

Labour market policy in Germany: Hartz IV - Publicly subsidized employment - further training or an unconditional basic income?

by Dr. Wolfgang Schroeder

Here there is advance material on the seminar entitled "What Finland can learn from social security reforms in other European countries" organised on 27 September 2018 by the Toimi project. Professor Wolfgang Schroeder from the University of Kassel will be presenting the topic at the seminar.

After the major financial crisis, the German labour market experienced a steady increase in employment (44 million on the labour market; around 33 million employees with social insurance) and an equally steady reduction in unemployment (5 million in 2005; today around 2.5 million). Although Germany now has one of the lowest unemployment rates in Europe (about 5%), dissatisfaction with individual aspects of the employment promotion system, which has been newly established since 2005 and which has been reoriented specifically for the long-term unemployed, still dominates. For some time now, the debate on the consequences of digitisation for the labour market has been more intense. Among other things, forecasts on the loss of jobs, changes in jobs and the establishment of new forms of employment have contributed to this. Some even say that we are on the way to a platform economy, which could also erode the classical structures of the labour market. Some of the debates currently taking place in Germany are highlighted below:

1. Weak acceptance of the basic provision for jobseekers (Hartz system): In recent years, many individual changes have been made to this system. However, this has not resolved the fundamental debate. This is not surprising, since political-cultural rejection and factual-technical criticism mix. Basically, the Hartz laws are an extraordinarily heterogeneous system for different groups of people and case constellations. This includes, for example, the long-term unemployed, who account for only about one third of the basic benefit recipients. This results in the difficulty that there can be no universal approach to solve the problems.

2. Changes in the Hartz system: More important than general criticism are concrete improvements that can directly help those affected. These include the amount of benefits, fair and realistic standard rates and accommodation costs, more intensive mentoring and less bureaucracy. In addition, sick people, children and single parents should be supported in different contexts than in a system that primarily aims at integration into gainful employment. In view of the increasing importance of qualification in digital change, the criteria for reasonable work should also be adapted. In addition: The unemployment insurance system (ALG I) should be strengthened again. It is particularly difficult for persons not regularly employed to acquire entitlement to ALG I, even if they have paid into the insurance scheme for many years during their working life. If these measures are used wisely, they can counter the fears of relegation.

3. Financing work instead of unemployment: The aim is to establish a social labour market, which is to be better equipped and more extensively financed, and which assists the long-term unemployed who are difficult to place (about 200,000 employees). It is important to point out perspectives and to enable a more individual integration into the first labour market. To achieve this goal coaching, qualification and further training must be added.

4. Proactive labour market policies against unemployment and skills shortages: To this end, both systems, unemployment insurance and basic social security, must be consistently and comprehensively geared to qualification and further training. This is the only way to enable people to re-enter the labour market. It cannot be about short-term measures, but about sustainable education and training. Qualification and chances for a good job must take precedence over rapid placement. Further training must be expanded as the fourth pillar of our education system.

5. Introduction of an employment insurance scheme: Unemployment insurance must be further developed into employment insurance and the Federal Employment Agency must be promoted into a Federal Employment and Qualification Agency. Employment insurance must not only react to unemployment! Those who are in employment should also be able to take advantage of counselling that shows what opportunities exist for continuing vocational training. If necessary, qualification measures should also be promoted by employment insurance.

6. Responses to digitisation/platform economy: Digitisation poses a major challenge for the employment-related social security state. Above all, it is feared that, in addition to the massive loss of work, new forms of employment will emerge beyond capital and work. Some stakeholders are responding to this by calling for an unconditional basic income. This income is to replace the existing welfare state, which is based on social security contributions, by a new tax-financed welfare state. Others see the challenge of digitisation as the basis for an employee-oriented, comprehensive continuing education system, which is to be installed as the fourth pillar of the German education system. The debate on the future of the German welfare state, triggered by social and economic change, is in full swing. The two approaches are system-breaking (unconditional basic income) and evolutionary (systematic training).

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