only current downside to this situation has been the first symptoms of a cyclical overheating with job market vacancies exceeding one million and an increasing share of companies producing at total capacity.

As the result of robust economic growth and employment, the last government abandoned the liberalizing policy agenda of the first decade of the millennium in favor of greater regulation. For example, the policies of the grand coalition 2013 – 2017 included the introduction of a statutory minimum wage, an expansion of the pension system, an increase in state support for nursing care and plans to more tightly regulate temporary forms of employment. Moreover, although trade unions and employers’ associations have eschewed ideology in setting wage
policy and granted firms significant flexibility, there has been a change in wage policies. Germany’s recent robust economic performance and buoyant labor market have led to an increase in wages and a slight increase in unit labor costs. Yet, so far, neither greater government regulation nor increased wages have undermined Germany’s export performance or employment growth.

Citation:

Labor Markets

Germany’s success in reducing structural unemployment since the mid-2000s has been impressive. According to the German Council of Economic Experts (Sachverständigenrat), more than 44.3 million people were employed in Germany in November 2017, 0.6 million more than the previous year’s record. Unemployment rates are at their lowest level in 20 years (4.0% according to the OECD) and are further decreasing. Germany’s youth unemployment rate is the third lowest in the OECD (7.0%), attributable largely to a highly effective vocational training system. The unemployment rate is expected to further decline in 2018. Increasingly, the German labor market shows signs of a labor shortage with 1.1 million unfilled vacancies in the third quarter 2017 (Institut für Arbeitsmarkt- und Berufsforschung 2017).

Germany has a comprehensive toolbox of active labor market programs, which includes financial support for vocational training programs, support for self-employed individuals, provision of workfare programs and the subsidized employment of long-term unemployed individuals. Traditional instruments, such as job creation and training programs, are now seen as combinable. Tailored to individual needs, these instruments are designed to facilitate the reintegration of long-term unemployed individuals into the labor market.

The expansion of atypical employment contracts – such as temporary employment programs (Leiharbeit), part-time and agency work – reflects an increase in industrial flexibility over recent years. Atypical employment contracts may to some extent mirror employees’ preferences (e.g., with respect to part-time contracts). Nevertheless, atypical employment may have negative consequences for social justice, such as increasing risk of poverty in old age or higher risk of unemployment, although unemployment has decreased sharply given the increasing shortage of labor. Atypical employment has only slightly decreased from 20.8 (2015) to 20.7 (2017) but recently has fallen more quickly. While the number of employed people increased by 638,000 in 2017 to 2018,
the number of people working “Minijobs” or self-employed fell in the same period (Statistisches Bundesamt 2018).

A national minimum wage has been in effect since January 2015. There are exemptions, in particular for adolescents and the long-term unemployed. In addition, during a transitional period ending in 2017, sector specific minimum wages may be lower than the general minimum wage. The current minimum wage is set at €8.84 and will be reviewed after five years by a commission comprising representatives of employers and employees. The minimum wage has elevated the earnings of four million employees, about 11% of employed people. The German Council of Economic Experts has not reported any detrimental macroeconomic effects, though it is too early to assess the long-term consequences of a national minimum wage.

The enormous increase in refugees claiming asylum in Germany is a key challenge for future labor market policymaking. Reducing barriers to labor market access, especially the regular labor market, as well as support for training and education will be crucial for the successful integration of refugees. The German Council of Economic Experts estimates a constantly decreasing unemployment rate of refugees during the next years from 76.2% in 2016 to 43.1% in 2022 (Sachverständigenrat 2017/2918: 150). Concerns that the 2015 wave of refugees would push up the total unemployment rate have so far not materialized with unemployment further declining throughout 2017.

Citation:
Institut für Arbeitsmarkt- und Berufsforschung 2017: www.iab.de/de/befragungen/stellenangebot/aktuelle-ergebnisse.aspx

OECD 2017: https://data.oecd.org/jobs.htm#profile-Unemployment


Statistisches Bundesamt 2018: Pressemitteilung Nr. 001 vom 02.01.2018: Zahl der Erwerbstätigen im Jahr 2017 um 1.5 Prozent gestiegen.

Taxes

In recent years, German tax policy lost steam. As a consequence of falling interest rates on public debt and buoyant public revenue growth, the reform vigor of the previous decade gave way to a complacent uncertainty regarding the future direction of tax policy. Between 2010 and 2017, total tax revenues rose by more than 38% from €531 billion to €735 billion (Bundesfinanzministerium 2017). Since 2014, this has enabled the ministry to achieve its aim of balancing
the public budget, despite considerable costs related to the refugee crisis. In addition, the soaring labor market created significant surpluses in the social security system. The guiding principle of today is “steady as you go.” Legislative changes to taxation have largely been limited to areas that the Federal Constitutional Court had ruled were unconstitutional, such as inheritance tax and privileges for corporate wealth. With regard to the former, following a ruling by the Constitutional Court, a revised inheritance tax provides new regulations that spare company capital (Bundesfinanzministerium 2016).

With respect to some major indicators, Germany is performing well at the moment. Earnings-related direct taxation and social security contributions are lower than, or have at least held constant with, previous levels. Indirect taxes, such as value-added taxes, are above the OECD average. The top marginal personal income tax rate (47.5%) is comparable to the OECD average (47.8%), but the average marginal rate continues to be a key challenge for Germany’s competitiveness since it is 15 percentage points higher than OECD average. The OECD report concludes that this is particularly harming the integration of single parents into the labor market (OECD 2016) as well as creating substantial work disincentives for a household’s second earner. Furthermore, the complexity of the German tax system imposes high compliance costs on households and firms.

Germany’s inefficient municipal tax system requires much needed reform, though municipalities have created budget surpluses in the past couple of years. Also, despite perennial discussions envisaging a tackling of bracket creep, there is no effective regulation for a systematic dissolution of the problem in sight. However, a one-off measure took effect in 2016 through an adjustment of the income tax schedule, which compensates taxpayers for a bracket creep effect of approximately two years. Finally, the German Council of Economic Experts has criticized the fiscal equalization scheme between states as inefficient and harmful to growth (Sachverständigenrat 2017/18: 293).

In summary, German tax policy performs well in terms of revenue generation. However, especially for middle income earners the system generates excessive work disincentives. The redistributive capacity of the tax system has decreased as indirect taxes have taken a larger role. The Global Competitiveness Report considers Germany’s tax rates and tax regulations to be the most problematic factors for doing business in Germany. However, given the overall positive economic environment these challenges have not as yet undermined Germany’s relative attractiveness. With the far-reaching U.S. tax reform, and the perspective of lower corporate tax rates in France and the United Kingdom, Germany’s tax-related competitiveness is in a process of erosion. So far, political parties seem to be unaware of this new wave of tax competition.
Budgets

For Germany, the 2009 global recession and its aftermath implied higher budget deficits and gross public debt following revenue shortfalls, anti-crisis spending packages and bank bailout costs. Since then, however, Germany’s budgetary outlook has considerably improved. Germany’s debt-to-GDP ratio has continued to decrease from 81.0% in 2010 to 66.0% in the second quarter of 2017 (Eurostat 2017). This decrease resulted from surpluses in the general government balances since 2014, stable growth and historically low government bond interest rates. In addition to this favorable environment, a constitutional debt limit was introduced (Schuldenbremse) that restricts the federal government’s cyclically adjusted budget deficit to a maximum of 0.35% of GDP and requires German states to maintain balanced cyclically adjusted budgets from the year 2020 onwards.

Given the financial burdens associated with the refugee crisis, this positive development is even more astonishing. For 2016 and 2017, the German Council of Economic Experts estimates total expenses directly associated with refugees and asylum-seekers to be €10 to €13 billion, roughly 0.3% to 0.4% of GDP (Sachverständigenrat 2016: 343). The Ministry of Finance stated that it would cover the cost of these additional funds through increasing tax revenue, the sale of mobile phone licenses and decreasing interest amortization spending. The long-run fiscal consequences will crucially depend on how well immigrants integrate into the labor market.
While the federal budget remains balanced, uncertainties concerning the medium- to long-term budgetary outlook remain substantial. Germany’s aging population will mean that recent increases to welfare spending (e.g., increased pension payments for mothers and allowances for nursing care) combined with very dynamic increases in health care expenditures will pose a significant challenge to future federal budgets. According to recent calculations of “implicit debt” (i.e., future liabilities resulting from uncovered payment promises by the social security system and other government programs), the sustainability gap slightly decreased between 2016 and 2017 as a consequence of the falling debt level and the revenue boom (Stiftung Marktwirtschaft 2017b). However, major new risks emerge from the current competition between political parties to offer more generous pension and health care systems, and the refusal to raise the pension age due to increasing life expectancy. Recent calculations indicate that higher pension levels (relative to last active income) would push up implicit debt dramatically (Stiftung Marktwirtschaft 2017a).

Citation:
Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung (2016): Zeit für Reformen, Jahresgutachten 16/17, Sachverständigenrat: Wiesbaden. Online:

Research and Innovation

Germany’s performance in the area of research and development remains positive. According to the World Economic Forum, Germany’s capacity for innovation ranks among the world’s top performers. In the Global Competitiveness Report 2017/2018, Germany’s ranking improved to 5 out of 140 countries, trailing less than 0.3 points behind leading nation Switzerland in the area of technological development, and product and process innovation (p.126-127). Furthermore, Germany ranked 7 out of 140 countries for patent applications per inhabitant, a one position deterioration over the previous year. The quality of scientific research institutions remains in need of improvement, with Germany ranked only 11 out of 140 (Global Competitiveness Report 2017/2018: 127).

Regarding funding, the German government continues to raise budgets on research and development. Its spending remains above the European average.
The budget of the Ministry of Education and Research was increased to €14.0 billion in 2014, €15.3 billion in 2015, €16.4 billion in 2016 and €17.6 billion in 2017, a record setting mark.

In contrast to numerous other European countries, Germany does not offer general R&D tax incentives, but rather concentrates on targeted funding of specific programs. Companies’ expenditures on R&D are strong, but public-private partnerships and collaboration between universities and industry leave room for improvement. The government started its so-called excellence initiative within the tertiary education sector in 2005 and modified the scheme in June 2016. The federal government and states have agreed to resume the Joint Initiative for Research and Innovation, and intend to increase the program’s budget by 5% every year. All these measures appear to be effective to some extent. Over the past years, the quality of its scientific research institutions has improved slightly. In the Global Competitiveness Report 2017/18 edition Germany performs well in higher education and training. Germany improved by one position to 15 out of 138 countries (p.127).

Citation:


Global Financial System

In the aftermath of the financial crisis, policy initiatives in the field of financial market governance underwent a strategic realignment from private self-regulation toward public regulation, with the aim of in the future avoiding costly public bailouts of private banks. Germany has assumed a leading role in the fight against the sovereign debt crisis in Europe, and has accepted substantial explicit and implicit liabilities. For example, Germany’s maximum financial guarantee for the European Stability Mechanism amounts to €190 billion and the country is also exposed to indirect risks through the Bundesbank’s claims in the European Central Bank’s TARGET payment system which, as a consequence of the European Central Bank asset purchases, are increasing.

