

# Germany: Five years since the Hartz IV labour “reforms”

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Five years ago, on January 1, 2005, the Hartz IV labour and welfare “reforms” took effect. The fourth law developed by the Hartz Commission on behalf of the Social Democratic-Green Party coalition government under Chancellor Gerhard Schröder included far-reaching changes in unemployment benefits, which were merged with welfare benefits.

Since that time, an unemployed person receives Unemployment Benefit I (ALG I), which is calculated on the basis of his previous salary, for only one year after losing his job. He then receives Unemployment Benefit II (ALG II). Like other welfare benefits, its value is not based on previous income, and currently amounts to €359 per month. Even those who have worked and paid into the unemployment insurance scheme for decades are condemned to live in poverty after being unemployed for one year.

Apart from a small exemption, any assets are taken into account when calculating the level of benefits. Anyone who has put aside something for his old age must use this up before receiving ALG II.

Moreover, recipients of ALG II are required to “actively pursue their integration into the labour market.” The rules governing what is considered a “reasonable” job offer were abolished. As a result, people can be forced to accept extremely low-paying jobs that do not correspond to their qualifications, and they can be made to take jobs in far-off places. If they refuse, they are threatened with a reduction or withdrawal of benefits.

Those responsible for the Hartz-IV “reforms” justified them by saying they would sharply reduce the number of unemployed. This has not happened.

The Nuremberg Institute for Employment Research (IAB) of the Federal Employment Agency (BA), which regularly reviews the Hartz measures, has reported a “cautious positive balance sheet” of the Hartz-IV regulations. It said that the “trend” indicated that the objectives of the labour market reforms had been achieved. But IAB Director Joachim Möller admitted there were major problems, as in the case of the long-term unemployed. After years of receiving ALG II, only a relatively few return to a normal working life.

Getting off Hartz IV benefits was “relatively rare,” wrote the authors of the study. They also came to the conclusion that the means utilized by the employment officers were often inadequate to resolve the problems of unemployment.

Representatives of the trade unions and charities say that the Hartz IV rules have failed. In an interview with the *Thüringer*

*Allgemeine*, Welfare Association chief *Zeitung* Ulrich said: “Five years after the Hartz IV reforms, it has not been possible to significantly reduce the number of people affected.” For example, the number of ALG II recipients capable of work has remained constant since the introduction of the “reforms” in 2005.

According to assessments by the Welfare Association, in April 2009, the number of Hartz IV recipients capable of work stood at approximately 4.93 million. In September 2005, the number of unemployed capable of work was around 5.15 million.

The association also reports constant numbers for children who are dependent on Hartz IV welfare benefits. In September 2005, 1.78 million children under 14 were dependent on Hartz IV; in April 2009 and thereafter there were about 1.74 million.

About half of ALG II recipients receive welfare benefits for more than three years. “Those receiving Hartz IV lack any perspective [for the future]. This is the conclusion that we must consider,” said Schneider.

However, the Hartz IV measures can be said to have “failed” only if one assumes that they are actually directed against unemployment. In fact, like the other elements of “Agenda 2010,” they are aimed at a different target.

The SPD-Green government designed and used them as a lever to increase the pressure on the unemployed, break up the system of collective bargaining, under which German workers previously received relatively high wages, and create a huge low-wage sector. In terms of its real, class aims, Hartz IV has proven highly successful.

Since Hartz IV requires the long-term unemployed to accept any job, it serves to slash wages overall. Real wages are back to their level of the mid-1980s—25 years ago. Millions work at jobs that do not pay enough to enable them to support themselves, let alone a family.

Some 9 million people hold part-time jobs, and 7 million hold so-called “mini-jobs,” which provide a maximum monthly income of €400. Over 300,000 people are forced by the authorities into “one-euro jobs,” which pay an hourly rate of €1 in addition to ALG II benefits.

Temporary employment has risen sharply in recent years. Up to one million people are subject to this modern form of slave labour at one time or another. They have been the first to be dismissed as a result of the international economic crisis, so that their numbers currently amount to only half of what they were previously.

Low wages in Germany are widespread, as shown by a study by

the Institute of Labour and Qualification (IAQ) of the University of Duisburg-Essen, published at the beginning of July. Some 6.5 million people—more than one in five employees—work for hourly wages of €9.62 in western Germany and €7.18 in eastern Germany. This is the low-pay limit as identified and accepted by the Organization for Economic Cooperation and Development (OECD).

