

Germany: Citizen's income to replace basic income support for jobseekers

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In its coalition agreement, the newly elected coalition government in Germany announced a reform of the basic income support for jobseekers. This most controversial social benefit is to be replaced by a citizen's income, for which a number of key points have been agreed. Nevertheless, crucial questions remain unanswered for the time being.



Description

The governing coalition in Germany, which took office on 7 December 2021, has announced in its coalition agreement (SPD, BÜNDNIS 90/DIE GRÜNEN, FDP 2021) that the basic income support for jobseekers, the central element of the German minimum income benefit system, will be replaced by a "citizen's income". The stated objectives of this allowance are to focus on the beneficiary's employment potential, to help their long-term integration into the labour market and to enable their social participation. The following key points are currently available on this:

- A simplified means-test: in the first two years of receipt of the citizen's income, the benefit will be paid without taking into account beneficiaries' assets and without checking that the expenses related to housing and heating are "reasonable". When existing assets are taken into account (i.e. after two years), the level of assets to be disregarded will be increased and verification simplified. Housing benefits, aimed at covering the costs of accommodation and heating, will be reimbursed as region-specific lump sums.
- The obligations on the beneficiaries to cooperate will be redefined by the end of 2022 at the latest, on the basis of an evaluation of the existing system. Until new legislation is passed, there will be a one-year moratorium on the current sanctions applied by the job centres, which result in the beneficiary having to live below the subsistence level. Housing benefits will be exempt from sanctions, and beneficiaries under the age of 25 will be treated equally with those above 25 (they are currently subject to tougher

sanctions). In the event of sanctions, they will receive a coaching offer in coordination with the local youth welfare office.

- Sustainable integration into the labour market is supposed to be at the centre of the future target management system, and the steps necessary for this are expected to take social stabilisation and participation into account.
- The citizen's income is designed to provide individual, holistic support. Counsellors and claimants/beneficiaries should meet on an equal footing. Strengths and development needs will be identified through a competence assessment procedure, which should also allow "soft skills" to be certified. The offers and measures will be jointly agreed with the beneficiaries as part of a "participation" agreement (previously called "integration" agreement), formulated in simple language and adapted if necessary. A six-month period of trust will apply. An independent arbitration mechanism for disputes will be put in place.
- To ensure tailor-made and holistic support, an adequate support ratio and well-qualified staff at the job centres will be made available through appropriate funding.
- The placement priority in Social Code Book II will be abolished. Up to now, the activation of benefit claimants capable of working has focused on active job seeking and taking up work without delay (or participating in active integration measures). Regardless of age, it is only if the claimant does not have any vocational qualification that he/she is offered the possibility to attend a training (which can range from a vocational preparation measure to a three-year vocational training programme). In the future, vocational training and further education will be promoted with higher priority in

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order to enable sustainable integration. The time limit on the Participation Opportunities Act, which came into force on 1 January 2019, will be abolished and support for coaching and outreach work will become standard instruments in the citizen's income system.

- Opportunities for combining benefits with earnings will be improved, with the aim of increasing incentives for employment subject to social insurance contributions. Citizen's income, housing benefits and, where appropriate, other tax-financed social benefits will be coordinated or combined in such a way that the benefit withdrawal rates achieve the most favourable effects in terms of employment and labour market participation in jobs subject to social insurance contributions. An independent expert commission will be set up to develop the reform model.

Outlook and commentary

All three parties in the new coalition government (the Social Democrats [SPD 2019], the Greens [last 2020] and the Liberals [FDP 2019]) had presented proposals for reforming basic income support for jobseekers in recent years, although these differed considerably in intent and changes in content. While the Liberals were more concerned with modernising procedures and strengthening the incentives to work, the Social Democrats, who had originally introduced this benefit system and had since been internally at odds over it, limited their proposal to a series of relief measures for benefit

recipients. Only the Greens (Bündnis 90/Die Grünen 2020) intended a fundamental, evidence-based reform (Buhlmann, Kolb and Siegloch 2020) that would, among other things, introduce a sustainability-oriented activation concept and a strengthening of the safety net function of this benefit system.

With the simplification of the means tests, the revision of the activation measures and the streamlined procedures, core points were established on which agreement could be reached. The agreed reforms will correct regulations that have been criticised in recent years. Other key issues were addressed, but remain unresolved for the time being. In particular, it remains unclear to what extent an increase in benefit levels is envisaged and how the incentive orientation and the social protection function will be balanced. The future role of sanctions has also not yet been clarified. Initial reactions have therefore described this as more of a reform of the name than of the content. Few statements from experts are available so far, as many aspects have not yet been sufficiently substantiated. Above all, welfare associations have emphasised the lack of important reform elements (Der Paritätische Gesamtverband 2021).

Ultimately, this reform proposal shows that very different partners with very different views on economic and social policy have come together in the new coalition. It remains to be seen whether a consistent and sustainable reform is at all possible given the structure of this new coalition.

Further reading

Bündnis 90/Die Grünen (2020): Hartz IV überwinden – Garantiesicherung einführen, Fraktionsbeschluss vom 15. Dezember 2020, Berlin.

Buhlmann, F., Kolb, M. and Siegloch, S. (2020): Einführung einer Garantiesicherung, Mannheim.

Der Paritätische Gesamtverband (2021): "Das Glas ist halbvoll": Der Paritätische kommentiert Koalitionsvertrag der Ampel, Berlin.

FDP (2019): Grundsicherung modernisieren – Chancen ermöglichen – Liberales Bürgergeld einführen, Beschluss der Freien Demokraten im Deutschen Bundestag, Berlin.

SPD (2019): Arbeit – Solidarität – Menschlichkeit: Ein neuer Sozialstaat für eine neue Zeit, Beschluss Bundesparteitag, Berlin.

SPD, BÜNDNIS 90/DIE GRÜNEN, FDP (2021): Mehr Fortschritt wagen. Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit, Koalitionsvertrag 2021 - 2025, Berlin.

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