Germany has been an early advocate of a European banking union, integrating several elements into national law (e.g., rules for bank restructuring in a crisis) before EU standards emerged. Internationally, Germany argued vigorously in favor of coordinated, international steps to reform the global financial system, and to eliminate tax and regulatory havens. In addition, Germany is one of the driving forces that helped to develop the G-20 summit into a first-class forum
for international cooperation. Despite these efforts, however, Germany has also clearly defended the interests of its domestic banking system, particularly with respect to the special deposit insurance programs of state-owned savings banks (Sparkassen). The government remains concerned that pooling Europe’s deposit insurance systems too early could result in the European collectivization of bad bank debts.

Although skeptical at first, the German government ultimately revised its position regarding the implementation of an EU level financial transaction tax (FTT). The European Commission proposed to introduce an FTT within the European Union by 2014. In December 2017, a Progress Report underlined that only limited progress has been made (European Parliament 2017). While there has been limited progress, Germany and France remain the strongest proponents of an EU FTT. Now that its strongest opponent, the United Kingdom, is leaving the European Union, a FTT seems more likely to be established for the remaining ten participants. The issue is currently at a standstill in the European Council. In June 2017, the ECOFIN reiterated that further work at the European Council and its preparatory bodies is still required.

Citation:

II. Social Policies

Education

The Programme for International Student Assessment (PISA) is an important indicator of the quality of a country’s educational system. Since the first PISA study in 2000, the OECD has often repeated its criticism that access to education in Germany is stratified and educational attainment is dependent on pupils’ social backgrounds. Educational opportunities are particularly constrained for children from low-income families and for immigrants. PISA results from 2012, however, had shown significant improvements (OECD 2016), reflecting possibly a catalytic effect of the “PISA shock” in the early 2000s. Germany ranked above the OECD average in mathematics, reading and science and the importance of students’ socioeconomic background had lessened. While in 2000, the level of social equity in German education was among the lowest of all OECD countries, Germany had risen to around the OECD average in 2012. The most recent PISA results from 2015 indicate a setback in science and
mathematics, further stable performance in reading and confirm a looser link between socioeconomic background and performance compared to the 2000s (OECD 2016). Until 2017, the overall quality of the primary and higher education system improved slowly, but constantly. Germany ranked 19 out of 137 countries with an improvement score of 5.5 (Global Competitive Report 2017/2018: 115).

In contrast to other countries, the proportion of individuals with tertiary education has remained astonishingly low for several decades. The proportion of young people with tertiary education in 2016 (29.6% of the population between 23 and 34 years old) lags behind the OECD average and ranks sixth lowest among OECD countries. Overall, close to 60% of the population have completed upper secondary, with 13.2% possessing less than an upper secondary education. However, Germany exceeds the OECD average in youth participation in vocational tertiary education programs by 4% (OECD 2014: 4). The success of Germany’s dual vocational training approach has become a role model for southern European countries, which have high youth unemployment rates, such as Spain (where a reorganization of vocational programs has been underway since 2012).

In general, Germany’s education system is strong in terms of vocational training, providing skilled workers with good job and income prospects. The rate of post-secondary vocational education and training is about 20%, much higher than the OECD average. All in all, the German education system excels in offering competencies relevant for labor market success, resulting in a very low level of youth unemployment (second lowest among OECD countries). Thus, defining educational achievement primarily on the criterion of university degrees (as the OECD does) might not do justice to the merits of the segmented German dual education system.

Concerning the influx of refugees in 2015 and, to a lesser extent, in 2016 and 2017, their inclusion in the education system will be one of the most challenging tasks for their successful integration into German labor market and society.

Citation:
Global Competitive Report 2017/2018


OECD (2013): Programme for International Student Assessment (PISA), Results from PISA 2012, Country Note Germany.


OECD (2016): Programme for International Student Assessment (PISA), Results from PISA 2015, Country Note: Germany.
Social Inclusion

Germany has a mature and highly developed welfare state, which guarantees a subsistence level of income to all citizens. The German social security system is historically based on the insurance model, supplemented by a need-oriented minimum income. Unemployment benefits have required some supplementation over the last decade and have to some extent even been replaced by need-oriented minimum levels of income.

There are a variety of minimum income benefit schemes, comprising unemployed (“Hartz IV”), disabled, old-age minimum income support and assistance for asylum-seekers. In 2017, Germany had 6.1 million Hartz IV recipients which was the first annual increase since 2011 (Statistisches Bundesamt 2017a; 2017d).

The total number of recipients across all of these schemes increased in recent years and reached 7.9 million in December 2016 (Statistisches Bundesamt 2017c).

Until recently, income support for the working poor was provided through tax financed government transfers. However, in January 2015, this approach was fundamentally augmented with the introduction of a national statutory minimum wage designed to increase the market income of this at-risk segment of the population. So far, no massive job losses are noticeable.

In addition to the increasing threat of poverty in old age, the massive increase in asylum-seekers and refugees since 2015 constitutes a second major challenge for the successful social inclusion. In 2016 and 2017, public agencies, supported by civil society organizations, were largely effective in managing the crisis and providing essential living conditions to asylum-seekers. Recently, an OECD report (OECD 2017) demanded better coordination of all relevant stakeholders but also acknowledged that Germany has reacted quickly and created an environment that is conducive for successful labor market integration. The authors also acknowledged that the focus of German policy on liberalizing labor market access for asylum-seekers and refugees, and the large investments into language training is appropriate and promising. Together with excellent labor market conditions, the likelihood of successfully integrating refugees in Germany is higher than in most other EU countries.
Health

The German health care system is of high quality, inclusive and provides health care for almost all citizens. Most employees are insured in public health insurance systems, while civil servants, the self-employed, high earners and some other groups are privately insured. It is, however, challenged by increasing costs. Recently, the system’s short-term financial stability is better than expected due to buoyant contributions resulting from the employment boom. However, long-term financial stability is challenged by the aging population and increasing costs within the health care system. Health care spending in Germany as a proportion of GDP is the third highest in the world and higher than the OECD average (11.3% of GDP compared to 9% of GDP for OECD average).

In its coalition agreement, the grand coalition negotiated a variety of reform measures for the 2013 to 2017 term to increase the quality of health care, redefine some financial details, and reorganize the registration of physicians in private practice and the distribution of hospitals. However, the government only introduced minor changes. One is the so-called law of strengthening self-administration in health care (“Selbstverwaltungsstärkungsgesetz”). With this law, the Federal Ministry of Health aims to strengthen its influence over the National Association of Statutory Health Insurance Physicians, which had been engaged in criminal financial activities. The German parliament passed the law on 27 January 2017. However, lobby groups were successful in reducing government control vis-à-vis doctors’ associations and other interest groups.

Other important policies included a reduction in the contribution rate from 15.5% to 14.6% of gross wages and the confirmation of a fixed contribution rate for employers of 7.3%. Employee contributions are 7.3% of gross wages, equal to employers’ contributions. The additional contribution from employees, which was previously a lump-sum contribution, is now calculated as a percentage of...
their assessable income and varies between insurance companies (the average premium is now 1.1%), reintroducing an element of competition. In addition, the federal subsidy for the national health care fund was raised by €0.5 billion to an overall total of €14.5 billion.

In 2015, the contribution rate for long-term care insurance increased by 0.3 percentage points and by a further of 0.2 percentage points in 2017. Thus, an additional €5 billion will be available for improvements in long-term care. A part of the additional revenue feeds a precautionary fund intended to stabilize future contribution rates. In addition, families that wish to provide care at home are given greater support. Two additional important policies were the Hospital Structures Act and an act to strengthen long-term care (“Pflegestärkungsgesetze II und III”). The aim of the Hospital Structures Act, effective from January 2016, is to improve the quality of hospital care and increase the financing available to hospitals. In long-term care, a new system of assessing the needs was introduced. The new system no longer calculates the time needed for nursing care but assesses the degree of self-reliance restrictions. It takes into account all kinds of self-reliance restrictions: disabilities both in physical and mental health, and in cognition. The hitherto three care levels (Pflegestufen) are replaced by five new care degrees (Pflegegrade). The government also introduced the E-Health Act, which includes the introduction of an electronic health card to improve internet-based communication in the health care system.

While the government has been ambitious in fostering a high-quality health system, it is not sufficiently limiting spending pressure. In particular, it has been hesitant to open the system to more competition (e.g., with respect to pharmacies). When the European Court of Justice ruled against fixed prices for prescription drugs, the minister of health was quick to announce a ban on mail-order pharmaceuticals.

Citation:
http://www.bmg.bund.de/en/health

Families

For decades, a broad consensus among political parties and major societal actors aligned the German system paradigmatically toward the male breadwinner model. Universal family benefits, incentives tailored to the needs of married couples and single-earner families, and a shortage of public childcare contributed to women’s low rate of participation in the labor market.
Today, this traditional approach has been substantially corrected. Parental leave, previously short and lacking adequate compensation, has been extended. Paternity leave has been introduced and promoted. Today, a parent’s net income while on leave is on average just 25% less than their net income prior to leave. Additionally, the number of public childcare places increased. A legal right to childcare beginning at age one came into effect in August 2013. In March 2016, the share of children aged under three with access to a childcare institution was at 32.7%; this is a small percentage decrease compared to March 2015, although the absolute number increased (BMFSFJ 2017a). Because demand for childcare (in 2016 about 46% for children aged under three) is not covered, Bundestag voted in June 2017 to increase the number of available places in daycare by 110,000 by 2020 (BMFSFJ 2017b). The number of children per kindergarten teacher varies considerably between states with higher child-teacher ratios in eastern states.

In summary, these measures, in combination with an increasing shortage of qualified labor, have led to both a considerable increase in women’s labor market participation and fertility rates. While in 2005 only 59.6% of 15- to 64-year-old women were employed, this percentage had increased to 70.8% by 2016 (OECD 2017). In the European Union today, Germany ranks third behind Sweden and Denmark in terms of female labor market participation (OECD 2017). However, German women are particularly often in part-time work. Although low by international standards, Germany’s fertility rate has started to increase. By 2015, after three successive year-on-year increases, Germany’s fertility rate had reached 1.5 children per woman (Statistisches Bundesamt 2017).

Citation:


BMFSFJ 2017a: Kindertagesbetreuung Kompakt: https://www.bmfsfj.de/blob/113848/b96083e0e9ad752e9b499638123b7fa/Kindertagesbetreuung-kompakt-ausbaustand-und-bedarf-2016-ausgabe-2-data.pdf

Pensions

Germany has engaged in a significant number of pension reforms in recent decades. In particular, a 2004 reform aims to make the pension system more sustainable through increasing the retirement age and reduction in future pension increases linked to demographic change. In 2014, the grand-coalition government reversed the previous pension reform agenda. Subsequent reforms have been hotly disputed with critics claiming they would undermine the long-term sustainability of the pensions system. First, the government reduced the retirement age by two years for workers who have contributed to the pension system for at least 45 years. Second, it provided a catch up for housewives with children born before 1992 relative to those with children born after 1992. Finally, pensions for people with disabilities were improved. The calculation will now include two additional years of (fictive) contributions. The cost of these reforms is estimated to total €160 billion by 2030. Public subsidies for the pension fund will increase from €400 million to €2 billion by 2022. In 2017, several smaller pension policies were introduced. For example, company pension plans have been encouraged as an addition to statutory pension insurance, while the calculation of pension payments in cases of long-lasting illness was adjusted, and the difference in pension payments and pension levels between eastern and western federal states will be harmonized by 2025. The extra costs of €3.9 billion per year will be covered by pension contributions and tax money.