One in three low-wage earners works for less than €6 gross pay per hour; 1.2 million for less than €5. Even full-time employees are not protected from low hourly wages. Despite working full time, almost one quarter of workers in the low-wage sector earn less than €800 gross per month. Some 1.3 million receive additional Hartz IV benefits to bring them up to the minimum subsistence level.

The introduction of Hartz IV and the spread of the low-wage sector have had a direct impact on industries which previously paid relatively high wages. Workers at auto manufacturer Opel could tell a tale or two. Their wages, which ten years ago were about 30 percent above the general rate for the metal and electrical industries, are now considerably lower.

Provisions agreed by the unions in many collective bargaining agreements allow companies to introduce contract variations on a factory-by-factory basis. Millions of workers receive less than what was agreed in the industry contract.

Fewer and fewer companies are bound by such industry-wide contracts. They are not covered by the minimum conditions stipulated in the agreements struck by the unions and employers' associations. This now applies to more than 30 percent of companies, and is particularly the case in the east, where only one in four is covered by collective agreements.

Thus, despite nominal increases in contract wage rates, real wages fell again this year by 1.2 percent in the spring quarter of 2009 alone.

The criticisms by the German Trade Union Confederation (DGB) of the Hartz IV reforms are utterly hypocritical. DGB board member Annelie Buntenbach (Green Party) has called for a loosening of the rules defining what constitutes a "reasonable" job offer and a softening of the sanctions applied to the unemployed. She has also called for the introduction of a comprehensive minimum wage of €7.50 per hour.

The Hartz reforms have opened the door to "wage dumping," she said, adding, "The unemployed must accept almost any type of job, no matter how poorly paid."

Such complaints are entirely cynical. Union representatives sat alongside representatives of big business and the federal government in the commission, named after the chairman, Peter Hartz, who drafted the "reforms." Moreover, as chairman of the board of the Federal Employment Agency, Buntenbach is responsible for the implementation of the Hartz measures.

The thrust of the Hartz IV measures has never been a secret. Over several months in the summer of 2004, tens of thousands demonstrated against them. The unions refused to participate in these protests. The Greens were part of the federal government and supported Chancellor Schröder, who said he would not bow to "the street."

Even today, all of the parliamentary parties support Hartz IV,

although some try to hide their responsibility with calls for cosmetic changes.

For example, just in time for Christmas, Gerald Weiss, deputy chairman of the Christian Democratic Employees Association (CDA), suggested that Hartz IV recipients should be paid a Christmas bonus. "A small Christmas grant would mean Hartz IV recipients could face Christmas more confidently," he told the *Bild* newspaper. This proposal is likely to be forgotten until next Christmas.

Just before Christmas, Social Democratic Party (SPD) leader Sigmar Gabriel called for those who had paid unemployment insurance contributions for many years to receive a higher level of support. This would favour not only the unemployed, but also the companies. "They have been grumbling for a long time that they are no longer able to let their elderly people go as easily as before," writes *Spiegel Online* in an editorial comment. If Gabriel succeeds, the "early retirement policy of the 1980s and 1990s would be revived," the journal notes.

The current Christian Democratic-Free Democratic coalition government wants the long-term unemployed to part with more of their assets.

Protests against Hartz IV significantly contributed to the emergence of the Left Party. Oskar Lafontaine and other veteran SPD and Party of Democratic Socialism (PDS) politicians considered the protests a warning sign that a movement could develop outside the control of the unions and the SPD. They placed themselves at the head of the protests in order to defuse them. Today, the Left Party no longer calls for the abolition of the Hartz laws, but only for an increase in benefit levels.

How things might develop is shown by the proposal of the economist Wolfgang Franz, who has proposed cutting Unemployment Benefit II from €359 to just over €250 a month. He relies on a model for the development of Hartz IV submitted to the federal government by the Council of Experts for the Assessment of Economic Development, headed by himself. The core of this new reform is a "lowering of the standard benefit rate by 30 percent."

Two years ago, Franz called for hourly wages of less than €3. That would be the best way to create jobs, he claimed.

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