As a consequence of the excellent employment and revenue situation the contribution rate was lowered from 18.9% to 18.7% in 2015 and again to 18.6% in 2017, although this will only take effect in 2018. In June 2016, pension payments increased by an astonishingly high rate of 5.03% in the east of Germany and 4.35% in the west. This was the largest increase in pension payments since 1993 and due to increasing wages and high employment rates. On 1 July 2017, pensions again increased by 1.9% in the west and 3.59% in the eastern part of the country. However, increasing health care contribution rates and long-term care insurance costs reduce the level of net pension increases.

Relative to the active labor income, the statutory pension level is expected to decrease by about 6 percentage points by 2045 due to the current pension adjustment formula and the increasing ratio of pensioners to working population. But even these built-in adjustments might not be sufficient to safeguard the system’s sustainability according to implicit debt calculations, leading to expert demands for a further increase in the statutory pension age. The expected relative decrease in pension levels has been hotly discussed with respect to an increasing risk of old-age poverty for certain population groups and most political parties see the need for legislative action under the next
government. Yet, pensioners today are significantly less likely to be at risk of poverty than the rest of the population. With pension spending at 10.1% of GDP, Germany was slightly above the OECD average in 2013 (OECD 2017).

Citation:
http://www.deutsche-rentenversicherung.de/Allgemein/de/Naviga-
tion/6_Wir_ueber_uns/02_Fakten_und_Zahlen/01_werte_der_rentenversicherung/werte_der_rv_node.html#doc183748bodyText1

Integration

According to a 2016 micro-census, 22.5% of people living in Germany had a migrant background. In comparison to the year before, it increased by 8.5%. This increase is consistent with the trend of the last decade (Statistisches Bundesamt 2016: 37). The Federal Statistical Office estimated that 2.1 million people immigrated to Germany in 2015. This is an increase of 46% compared to 2014. In 2016 and 2017, the numbers considerably dropped.

While Germany already had an extremely liberal regime for migrants from EU member states, a liberalization of labor migration from non-EU countries has taken place. According to the OECD (2013), these reforms “have put Germany among the OECD countries with the fewest restrictions on labor migration for highly skilled occupations.” Nevertheless, there is an ongoing public debate about the need to modernize immigration legislation further. In 2014, the government introduced the right to dual citizenship. This reform abolished the requirement for most children born in Germany to non-German parents to decide between the citizenship of their birth and the citizenship of their parents.

When in 2015 the number of refugees claiming asylum in Germany far exceeded prior levels, the topic of immigration and integration became a priority among the public. The reaction of civil society to the high number of asylum-seekers has been mixed. Although a majority of the population initially appeared to welcome the government’s open approach, skepticism increased as the numbers of refugees claiming asylum remained high and safety and crime concerns grew (in particular following the 2015 New Year’s Eve incidents in Cologne, where numerous migrants were arrested for sexual assault and robbery). Furthermore, xenophobic parties (e.g., AfD) quickly began to organize an opposition to the arrival of refugees. The AfD gained seats in all state parliaments, which have been elected since 2015, and became the third strongest party in the Bundestag in 2017. Though none of the traditional democratic parties are willing to cooperate with the AfD.
Initially, the last government lacked a comprehensive crisis management strategy. However, after disputes between the coalition parties, the federal government took a first step toward solving the problem in October 2015. The reform package includes substantial financial support for states and municipalities, the provision of early integration and language courses, and special support for child refugees traveling without their parents (Presse- und Informationsamt der Bundesregierung, October 2015). In addition, the registration of refugees was extended and improved; among other things, fingerprints are now taken.

These policies were followed by attempts to restrict and regulate the influx of refugees. The most important measures were the so-called asylum packages I and II. The first package included an expansion of countries of origin considered safe (Albania, Montenegro and Kosovo, and from 2017 Bosnia-Herzegovina, Ghana, Macedonia, Serbia and Senegal), accelerated the recognition procedures and strengthened financial support for the municipalities. Moreover, benefits were changed from cash to in-kind. The second package, introduced in February 2016, restricted the right to family reunion for people granted subsidiary protection and once again expanded the countries of origin considered safe (Algeria, Morocco and Tunisia), to mention only the most important regulations. Finally, in 2017, deportation of rejected asylum-seekers was made easier for German authorities.

The short-term management of the refugee crisis has been largely successful with respect to the logistics of refugee reception. Given the very large numbers of people coming into the country in 2015, government authorities (at the municipal, state and federal level) have shown a remarkable effectiveness, in stark contrast to the miserable refugee reception in other EU countries in the south and east. This reception capacity benefited greatly from civil society’s support.

The long-term challenge of integration remains a crucial concern, including the successful integration of the refugees into both the education system and labor market. Recently, an OECD report (OECD 2017) stated that Germany is on a good track with respect to refugees’ labor market integration. The report acknowledged that Germany had reacted quickly and created an environment conducive to the successful labor market integration of refugees. The report recognized the appropriate focus German policy had placed on liberalizing labor market access for asylum-seekers and refugees, and investing heavily into language training. The combination of these appropriate strategies and excellent labor market conditions have raised the chances for successfully integrating many refugees over the medium term.
Much will ultimately depend on whether broader cultural integration will succeed. So far, German civil society remains in favor of integrating refugees. However, there is a danger of strengthening xenophobia if problems of cultural alienation and safety concerns grow.

A further stress factor for integration with respect to citizens with Turkish origins has resulted from recent political developments in Turkey, where the policies of the Erdogan government have polarized Turkish communities in Germany. This has resulted in divergent perceptions on the importance of free media, the rule of law and separation of powers (values enshrined in the German constitution), raising concerns about an absence of common values.

Overall, the way Germany logistically dealt with the inflow of almost a million refugees in a very brief period of time is impressive. The main challenge for the future will be to integrate these people into German society. Although many imperfections remain and although the task is immense, the country’s overall policy strategy toward refugee integration appears to be promising.

Citation:
OECD 2013: Recruiting Immigrant Workers: Germany, Paris: OECD.
Statistisches Bundesamt 2016: Fachserie 1, Reihe 2.2: https://www.destatis.de/DE/Publikationen/Thematisch/Bevoelkerung/MigrationIntegration/Migrationshintergrund201020167004.pdf?__blob=publicationFile

Safe Living

In general, residents of Germany are well protected against security risks such as crime or terrorism. Crime rates had been declining for years, but are slightly increasing since 2015. A total of 6,370,000 crimes were reported in 2016, a 0.7% increase over 2015 (BMI 2017).
The influx of nearly 900,000 refugees in 2015 fostered a heated discussion about a potential rise in crime. The empirical evidence is mixed. A special survey of the Federal Criminal Police Office (Bundeskriminalamt) had indicated that refugees and asylum-seekers do not seem to display any increased propensity toward criminality compared to German citizens. In contrast, a recent study commissioned by the German Family Ministry (Pfeiffer, Baier and Kliem, 2018) documented criminal activities for some groups of refugees to be above the population average (e.g., young single men, Maghreb origin). It also suggested that the recent reversal to higher crime rates in Lower Saxony to have been predominantly driven by refugees.

Independent from the objective data, there is an increasing perception among the general population that refugee immigration may have lowered public safety. The 2015 New Year’s Eve celebrations in Cologne and other German cities that led to hundreds of sexual assaults has caused a kind of public trauma and led to an increase in negative attitudes toward immigration, and triggered more violent attacks from right-wing movements against immigrants and foreigners.

In addition, several terrorist attacks by Islamist extremists over the course of 2016 and 2017 as well as planned attacks prevented by the police clearly indicate a significant increase in the risk of terrorist attacks. The most important of these attacks seems to be the attack on 19 December 2016 by Anis Amri, which killed 11 people and injured 55, when he drove a truck into a Christmas market in Berlin. The group of Islamist extremists is quickly growing in number, attracting support principally among younger German Muslims, but also among some refugees.

In 2017, attention shifted to violence and crime perpetrated by left-wing and anti-capitalist groups. On the occasion of the G20 Hamburg summit in July 2017, violent groups caused substantial damage to property and injured over 160 police staff. These highly aggressive attacks were widely perceived to be outright attempts to kill police officers. For several hours, these militant and violent activities could not be contained, which led to a public outcry over a perceived loss of control and undue leniency toward crime from left-wing extremists.

Overall, extremist activities by right-wing, left-wing, and foreign groups and organizations have increased by 6.6%. Politically motivated violence rose to about 41,500 incidents, a 2.6% rise (after a sharp rise in 2016) in right-wing and a 2.2% drop in left-wing criminal acts. In terms of violent attacks, there was a 14.3% increase in right-wing and a 24.2% decrease in left-wing incidents. The overall rise was caused by increased incidents connected to Islamism and the Kurdish Turkish conflict (BMI 2017). After a dramatical increase in the number
of xenophobic attacks on accommodations for asylum-seekers at the end of 2015 (1,031 attacks), there was a drop over the year 2016 (988) according to the Federal Criminal Police Office (Bundeskriminalamt). In contrast, the Amadeu Antonio Foundation reports an increased number in 2016 (1578) based on a different empirical basis (Amadeu Antonio Stiftung 2017).

Summing up, the objective data still indicates lower crime today compared to the 1990s or 2000s. However, perceptions are worsening together with some indicators. Both the federal level and the states have reacted by substantially increasing the number of police staff.

Citation:
Amadeu Antonio Stiftung 2017: https://www.mut-gegen-rechte-gewalt.de/service/chronik-vorfaelle


http://www.zeit.de/gesellschaft/zeitgeschehen/2016-06/bundeskriminalamt-statistik-schaften-ASYLbewerber

https://www.tagesschau.de/inland/straftaten-auslaender-erklaerung-101.html


Global Inequalities

In absolute terms, Germany is the second largest global donor of development aid (behind the United States). Aid has increased substantially in terms of official development assistance (ODA) both because increasing spending abroad and financial assistance for refugees within a donor country are included. Relative to gross national income (GNI), Germany has now established itself significantly above the OECD average and, in 2016, reached the U.N. 0.7% spending target (OECD 2017).

The country’s trading system is necessarily aligned with that of its European partners. In trade negotiations within the European Union, Germany tends to defend open-market principals and liberalization. This position is in line with the country’s economic self-interest as a successful global exporter. For agricultural products in particular, the European Union’s Common Agricultural
Policy still partially shields European farmers from international competition, thus limiting the ability of developing countries to export their agricultural products to Europe. However, Germany has been more open than peers such as France to a liberal approach that would provide greater benefits to developing countries and emerging markets.

The dramatic increase in refugees arriving in Germany in 2015 has increased the German government’s awareness of the importance of stable social, economic and political conditions in developing countries. This has had a clear budgetary impact: the 2017 draft federal budget, proposes to increase the resources of the Federal Ministry for Economic Cooperation and Development by 15% (€1.1 billion), with a particular focus on fighting the causes of flight in North Africa and helping Syria and neighboring countries (Bundesregierung 2016).

Citation:


III. Environmental Policies

Environment

In the latest Environmental Performance Index, Germany places only among the second tier of “strong performers,” ranking behind its European peers. After ranking sixth worldwide in 2015, Germany now is ranked 30th in the world, trailing behind front-runner Finland by roughly 6.4 points (90.68, EPI 2016: 18). However, Germany improved its score from 80.47 to 84.26 (Environmental Performance Index 2016: 111). The authors note that in absolute numbers Germany improved considerably, exhibiting “historically good environmental records” (Environmental Performance Index 2016: 111). Germany performs well in the areas of water resources, sanitation, biodiversity, climate and energy. The reason for the huge ordinal drop in rank (other countries dropped significantly as well, Switzerland from rank 1 to 16) are mainly due to improvements in the methodology of the index (e.g., new indicators). In the case of Germany, “more robust and telling air quality measures” (111) led to a reassessment of Germany’s air quality. Current government policies geared toward forests and fisheries likewise leave ample room for improvement.
The greatest environmental policy challenge remains adequately responding to the 2011 government decision to phase out nuclear energy by 2022. The coalition decided that the financial responsibility for the demolition of nuclear plants and resulting atomic waste would remain fully with plant operators. How this decision will influence energy prices remains an open question, but it will very likely place further burdens on consumers. With regard to alternative forms of energy production, Germany is comparatively well prepared. The country has become an investor friendly destination for renewable energy, offshore wind farms, cogeneration, and the energy efficient redevelopment of buildings and other infrastructure. Nonetheless in 2016 renewable energy accounted for only 14.6% of the primary energy supply (Umweltbundesamt 2017), which means Germany ranks among the lower half of the OECD countries (OECD 2017). As a key component of the energy system transition, the government seeks to increase the share of renewable energy in electricity consumption to at least 40% by 2025 and 55% by 2035 (provisional data for 2016: 32.7%; Umweltbundesamt 2017). Thus, major challenges remain regarding how to organize and finance the demolition of nuclear plants and storage of wastes, expand the electric grid to supply renewable energy, and harmonize the phase out of nuclear energy while also reducing CO2 emissions.

All three challenges received attention in the current review period. The renaissance of lignite use after the shutdown of the first nuclear plants endangers the goal of successfully reducing CO2 emissions. In fact, according to estimates by AG Energiebilanzen, German CO2 emissions rose in 2015 despite an increase of renewable energy production (Cleanenergywire 2016) putting even more pressure on the government’s ambitious CO2 emission targets.

Instead of a carbon tax, proposed by Minister of Economic Affairs and Energy Sigmar Gabriel, public investments and subsidies will be allocated for energy efficiency. To accommodate concerns from citizens groups in southern Germany, the building of new high-voltage transmission lines will be avoided or installed underground. This compromise implies additional costs of roughly €10 billion, which are to be covered by taxpayers. In particular with regard to the projected costs of underground power cables, one can expect public estimates to be overoptimistic. In September 2016, Bavaria’s energy minister, Ilse Aigner, stated investment costs of approximately €6 billion. In reply, Lex Hartman, CEO of Tenet, an electricity company involved in the construction, estimated construction costs to be €15 billion.

In 2016, Germany also took steps to reform the Renewable Energy Act (EEG), which took effect in 2017. The reform introduces market-based elements to support renewable energy investments and institutes an auction system that aims at keeping the annual capacity added into the grid steady. This new system
replaces feed-in-tariffs that led to an uncontrolled, rapid rise in renewable energy sources which can no longer be accommodated by the energy grid’s infrastructure.

Citation:


Energy mix:

Power cables:
http://www.br.de/nachrichten/tennet-gleichstromleitung-kosten-100--_page-3--c0952f6551827d5d4e31304bf17075108eca8d1.html

EEG Novelle:


Umweltbundesamt 2017:
https://www.umweltbundesamt.de/indikator-erneuerbare-energien#textpart-1

Global Environmental Protection

Germany is a driving force in international climate policy, in the development of renewable energies, and in efforts to improve energy and resource efficiency. The German government actively promotes strategies fostering environment-and climate-friendly development. The G7 summit held in June 2015 achieved remarkable progress toward an international agreement for global climate protection. Germany, using its presidency of the G7, was able to ensure that climate policy had the highest priority during the summit, setting the stage for the Paris Agreement. The Paris Agreement committed to a maximum rise in average global temperatures of “well below 2 degrees.” The Agreement is a breakthrough because, for the first time, nations have to define their contributions to fighting climate change (Germany: 2.56%). The Paris Agreement was formally ratified by the European Union on 5 October 2016 and put into force 4 November 2016 (European Commission 2016). Germany also ratified the Paris Agreement. The Bundesrat agreed to it in September 2016 after the Bundestag unanimously approved it. In November 2017, the U.N. Climate Change Conference was hosted by Germany. Although no policies were adopted, Germany announced its ratification of the Kyoto Protocol’s second commitment period (BMUB 2017).
In 2014, Germany had reduced its greenhouse gas emissions by almost 27% in comparison to 1990 and is committed to a reduction of 40% by 2020. Due to strong economic growth, and the continuously high use of coal and lignite as a consequence of the exit from nuclear energy, the 40% target appears increasingly unrealistic. Data prognosed a 0.4% raise for 2016 in comparison to 2015 due to a cold winter and an increased in transported goods (Umweltbundesamt 2017). Nevertheless, the country has achieved high economic performance levels with relatively modest energy consumption by international standards.

Citation:
Leaders’ Declaration G7 Summit, (7–8 June 2015): https://www.g7germany.de/Content/DE/_Anlagen/G8_G20/2015-06-08-g7-abschluss-eng.pdf?__blob=publicationFile&v=6


BMUB 2017: https://www.umweltbundesamt.de/daten/klima/treibhausgas-emissionen-in-deutschland#textpart-1
Quality of Democracy

Electoral Processes

Germany’s constitution ensures that members of the Bundestag, the country’s lower parliamentary house, are elected in general, direct, free, equal and secret elections for a legislative period of four years (Basic Law, Arts. 38, 39). Parties that defy the constitution can be prohibited by the Federal Constitutional Court.

The Political Parties Act (Parteiengesetz, PPA) sets general criteria for the management of political parties and candidates. While independent candidates have to fulfill a signature gathering prerequisite (modest by international standards) in order to qualify for the ballot, parties must meet strict organizational requirements (PPA Section II). If parties have continuously held at least five seats in the Bundestag or a state parliamentary body (Landtag) during the last legislative period, they are allowed run in the election without any initial approval from the Federal Election Committee (Bundeswahlausschuss, FEC).

Political campaigning is largely unregulated by federal legislation, a fact modestly criticized by the latest OSCE election report (OSCE 2013: 1). Article 5 of the Political Parties Act (Parteiengesetz, PPA) requires that “where a public authority provides facilities or other public services for use by one party, equal treatment must be accorded to all parties.” During electoral campaigns, this general criterion applies to all parties that have submitted election applications (Art. 5 sec. 2). The extent of public services parties are able to use depends on their relative importance, which is based on each parties’ results in the last general election (Art. 5 sec. 3). This is called the “principle of gradual equality,” and constitutes the basis for parties’ access to media in conjunction with the Interstate Treaty on Broadcasting and Telemedia (Rundfunkstaatsvertrag). The gradual equality principle is also applied to television airtime, although in this case the time granted to large parliamentary parties is not allowed to exceed twice the amount offered to smaller parliamentary parties, which in turn receive no more than double the amount of airtime provided to parties currently unrepresented in parliament. While public media networks provide campaigns with airtime free of charge, private media are not allowed to charge airtime fees.
of more than 35% of what they demand for commercial advertising (Die Medienanstalten 2013: 12). Despite these rules, there is a persistent debate as to whether the media’s tendency to generally focus coverage on the six largest parties and, in particular, on government parties is too strong.

The OSCE’s Office for Democratic Institutions and Human Rights (ODIHR) concluded with respect to the general elections in 2009: “[t]he amount and pluralistic nature of the information available allowed the voters to make an informed choice” (ODIHR 2009: 2). This general evaluation is still valid and no important rules have changed since.

Citation:

German citizens (Basic Law, Art. 116 sec. 1) aged 18 or older are eligible to vote and run for election to the Bundestag, provided that they have resided in Germany for at least three months (Federal Electoral Act, sections 12.1, 15). By judicial order, the right to vote can be denied to criminals, persons lacking legal capacity and convicts residing in a psychiatric hospital (Federal Electoral Act, sec.13). Prior to an election, every registered citizen receives a notification containing information on how to cast a vote as well as an application form for postal voting. Today, postal voting is widely used, largely without issue (according to the Federal Returning Officer, in the last general election 24.3% of registered voters voted by mail). Citizens not included in the civil registry (e.g., homeless people) are eligible to vote but have to apply to authorities in order to be registered.

After the Federal Constitutional Court declared some provisions regarding the voting rights of Germans living abroad to be unconstitutional, a new amendment on the issue was drafted and passed in May 2013. Today, Germans living abroad have the right to vote (Federal Electoral Act, sec. 12) if they have lived at least three months in Germany after their fifteenth birthday and have not lived more than 25 years abroad without interruption. Those who do not fulfill these requirements are still eligible to cast their vote if they can verify that they are both familiar with and affected by German political conditions. Germans living abroad have to register to vote with the authorities of their last domestic residence at least 21 days before the election. They can then cast their vote by mail (cf. Federal Elections Act sections 36, 39 and Federal Electoral Regulations).

During the period under review, there were several state elections (Saarland, Schleswig-Holstein, North Rhine-Westphalia, Lower Saxony), as well as the
federal election (Bundestagswahl). As in previous elections, no major irregularities or complaints about voter registration, voter lists or postal voting were reported.

Citation:
Postal ballot: Information provided by the Federal Returning Officer
http://www.bundeswahlleiter.de/de/glossar/texte/Briefwahl.html

Federal Elections Act (BWG) Sections 36, 39
Federal Electoral Regulations (BWO) Sections 20, 25 to 31, 66, 74, 75

In general, Germany’s political parties finance their activities under the terms of the Political Parties Act (PPA) through state funding, membership fees, donations and sponsorships. In order to be eligible for state funding, parties must win at least 0.5% of the national vote in federal or EU elections, or 1% in state elections. A party’s first four million votes qualify for funding of €1.00 per vote; for every vote thereafter, parties receive €0.83. In addition, individual donations up to €3,300 are provided with matching funds of €0.45 per €1.00 collected. State funding of political parties has an upper limit, which in 2016 was €160.5 million. This cap is annually adjusted for inflation.

Public financing, however, must be matched by private funding. Thus, parties with little revenues from membership fees and donations receive less than they would be entitled to based on votes alone.

After a recent change of the constitution extremist parties that fight against the free and democratic constitutional order or against the existence of the Federal Republic of Germany by abusing the basic freedoms may be excluded from public financing, and from enjoying tax advantages on donations and state grants. The exclusion must be decided on by the Constitutional Court (Bundestag 2017).

The insufficient transparency of party finances continues to receive criticism. The Group of States against Corruption (GRECO) has identified some progress with respect to transparency, but continues to point out shortcomings in the German system. In its 2017 report, GRECO concluded that “Germany has implemented satisfactorily or dealt with in a satisfactory manner three of the eight recommendations contained in the Fourth Round Evaluation Report. Of the remaining recommendations, two have been partly implemented and three have not been implemented” (Greco 2017: 11). In addition, a recent assessment based on the accounting reports of all major parties, the nonprofit organization LobbyControl found that three-quarters of all donations to parties lacked transparency. All donations less than €10,000 and revenues coming from party sponsorship remain opaque. By law, the names and addresses of campaign
donors must be made public only if donations from that source exceed €10,000 per year.

Citation:
http://www.bundestag.de/blob/189364/7ebd436e401e15cd784ec7b8e0884a8a/staatl_partei_finanz-data.pdf

In Germany, referenda are of importance on the municipal and state levels. At the federal level, referenda are exclusively reserved for constitutional (Basic Law, Art. 146) and territorial issues. On the municipal and state levels, voter initiatives have grown in use since German unification, with their increasing frequency bolstered by legal changes and growing voter awareness. However, discussions about introducing referenda on the federal level are ongoing and intensifying.

In some states (e.g., Baden-Wuerttemberg, North Rhine-Westphalia, Rhineland-Palatinate), the government or parliament can, under certain conditions, call a referendum with the power to confirm or overturn a decision by the legislature. The main themes had been education/culture (about 25%) and democracy, state organization, and domestic politics (about 25%). Most commonly used are direct democratic procedures in Hamburg (30.4%), Baden-Wuerttemberg (26.2%) and Berlin (21.7%).

In the period under review, 24 state-level citizenships initiatives were observed but none of them was successful.

Citation:
Mehr Demokratie (2016)

Access to Information

Germany’s Basic Law guarantees freedom of expression, press and broadcasting (Art. 5 sec. 1) and prohibits censorship, with exceptions delineated by the standards of mutual respect, personal dignity and the protection of young people. Strong constitutional guarantees and an independent judiciary provide for strong media freedoms. A new anti-whistleblower provision in the German criminal code (§202d StGB) penalizes the handling of leaked data if the motive for leaking data is either to enrich oneself or to damage someone. Although certain professions like media representatives are excluded, critics still argue
that protection for investigative journalists and their sources is inadequate. The recently reformed law governing the work of Germany’s foreign intelligence agency (BND) allows for the surveillance of foreign journalists. While defenders of the reform point to the need to include this group in comprehensive intelligence operations (e.g., in countries with a state-controlled press), critics argue that this legalizes potential infringements on media freedoms rather than preventing them.

Print media, which are largely self-regulated, are broadly independent of political interference. The German Press Council is tasked with protecting press freedom. However, the latent economic crisis of newspapers and publishing houses may slowly but steadily undermine media pluralism. In the World Press Freedom Index of 2017, Germany ranked 16 out of 180 countries, a slight decline from rank 12 in 2015.

The Interstate Treaty on Broadcasting and Telemedia (Rundfunkstaatsvertrag) provides a general nationwide framework for the operation of public and private broadcast media. In the private broadcasting sector, governmental influence is limited to the general provisions, regulations and guidelines stated in the interstate treaty that ban discrimination or other abuses. While the relationship between public authorities and private media can be seen as unproblematic, one can observe dependencies between authorities and the public media organizations (ARD and ZDF) that are at least questionable.

Citation:

In Germany, the Interstate Treaty on Broadcasting and Telemedia (Rundfunkstaatsvertrag, RfStV) defines a threshold of average annual viewership share of 30%, over which a broadcaster is considered to have an unallowable dominance over public opinion (RfStV, Sec. III, Subsection 2). The Federal Cartel Office (FCO) regulates most questions of oligopoly and monopoly in Germany, and has blocked several potential mergers in both print and electronic media markets.

Two main public television broadcasters operate at the national level in Germany: the Arbeitsgemeinschaft der Rundfunkanstalten Deutschlands (ARD), a conglomerate composed of various regional TV channels, and the Zweites Deutsches Fernsehen (ZDF). According to the Arbeitsgemeinschaft Fernsehforschung (AGF), a broadcast media research group, public broadcasters hold a market share of 44.3%, slightly more than in 2012. In the private sector, the RTL Group holds 24.3% market share, while the ProSiebenSat.1 Media AG accounts for 18.8% of the total television market. TV is the most used media (80%), followed by radio (65%) and the internet (63%).
The nationwide print media market is dominated by five leading daily newspapers: Süddeutsche Zeitung, Frankfurter Allgemeine Zeitung, Die Welt, Handelsblatt and the tabloid Bild. Bild has by far the biggest circulation in Germany. Additional agenda-setters are a number of weeklies, in particular Der Spiegel, Focus, Die Zeit and Stern.

With newspaper circulation continuously falling, the internet has become an increasingly important medium for citizens to gather information. This has forced print media to engage in significant cost cutting measures, including reducing the size of editorial staff. This structural change from print to electronic media has not been accompanied by increasing market concentration. In summary, Germany has a comparatively plural and diversified media-ownership structure and modestly decentralized television and radio markets.

Citation:
https://www.agf.de/daten/tvdaten/marktanteile/

The Freedom of Information Act took effect in 2006. The act defines what government information is publicly available. In his 26th Activity Report, covering the period 2015 to 2016, Federal Commissioner for Data Protection and Freedom of Information (BfDI), Andrea Voßhoff, acknowledged that nearly all German states have adopted their own freedom of information laws or are in the process of developing legislation (BfDI 2017).

Even so, citizens remain largely unaware of the federal Freedom of Information Act. Although many federal agencies strive for transparency, some public authorities have interpreted the act in a very restrictive manner. Some have sought to introduce delays in the process of providing information, while others have refused to provide access to documents altogether, arguing that the contents were of vital importance to ongoing government activities and thus confidential. In an overall assessment in 2017, Andrea Voßhoff concluded that citizens are increasingly making use of their rights and that federal authorities no longer regard the information right of citizens as a nuisance but as a significant element of a civil society. More than 20,000 citizens turned to the BfDI concerning complaints and questions (BfDI 2017a). The main activity of the BfDI in collaboration with the government was the adjustment of national laws to the European Union’s new Data Protection Directive from May 2016. However, the national law did not strengthen the BfDI and its federal
commissioner, which was expected to be one of them main points in translating the EU directive into national law (BfDI 2017b).

Citation:

Civil Rights and Political Liberties

In general, all state institutions respect individual freedoms and protect civil rights. Civil rights are guaranteed by the Basic Law and their modification is possible only by a two-thirds legislative majority. Some provisions concerning basic human rights are not alterable at all. The court system works independently and effectively protects individuals against encroachments by the executive and legislature. In the Global Democracy Ranking 2015, Germany ranked 8, while in the Economist Intelligence Unit’s Democracy Index and other indexes Germany is positioned near or outside of the top 10 countries.

Recent scandals revealed that the intelligence services neglected laws and disregarded national boundaries. The federal privacy officer, Andrea Voßhoff, deplored in September 2016 that the Federal Intelligence Service (BND) systematically violated basic civil rights in collecting private data from citizens. Her report claimed that data collection was illegal (Die Zeit, 1 September 2016). So far, these accusations have not been substantiated through any successful court proceedings.

In reaction to the increasing risk of radical Islamic terrorism, new measures have been taken which raise debates about the right balance between privacy and security. In June 2016, the German government expanded the competences of the BND for wiretapping. In addition, the government established a new state agency for continuous monitoring of internet traffic, which was strongly criticized by the federal privacy office. In July 2016, Germany’s domestic intelligence service (Bundesamt für Verfassungsschutz, BfV) was permitted to exchange data with their foreign counterparts. To sum up, the threat of radical Islamic terrorism has begun to change the structure of security policies in Germany and the balance between protecting and infringing liberal civil rights. Despite these changes, the overall level of protection remains high.
Political Liberties
Score: 9

Due to Germany’s historical experience with National Socialism, political liberties are highly protected by the country’s constitution and the Constitutional Court. Freedom of expression is protected by the constitution (Art. 5), although there are exceptions for hate speech and Nazi propaganda, such as Holocaust denial. With the exception of cases where individuals are deemed to be actively seeking to overturn the democratic order, the right to assemble peacefully is guaranteed (Basic Law, Art. 8) and is not infringed upon. All exceptions are applied very restrictively. For example, even extreme parties such as the far-right Nationaldemokratische Partei (NDP) currently have full freedom to operate. The Bundesrat appealed to the Federal Constitutional Court seeking to prohibit the NDP but the court did not ban the NPD in its judgment from 17 January 2017.

The freedoms to associate and organize (Basic Law, Art. 9), as well as academic freedom, are generally respected. Non-governmental organizations operate freely. Every person has the right to address requests and complaints to the competent authorities and to the legislature (Basic Law, Art. 17). Freedom of belief is protected by the constitution (Basic Law, Art. 4).

Non-discrimination
Score: 8

Germany’s Basic Law (Art. 3 sec.3) states that every person, irrespective of parentage, sex, race, language, ethnic origin, disability, faith, religious belief or political conviction is equally important and has the same rights. The General Equal Treatment Act of 2006 added age and sexual orientation to that enumeration of protected categories. The Federal Anti-Discrimination Agency (FADA) monitors compliance with legal anti-discrimination norms and principles, supports persons who have experienced discrimination, mediates settlements, informs the public about infringements, and commissions research on the subject of discrimination.

Nevertheless, discrimination remains a problem in various spheres of society. For example, there is widespread agreement that women should be better represented in the business sector’s upper management. In 2015, the government adopted legislation to increase the number of women on corporate supervisory boards. The law stipulates a 30% share of women on the boards of large
companies. Moreover, equal pay for men and women remains an issue as a gender pay gap seems to persist.

The Federal Constitutional Court decided in June 2013 that treating same-sex and opposite-sex marriages differently from a taxation perspective was unconstitutional. Regulatory changes reflecting this ruling were adopted within weeks by the parliament. In January 2015, the court ruled that a bill banning headscarves for teachers at public schools must adhere to state laws (Ländergesetze). A general prohibition, incumbent on teachers in state schools, of expressing religious beliefs by outer appearance is not compatible with the freedom of faith and the freedom to profess a belief (Art. 4 secs. 1 and 2 of the Basic Law). However, in a dissenting opinion, two of the judges opposed the majority’s reasoning, signaling that non-discrimination on religious grounds is a contested issue in society and in constitutional law.

In June 2017 the federal parliament voted in favor of a complete judicial equalization of same-sex marriages. In November 2017, the Federal Constitutional Court requested that the government must recognize a third sex, thus avoiding discrimination of intersexual persons.

Citation:
www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/EN/2015/bvg15-014.html
https://www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/DE/2017/bvg17-095.html

**Rule of Law**

Germany’s Basic Law (Art. 20 sec. 3) states that “the legislature shall be bound by the constitutional order, the executive and the judiciary by law and justice.” In reality, German authorities do live up to this high standard. In comparative perspective, the country generally scores very highly on the issue of rule of law in indices whose primary focus is placed on formal constitutional criteria.

In substantive terms, German citizens and foreigners appreciate the predictability and impartiality of the German legal system, regard Germany’s system of contract enforcement and property rights as being of high quality, and put considerable trust in the police forces and courts. Germany’s high courts have significant institutional power and a high degree of independence from political influence. The Federal Constitutional Court’s (FCC) final say on the interpretation of the Basic Law provides for a high degree of legal certainty. Concerning the rule of law index of the World Justice Report Germany ranked 8 out of 113 countries (World Justice Project 2016).
Germany’s judiciary works independently and effectively protects individuals against encroachments by the executive and legislature. The judiciary inarguably has a strong position in reviewing the legality of administrative acts. The Federal Constitutional Court (FCC) ensures that all institutions of the state obey the constitution. The court acts only when an appeal is made, but the court holds the right to declare laws unconstitutional and has exercised this power several times. In case of conflicting opinions, the decisions made by the FCC are final; all other governmental and legislative institutions are bound to comply with its verdicts (Basic Law, Art. 93).

Under the terms of the Basic Law (Art. 95 sec. 1), there are five supreme federal courts in Germany, including the Federal Constitutional Court (Bundesverfassungsgericht), Federal Court of Justice (the highest court for civil and criminal affairs, Bundesgerichtshof), Federal Administrative Court (Bundesverwaltungsgericht), Federal Finance Court (Bundesfinanzhof), Federal Labor Court (Bundesarbeitsgericht) and Federal Social Court (Bundessozialgericht). This division of tasks guarantees highly specialized independent courts with manageable workloads.

Germany’s courts, in general, and the FCC, in particular, enjoy a high reputation for independence both domestically and internationally. In the World Economic Forum’s Global Competitiveness Report 2016 – 2017, Germany’s relative performance on judicial independence has declined in recent years, with Germany now ranked 24th out of 138 countries after ranking 17th in the previous year. However, the rule of law index of the World Justice Report that includes judicial review ranked Germany 8 out of 113 countries.

Federal judges are jointly appointed by the minister overseeing the issue area and the Committee for the Election of Judges, which consists of state ministers responsible for the sector and an equal number of members of the Bundestag. Federal Constitutional Court (FCC) judges are elected in accordance with the principle of federative equality (föderativer Parität), with half chosen by the Bundestag and half by the Bundesrat (the upper house of parliament). The FCC consists of sixteen judges, who exercise their duties in two senates of eight
members each. While the Bundesrat elects judges directly and openly, the Bundestag used to delegate its decision to a committee in which the election took place indirectly, secretly and opaque. In May 2015, the Bundestag unanimously decided to change this procedure. As a result, the Bundestag now elects judges directly following a proposal from its electoral committee (Wahlausschuss). Decisions in both houses require a two-thirds majority.

In summary, in Germany judges are elected by several independent bodies. The election procedure is representative, because the two bodies involved do not interfere in each other’s decisions. The required majority in each chamber is a qualified two-thirds majority. By requiring a qualified majority, the political opposition is ensured a voice in the selection of judges regardless of current majorities. However, in the past the media has not covered the election of judges in great detail and it remains to be seen whether the new and open procedure will have positive spillover effects in this regard.

Despite several corruption scandals over the past decade, Germany performs better than most of its peers. According to the World Bank’s 2016 Worldwide Governance Indicators, Germany is in the top category in this area, outperforming countries including France, Japan and the United States, but falls behind Scandinavian countries, Singapore and New Zealand. Germany’s overall performance has also improved relative to other countries. In 2016, Germany ranked 10th out of 215 countries compared to 15th in 2010 (World Bank 2017).

The country’s Federal Court of Audit (Bundesrechnungshof) provides for independent auditing of national spending under the terms of the Basic Law (Art. 114 sec. 2). According to the 2011 Audit Report, the revenues and expenditures of the federal authorities were in general properly documented.

Financial transparency for office holders is another core issue in terms of corruption prevention. Until very recently, provisions concerning required income declarations by members of parliament have been comparatively loose. For example, various NGOs have criticized the requirements for MPs in documenting extra income which merely stipulate that they identify which of the three tax rate intervals they fall under. This procedure provides no clarity with respect to potential external influences related to politicians’ financial interests. However, beginning with the current parliamentary term, members of the German Bundestag have to provide additional details about their ancillary income in a ten-step income list. Auxiliary income exceeding €250,000 is the uppermost category. A total of 164 members of parliament declared additional income. Since the last general election, the auxiliary incomes of four parliament members (all members of the conservative party in government, CDU/CSU) exceeded €1,000,000. In addition, 40 parliamentarians declared additional income of at least €100,000. According to abgeordnetenwatch.de, the 10-step
system is also flawed. It appears likely that, in order to avoid public attention, members of parliament may resort to partitioning their auxiliary income. Thus, the current system remains an insufficient transparency regime unable to eradicate corruption or conflict of interests. Instead, it incentivizes declaring auxiliary income in slices of lesser amounts.

Citation:
https://www.abgeordnetenwatch.de/blog/nebeneinkuenfte2016
Governance

I. Executive Capacity

Strategic Capacity

In the legislative term that ended in 2017, the government was led by Germany’s two most important political parties: the Christian Democrats (CDU/CSU) and the Social Democratic Party (SPD). This coalition government did not demonstrate large ambitions in improving the strategic planning of the Chancellery or federal government. The head of the Chancellery, Peter Altmaier, had the status of a minister without portfolio, strengthening his position vis-à-vis the minister-presidents of the federal states and heads of the federal ministries. Although the Chancellery has a staff of around 500 employees, the federal government’s organizational structure is not well designed for strategic planning. Although there is a planning group in the Chancellery, its number of staff is extremely small. It was led by Eva Christiansen, who was simultaneously Chancellor Merkel’s media adviser. Under the permanent representative of the planning group, Dr. Andrea Schneider, strategic planning was not the main activity of the planning group nor is the group afforded a high-priority by the federal government.

Critics diagnosed a lack of strategic planning when Chancellor Merkel opened the borders to incoming refugees without extensive prior coordination across government. Others noted that this partial loss of control was unavoidable given the unforeseen magnitude of external events. After an extended period of muddling through – characterized by unclear competences, interparty competition within government, interministerial conflicts and the absence of a strong, coordinative center – Chancellor Merkel established a coordination unit. This unit was established within the Chancellery and was led by Peter Altmaier.

One handicap for developing a strategic policy approach was that the government was strongly influenced by party considerations, with all major
political decisions determined in negotiations between the heads of the governing parties. Consequently, most governmental decisions were negotiated between the three heads of the parties that had made up the last government (CDU, CSU and SPD) and not between members of government. Party leader of the CSU, Horst Seehofer, was not a member of the government. This practice resulted in “party politicization” of the government, which undermined strategic planning.

Citation:

In some policy fields, expert commissions advise policymakers on a regular basis. Most of their members are appointed by the government or by respective ministries. In addition, ad hoc commissions are created to provide scientific advice regarding major reforms that involve complex issues. There are other established expert advisory bodies providing the government with expertise and advice, such as the German Council of Economic Experts (Sachverständigenrat zur Begutachtung der Gesamtwirtschaftlichen Entwicklung) and the German Advisory Council on the Environment (Sachverständigenrat für Umweltfragen), which produce reports on current policy problems regularly (the former at least once a year, the latter every four years).

Most ministries maintain external, academic or legal advisory bodies. However, the impact of experts is often less visible and policymaking is heavily influenced by party positions. Nevertheless, while advisory reports do not have an immediate impact, they do bear some influence on political debates within the government, the parliament and among the general public because they are made publicly accessible.

Concerning migration, currently Germany’s most important challenge, the Federal Office for Migration and Refugees has created the Academic Advisory Council to provide expert advice and scientific research. In addition, a research group within the federal office analyzes migration and integration issues. This research group collaborates with scientific facilities and other institutions, domestically and internationally.

Summing up, scholarly advice is available for high level policies, but day-by-day policies are decided upon with low levels of external and internal expertise because party politicization of the policymaking process dominates executive decision-making.
**Interministerial Coordination**

The Chancellery is organized into six directorates, with various numbers of subgroups that are again subdivided to better “mirror” the line ministries (“Spiegelreferate”). However, only four directorates with their sub-directorates (Referate) mirror the respective line ministries and may evaluate the ministerial draft bills. During the last Merkel government and especially in the last two years before the 2017 federal election, party politics dominated. The Social Democrats as well as CDU and CSU ministers for the most part developed and drafted their policies independently of the chancellor and the Chancellery. No coordination nor cooperation between the line ministries took place. In general, the Chancellery does not autonomously evaluate important draft bills or assess them according to strategic and to budgetary government guidelines. In addition, it appears that its capacities are generally lower than those of the line ministries. With respect to European politics and international tasks, the Chancellery seems to coordinate with partners and to function quite effectively.

However, during the recent refugee crisis, in 2015 the cabinet decided upon a new coordination concept. The head of the Chancellery, Peter Altmaier, became responsible for general coordination and a new staff position was introduced. The Ministry of the Interior remained in charge of operational coordination and its existing steering group was strengthened. However, in all other policy areas the powers of the Chancellery remain astonishingly limited.

The Chancellery, and particularly its head, sets the agenda for cabinet meetings. However, real political power lies elsewhere. The cabinet’s agenda is negotiated in advance between the top politicians of coalition partners, and the cabinet mostly works as a certificating institution for policy matters decided by the heads of the political parties. Thus, the Chancellery will only in exceptional cases refuse items envisaged for the cabinet meetings on the basis of its own policy considerations. Generally, the heads of political parties, rather than the Chancellery, act as gatekeepers.

The preparation of bills is mainly the prerogative of the line ministries (Ressortprinzip). Over the course of regular policy processes, the Chancellery is most of the time well informed, but is not strongly involved in ministerial initiatives. Most disputes between ministries and the Chancellery are discussed and resolved in the often-weekly meetings between the state secretaries and the Chancellery’s staff. Prior to the elections in September 2017, the line ministries and their respective policies became more independent of the chancellor and the Chancellery subgroups (Spiegelreferate)
As a rule of thumb, the cabinet functions as an institution that formally ratifies policy decisions that have been made elsewhere. In principle, line ministers are responsible for policies within their own jurisdiction. Therefore, they have a strong leeway to pursue their own or their party’s interests, though each ministry must to some extent involve other ministries while drafting bills.

Formal cabinet committees do not play an important role in policymaking and are rarely involved in the review or coordination of proposals. Instead, the coalition committee is mainly responsible for coordinating policies (see Informal Coordination).

Ex-ante coordination between the line ministries’ leading civil servants has not been particularly strong under past German coalition governments. In addition, an entrenched political practice ensures that no ministry makes any proposal that might be postponed or blocked by other ministries. The federal Ministry of Finance must be involved when budgetary resources are concerned, while complicated legal or constitutional issues necessitate the involvement of the federal Ministry of Justice. But generally, every ministry is fully responsible for its own proposed bills. All controversial issues are already settled before being discussed by the cabinet. The dominant mechanism for conflict resolution is the coalition committee.

There are a number of informal mechanisms by which government policy is coordinated. The most important of these is the coalition committee, which comprises the most important actors (the chancellor, the deputy chancellor, the chairpersons of the parliamentary groups and the party chairpersons) within the coalition parties. Under the last Merkel government 2013 – 2017, the coalition committee met irregularly. Only at the peak of the refugee crisis did the coalition committee meet frequently. Even then, it was sometimes unable to resolve political conflicts and to develop coordinated policy responses.

Evidence-based Instruments

In 2000, revised rules of procedure for the federal ministries (Gemeinsame Geschäftsordnung der Bundesministerien, GGO) came into effect, requiring an impact assessment (Gesetzesfolgenabschätzung, GFA) for every draft law. Thus, regulatory impact assessments are institutionally anchored in Germany. The GFA process analyzes both intended and unintended effects of draft laws and potential alternatives.

The government’s 2006 Bureaucracy Reduction and Better Regulation program created a number of new policies relevant to the assessment process. It established the National Regulatory Control Council (Normenkontrollrat, NKR) as an independent watchdog and advisory body tasked with assessing new legislation. It adopted the Standard Cost Model as a tool for measuring
bureaucratic costs. Finally, it institutionalized the bureaucracy reduction process by creating a coordination unit within the cabinet office and setting up a committee at the ministerial undersecretary level. However, the NRK only concentrates on potential bureaucratic costs, and not on impacts of laws foreseen through the evaluation process. In addition, about 30% of laws – specifically, those which are initiated by parliament – are not reviewed under the NKR. A separate program is in place for environmental impact assessment.

The National Regulatory Control Council (Normenkontrollrat, NKR) cooperates with a large number of different actors on various levels of the administration. Its cooperation with German states and local authorities has intensified, in particular with the development of methodological standards for assessing compliance costs.

In its 2017 annual report, the NKR claimed that the costs of new regulations and laws increased about €2.1 billion whereas the bureaucratic costs remained stable. However, the NKR complained that digitalization processes in public administration lagged well behind other European countries, wasting important opportunities for further cost reductions.

The new “one in one out” rule, introduced in 2015, reduced the financial burdens on enterprises by about €1.4 billion. This rule means that all new costs for enterprises and state bureaucracy (the “ins”) have to be compensated for by additional regulations that reduce costs respectively (the “outs”).

Citation:

In October 2016, Chancellor Merkel (re)appointed the German Council for Sustainable Development (RNE). The RNE consists of 15 people selected by the chancellor. Its role is to contribute to the implementation of the National Sustainability Strategy by identifying areas for action, developing specific project proposals and by increasing awareness on the importance of sustainability issues. Six members were newly appointed in October 2016 and the remaining members were reconfirmed. The RNE independently chooses its array of topics and actions.

In addition, the parliamentary Council for Sustainable Development (Parlamentarische Beirat für nachhaltige Entwicklung, PBnE) supervises the government’s sustainability strategy. Its political influence appears moderate and its primary task is to act as an advocate for long-term responsibility in the business of government. The PBnE was established in 2004 and must be
reconstituted after every parliamentary election. On the whole, neither the RNE nor the PBnE are well integrated into the RIA framework.

According to the 2017 Sustainable Development Goals (SDG) Index, jointly developed by the Bertelsmann Foundation and the Sustainable Development Solutions Network (SDSN), Germany ranked six out of 157 countries.

Citation:
Sustainable Development Goals Index 2017:
https://www.bundesregierung.de/Webs/Breg/DE/Themen/Nachhaltigkeitsstrategie/3-nachhaltige-entwicklung-alle-sind-Partner/parlamentarischer-beirat/_node.html

Societal Consultation

In general, government representatives meet with societal stakeholders as part of their daily routine. Nevertheless, the last CDU/CSU-SPD government did not make use of social pacts or other direct bargaining mechanisms. As under previous governments, ministries and parliamentary committees relied heavily on information provided by interest groups, and took their proposals or demands into account when developing legislation. The impact of civil society actors in general depends on their power, resources and organizational status. Since interests are sometimes mediated through institutionalized corporatist structures, employers’ associations and unions play a privileged role. On a regular basis, experts and interest groups take part in parliamentary committee hearings in the course of the legislative process.

During the last grand coalition’s term of office, all government parties, the CDU/CSU and the SPD, sought to live up to the promises made in the coalition agreement in order to satisfy the perceived interests of their respective electorates. Some major policy projects – such as the introduction of a minimum wage and a reduction in the statutory pension age for workers with a particularly long working history (from 65 to 63) that have been advocated by certain interest groups (primarily trade unions), were indeed realized. However, bargaining processes are not highly institutionalized and interest representation is often highly selective and conducted on an ad hoc basis.

With regard to non-economic societal actors, the German Islam Conference is supposed to assist in the development of an intercultural dialogue between government officials and Muslim civil society organizations. The institution
celebrated its 10-year anniversary in 2016, but little progress has been realized. On the contrary, conflicts between its members, mainly between the government and the DiTib, increased and its future seems uncertain. However, achievements like the introduction of Islamic religious instruction at state schools and the establishment of chairs for Islamic theology at German universities are examples of its success.

**Policy Communication**

In a formal sense, the federal government’s Press and Information Office is the focal point for communication, serving as the conduit for information originating from individual ministries, each of which organizes their own communication processes and strategies. However, this does not guarantee a coherent communication policy, which is a difficult goal for any coalition government. There is a persistent tendency of coalition partners to raise their own profile versus that of the other government parties. This tendency has increased because the upcoming elections in September 2017. Given that the traditional political parties are confronted with the success of a new right-wing populist party, the Alternative for Germany (Alternative für Deutschland, AfD), conflicts between the governing parties have increased and have become a burden for strategic and coherent governmental policy communication.

**Implementation**

The last government has successfully realized many of the pledges made in the coalition agreement (cf. Coalition Agreement 2014). It introduced a pension reform that allows eligible workers to retire at 63 and increases pension payments to older mothers and those with a reduced earning capacity. The Bundestag also approved the country’s first general statutory minimum wage, set at €8.50 per hour at the time and increased to €8.84 in 2017. In addition, the coalition parties agreed to introduce legal gender quotas for corporate boards in order to help break the glass ceiling for women in corporate leadership positions. Even for the motorway toll project, the responsible minister has been able to come to an agreement with the European Commission which makes compensatory tax cuts for German car drivers compatible with European law.

A less favorable example concerns a much more complicated project, Germany’s energy transition toward renewable energy (Energiewende). A recent National Audit Office report criticized the project for lacking proper coordination, and being subject to the whims of too many federal and state ministries that often work against each other. The Energiewende’s
implementation presents significant governance challenges. It is a complex challenge that requires cooperation from and coordination between various public and private actors as well as with diverse political levels and jurisdictions – global, European, federal, state, and municipal – as well as interest groups, cooperatives, alliances, banks, and individuals. As a result, political-programmatic goals as well as implementation strategies are continuously in flux.

Refugee and migration policies are a further challenge. The government had agreed on the need for smoothing asylum processes, with quicker decision-making in order to speed up the integration of refugees into the education system and labor market. Through a comprehensive reorganization and staff expansion of the responsible agency (BAMF), the objective of reducing the backlog in asylum applications made some progress. Nonetheless, at the end of October 2017, 546,540 asylum applications had been decided upon, which is 3.1% more than in 2016 (Asylgeschäftsstatistik Oktober 2017). The last government was also successful in reducing the number of incoming refugees through a coordinated policy strategy involving complex agreements with Turkey and a coordinated EU effort to improve border protections. After the record arrival of refugees in 2015 and the decline in 2016, the number of asylum applications decreased by about 75% in 2017.

Citation:
http://www.spiegel.de/thema/energiewende/
https://www.mckinsey.de/energiewendeindex
Asylgeschäftsstatistik Oktober 2017:

In principle, line ministers are responsible for policies that fall under their jurisdiction. Therefore, individual ministers have some leeway to pursue their own or their party’s interests. This leeway is substantial in international comparison. Ministers sometimes pursue interests that therefore clash with the chancellor or coalition agreements. In the case of the last government, the coalition agreement bore considerable political weight and proved effective in guiding ministry activities. In terms of budgetary matters, Minister of Finance Wolfgang Schäuble was particularly powerful and able – when he has the chancellor’s support – to reject financial requests by other ministries.
The coalition agreements provided for clear rules when a coalition committee will meet and who will join the meetings. As in previous coalitions, it consisted of the chancellor and the vice-chancellor, the leaders of parliamentary groups and party leaders (if they were not already covered by the persons mentioned above). During the period under review, the coalition committee informally became the most important institution in resolving political disagreements within the government.

According to the Basic Law, ministers are fully responsible for governing their own divisions. However, they are bound to the general government guidelines drawn up by the chancellor or the coalition agreement. Concerning topics of general political interest, the cabinet makes decisions collectively. The internal rules of procedure require line ministers to inform the chancellor’s office about all important issues. However, in some cases, the Chancellery lacks the sectoral expertise to monitor line ministries’ policy proposals effectively.

Executive agencies’ competences and responsibilities are explicitly detailed in law, edicts, statutes and other regulations. Their activities are not only subject to legal, but also to functional supervision, meaning that agencies’ decisions and administrative instructions will be reviewed. However, the ministries have not always made appropriate use of their oversight mechanism. A number of independent agencies, including the Federal Employment Office, the Federal Network Agency, the Bundesbank and others have deliberately been placed beyond the effective control of the federal government. It is important that monitoring agencies maintain organizational independence, so that they may monitor government effectiveness and financial impacts. The National Regulatory Control Council has tried to increase its powers over legislative and bureaucratic processes at federal and state levels.

The delegation of tasks from the national to the subnational level without commensurate funding has been a sore point of German fiscal federalism. For instance, municipalities suffer under the weight of increasing costs of welfare programs. However, a number of adjustments over the last years have substantially rejuvenated municipalities and states. The Hartz IV reform, which merged welfare benefits with unemployment benefits for the long-term unemployed, shifted minimum income payments for individuals capable of work from municipalities to the Federal Employment Agency. In 2009, the federal government began compensating municipalities for basic income support provided to pensioners, the percentage of which reached 100% in 2014. Financial burdens associated with education and childcare have also been shifted to the federal level.

For months, the federal government and state (Länder) governments wrangled over the costs associated with the influx of migrants and refugees. In July 2016, the federal government increased the flat-rate payment for integration by
about €8 billion by 2018, which is an exceptional improvement.

With respect to the future of the fiscal equalization system, an important compromise on the new system (in effect from 2020 onwards) was achieved in October 2016. In this compromise, the Länder receive higher shares of VAT revenues and a system of exclusively vertical equalization payments (from the federal to the state level) is replacing the current horizontal system (where richer states pay to poorer states).

Taken together, a comprehensive shift of financial resources from the federal to the state and municipal level has been achieved and remains under way. Complaints from the Länder about underfunding increasingly lack credibility.

Citation:

The allocation of tasks and responsibilities between the federal and state governments is defined in the Basic Law. Thus, police functions, cultural tasks, and education, including both schools and universities, are the responsibility of the states. This distribution of tasks is largely respected by the federal government. A far-reaching equalization system and an ongoing shift of tax revenues from the federal to the state level has also been improving the financial capabilities of states to fulfill these tasks (see Task Funding).

In Germany, public services are provided by various levels of government: the federal administration, the administrations of federal states, municipalities, indirect public administrations (institutions subject to public law with specific tasks, particularly in the area of social security), nonpublic and nonprofit institutions (e.g., kindergartens or youth centers), and finally judicial administrations. While some standards have a national character and thus have to be respected at all levels, this is not the case in areas, such as education.

Adaptability

As in other EU countries, EU regulations have a significant impact on German legislation. The country’s legal system is heavily influenced by EU law, but the federal government does not have a central policy unit specifically coordinating and managing EU affairs. Each federal ministry is responsible for all matters within its sectoral purview related to the adoption, implementation and coordination of proposals by the European Commission. Federal structures present specific problems in terms of policy learning and adaptability to international and supranational developments. In general, Germany did not
seriously attempt to adopt government structures to the changing national, inter- and transnational context.

The German government actively collaborates in various reform efforts promoted by the European Union, and other transnational and international organizations. In the context of the still ongoing euro zone debt crisis, the German government has played a leading role in organizing and creating stabilization mechanisms. The government strongly cooperated with European partners, particularly France, other countries, such as the United States, and international organizations in addressing the Crimea crisis and civil war in eastern Ukraine.

According to some observers, the great exception is the migration crisis, which Germany handled unilaterally. Only after Germany had opened its borders to the refugees coming from Hungary and other European states did the government start negotiating with other EU countries and the European Union to develop refugee quotas. Proponents argue that Germany’s policy was well justified given its legal and humanitarian obligations. According to this view, Germany was ready to pay a high fiscal and political price for shouldering this humanitarian crisis. Based on this interpretation, the refugee crisis is an example where Germany is heavily involved in providing global public goods and acts in a non-selfish manner in-line with its international obligations.

Generally, Germany is a constructive partner in international reform initiatives, and is ready to accept substantial costs and risks in order to realize global and European public goods. It will be up to the next government to reaffirm this reputation with respect to far-reaching requests for European Union and euro zone reform from the European partners, in particular from France’s newly elected president, Emmanuel Macron.

Organizational Reform

There is neither a particular institution nor a commission that independently and impartially operates as an oversight body with respect to governmental activities. In addition, institutional self-monitoring capacities are still low. However, the creation of the Better Regulation Unit in the Chancellery and the extension of the competences of the National Regulatory Control Council (Normenkontrollrat, NKR) – an independent advisory body – have strengthened the capacities for self-monitoring.

In general, institutional reforms intended to improve the government’s management capacities are extremely rare. As in other countries, strategic capacities and reform efforts are heavily influenced by constitutional and public-governance structures and traditions. The federal system assigns considerable independent authority to the states. In turn, the states have a
crucial role in implementing federal legislation. This creates a complex environment with many institutional veto players across different levels. Institutional and organizational inertia spells for low levels of strategic capacity. The German Federalism Reforms, which together represent one of the more far-reaching institutional changes of recent years, have started to have an impact on the adaptability of the federal politics (Reus/Zohlnhöfer 2015).

In 2016, the federal level and the states reached an agreement on the next steps for federal reform. The federal level will from 2020 shift substantial resources to the states and, in return, will gain more competences, mainly in tax administration.

Citation:
http://www.zeit.de/politik/deutschland/2016-12/angela-merkel-bund-laender-einigung-finanzreform


Dominic Heinz, 2016: Coordination in budget policy after the Second Federal Reform: Beyond Unity and Diversity, in: German Politics 25 (2), 286-300.

II. Executive Accountability

Citizens’ Participatory Competence

Empirical analyses of German citizens’ level of political knowledge point to inconsistencies. On the one hand, the supply of independent political information is high. Germany has a diversified media-ownership structure and comparatively pluralistic and decentralized television and radio markets. The internet has become an increasingly important medium for citizens to gather information. Broadcasters, radio stations and newspapers have adapted to the new circumstances by providing a great deal of their services online. Nevertheless, television news programs are the main source of information for most citizens. According to one survey, around half of the population watches a news program every day.

However, a 2014 survey by the Bertelsmann Stiftung indicates a dramatic decline in public interest in politics and in parliamentary debates in particular. Only 25% of the respondents expressed interest in politics and regularly
followed debates (compared to about 50% 30 years ago). Furthermore, only about 50% of respondents knew that the grand coalition consists of the CDU/CSU and SPD. In addition, decreasing confidence in parties and politicians is undermining the motivation to stay informed.

Younger people in particular were unable to mention any parliamentary debate they followed with interest. In addition, policy knowledge depends strongly on the social status of a person’s family and their socioeconomic environment. Schools are not able to compensate for socioeconomic deficiencies (Bundestag 2017).

Compared to other European countries such as the United Kingdom, German citizens’ knowledge of politics is substantially lower.

Citation:

**Legislative Actors’ Resources**

The German Bundestag has adequate personnel and structural resources to effectively monitor government activity. Members of parliament can conduct their own research or obtain information from independent experts. The parliamentary library and the parliamentary research unit respectively have staffs of 175 and 450 individuals. Every member of parliament receives a monetary allowance (about €16,000 per month) allowing him or her to maintain two offices and employ, on average, two experts. The German Bundestag has a staff of around 2,600, while roughly the same number work at the constituency level. Parliamentary groups also have resources to commission independent research studies. Compared to the United States, German MPs’ structural and personnel resources are modest.

The German Bundestag is a “working parliament” – that is, parliamentary committees are of great importance in preparing and discussing legislative initiatives. Outside their law preparation activities, they also serve in an
oversight role with respect to government ministries. Nonetheless, the
government sometimes tries to withhold information. But most documents are
made public and can be accessed. In an important ruling on 12 September
2012, the Federal Constitutional Court’s (FCC) Second Senate strengthened
the information rights of German parliamentary representatives regarding the
European Stability Mechanism Treaty (ESM). Government officials had
previously been reluctant to keep the Bundestag informed on this issue,
claiming executive secrecy.

The parliamentary control committee and the secret service committee of
inquiry had to fight hard to get access to documents and the “Selektorenliste”
(list of selectors) to examine whether the Federal Intelligence Service
(Bundesnachrichtendienst, BND) had illegally spied on citizens, politicians
and organizations. In mid-September, the Green party and the Left party
attempted to sue the government through the Constitutional Court for its lack
of accountability regarding the Selektorenliste. On 15 November 2016, the
FCC dismissed the appeal.

In a 7 November 2017 ruling, the FCC again strengthened the information
rights of the Bundestag vis-à-vis government.

Citation:
https://www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/DE/2016/bvg16-084.html
http://www.sueddeutsche.de/politik/auskunftsrecht-verfassungsgericht-staerkt-kontrollrechte-des-
bundestags-1.3738737

Parliamentary committees’ right to summon ministers is established by the
Basic Law. The Basic Law also gives members of the federal government or
the Bundesrat the right to be heard in front of the plenum or any committee.

Parliamentary committees are able to hold public hearings at any time, and can
summon experts to attend them. This mechanism is regularly used. Rule 70
Section 1 of the Rules of Procedure of the German Bundestag states that “for
the purpose of obtaining information on a subject under debate, a committee
may hold public hearings of experts, representatives of interest groups and
other persons who can furnish information.” Experts are often able to
influence parliamentary discussions or ministerial drafts and bring about
changes in the draft laws.

In general, the task areas of parliamentary committees and ministries coincide.
However, this is not always the case since the Basic Law provides for the
establishment of several committees that do not have a ministerial counterpart.
(including the Committee on the European Union; the Petitions Committee; the Parliamentary Control Panel). Furthermore, several committees sometimes deal with matters that are within the responsibility of a single ministry (e.g., the Committee on Internal Affairs and the Sports Committee both monitor activities performed by the Federal Ministry of the Interior), and a single committee sometimes deals with matters that are not clearly assigned to a single ministry. Nonetheless, parliamentary committees’ most important policy areas fully coincide with those of the ministries, enabling effective monitoring.

The Federal Court of Audit (FCA) is a supreme federal authority and an independent public body. FCA members enjoy the same degree of independence as the members of the judiciary. Its task is to monitor the budget and the efficiency of state’s financial practices. The FCA submits its annual report directly to the Bundestag, the government and the Bundesrat. The Bundestag and Bundesrat jointly elect the FCA’s president and vice-president, with candidates nominated by the federal government. According to the FCA’s website, around 1,300 court employees “audit the (state) account and determine whether public finances have been properly and efficiently administered,” while the FCA’s “authorized officers shall have access to any information they require” (Federal Budget Act Section 95 Para. 2). The reports receive considerable media attention. Equally, the German states have their own independent state courts of audit.

Citation:

The standing parliamentary petitions committee is provided for by the Basic Law. As the “seismograph of sentiment” (annotation 2 Blickpunkt Bundestag 2010: 19; own translation), the committee deals with requests and complaints addressed to the Bundestag based on every person’s “right to address written requests or complaints to competent authorities and to the legislature” (Basic Law Art. 17). It is able to make recommendations as to whether the Bundestag should take action on particular matters. Nonetheless, its importance is limited and largely symbolic. However, the committee at least offers a parliamentary point of contact with citizens. Two additional parliamentary ombudsmen are concerned with the special requests and complaints made by patients and soldiers.

Citation:
https://www.bundestag.de/dokumente/textarchiv/2017/kw20-de-petitionsbericht-2016/505030
Media

Public TV and radio broadcasters generally offer in-depth reports on political processes. Competition between the two main public television broadcasters, ARD and ZDF, has forced them to copy the private channels’ successful infotainment and politainment formats. Nevertheless, by international standards, ARD and ZDF, in particular, offer citizens the opportunity to obtain a relatively deep knowledge of political decision-making and their market share has stabilized in recent years. Recently, criticism of the allegedly biased reporting by these channels has increased (e.g., Kepplinger 2018; faz.net 2018a and 2018b). The plurality of the country’s television broadcast market is enhanced by the availability of programming from international broadcasters such as CNN, BBC World, CNBC Europe and Al-Jazeera. Trust in media is high in Germany by international standards according to some surveys (Handelsblatt 2017).

Parties and Interest Associations

During the period under review, party leaders of the coalition government were re-elected without facing major opposition for party leadership. No direct participation of party members regarding important policy decisions took place. The parties retain traditional hierarchical decision-making processes and candidate-election procedures. Particularly important policy challenges have led to fierce debates within the SPD (e.g., TTIP negotiations) and the CDU/CSU (e.g., refugee policy). However, party members have had little direct influence in these debates. Decision-making is limited to representatives at the party congresses and firmly controlled by party elites.

On 19 March 2017, the SPD elected Martin Schulz as its new chairman in a
federal party convention in Berlin. The former chairman, Sigmar Gabriel, withdrew as the party’s front-runner and recommended Schulz who was elected as the new chairman and top candidate of the SPD for the upcoming elections (with 100% approval). However, the decision was made in the top ranks of the party and then approved by the party’s membership.

Economic interest associations like trade unions or employers’ associations in Germany are well-functioning organizations endowed with rich analytical and lobbying resources. They are definitely able to develop policy strategies and proposals and to present alternatives to current politics. Both trade unions and employers’ association have their own economic think tanks supporting their policy proposals through substantive research on costs and benefits of different options. Furthermore, these organizations also invest substantial resources in lobbying for their positions among the general public and do so successfully. For example, the decision to introduce a general statutory minimum wage had been preceded by trade unions’ extensive public lobbying.

As of May 2017, the government’s official list contained 2,325 registered associations (Bundestag 2017), which marked another increase. One-third of those can be considered non-economic interest associations. Within the process of policy formulation, interest-group expertise plays a key role in providing ministerial officials with in-depth information necessary to make decisions. Citizen groups, social movements and grassroots lobbying organizations are increasingly influential actors, particularly at the local level. Policy proposals produced by non-economic interest groups can be described as reasonable, but their suggestions often appear.

Citation:
https://www.bundestag.de/blob/189456/130ebb7895b22f6a58da1dc805ceadb/lobbylisteamtlich-data.pdf
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