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Policy Brief 23/2022

LUISS



November 18, 2022

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The German government has put forward a proposal to introduce *Bürgergeld*, or basic income, in the country, a proposal that, due to its characteristics, contains useful information for Italy's political forces wishing to modify the Italian measure, similar at least in name, introduced during the yellow-green government coalition after 2018.

The German proposal aims at transforming the basic insurance measures for the unemployed, introduced in 2005 with the Hartz IV reform, with broader support, subject to less stringent conditions and substantively oriented towards retraining the beneficiary. For the Social Democratic Party (SPD) this is a vital reform: Hartz IV, introduced by Gerhard Schroeder, paved the way for Angela Merkel's victory and led to the detachment, never healed, of the working-class base from the SPD.

The proposal was approved by the Bundestag but rejected in the Chamber of Länder where it met with opposition from regional governments led by the Christian Democrats. It will now be up to parliament's mediation committee to resolve the deadlock. Despite the accelerated procedure, it is not certain that the reform will enter into force next January, as planned by the government led by Chancellor Olaf Scholz.

According to October data, 5.3 million unemployed individuals and dependent children would be beneficiaries. The total remains uncertain because it is not clear whether it also includes Ukrainian immigrants accepted by Germany. A provisory estimate circulated in the press believes an astounding 1.8 million non-German recipients should be considered in the reform. The average care will rise by 10% to 502 euros per month, plus 300-400 euros for each dependent child. Overall, the cost is estimated at 4.8 billion for 2023, rising to 5.9 billion by 2026, mainly borne by the federal budget.

The reform should facilitate mediation between the unemployed and the labour market through retraining and education. The opposition's main criticism concerns the limits of private wealth for the beneficiaries, raised to 60,000 euros, or 150,000 for a family unit with two children. For two years, the unemployed will also receive support for housing costs, rent and related maintenance costs, and heating costs.

According to the opposition, in some cases the overall support is higher than the minimum wage but the calculation neglects the fact that low-paid workers will also receive housing and child benefits. CDU experts maintain that the total support for a family with children would be a disincentive to the kind of work that characterized the German economy in the final decades of the last century. If the beneficiary refuses the first job offer, he/she would suffer a less incisive reduction than that imposed by the regime in force so far. The European Constitutional Court has limited the reduction to a maximum of 30%. The beneficiary can also opt

within six months for a retraining process in view of better jobs. This six-month “*Vertrauenszeit*” is also criticized by the opposition.

The *Bürgergeld* reforms the *Arbeitslosengeld II*, which brought together the aid for long-term unemployed and the welfare benefits (*Sozialhilfe*), adding also financial assistance for housing and health care. Moreover, it is possible to earn income from a job and still receive benefits at the same time: out of about 5-7million beneficiaries, a significant share is composed of low-paid workers whose income is integrated with the social subsidy. The majority are migrants lacking employable skills or knowledge of the language.

Capillary work was conducted setting up the *Bundesanstalt für Arbeit*, with almost 100,000 employees. The Hartz IV reform merged the federal level unemployment agency with the local level welfare administration. This facilitated a better, case-oriented approach to helping unemployed people find work and improve their living conditions.

The German labor market is now close to full employment, but in the future a burdensome process of industrial restructuring is expected that will end up sacrificing "old" jobs while waiting for the "new" ones. Although, industrial restructuring does not directly affect the standard recipients of the *Arbeitslosengeld II*, it may reverberate on other less unionized layers of workers. It is vital for the SPD to anticipate the shock by providing assistance to its voters.

In the last year, economic analysts have rushed to sound the alarm about the future of industry in Germany. According to DBResearch, “When we look back at the current energy crisis in ten years or so, we might consider this time as the starting point for an accelerated deindustrialization in Germany.” The share of manufacturing industry in total gross valued added in Germany (20.8% in 2021, 22.9% in 2016) is expected to fall in the next few years. Future regulation of energy markets and prices are an important factor of uncertainty and will influence the development of the manufacturing industry in Germany.

Deutsche Bank analysts observe that “the current gas crisis could turn out to be a structural game changer for Germany as an industrial location and the German export-oriented business model. [...] The energy-intensive industries at the beginning of this value chain will come under pressure [...]”. Large German industrial companies will be able to internationalize their businesses and choose production locations according to their individual cost and clients structures. Some signals in this direction have already emerged in the chemical industry. For German SMEs, especially in the energy-intensive sectors, adapting to a new energy world will be challenging.

Rising energy prices and concerns regarding the security of gas supply are the major factors that caused the recent heavy decline in business expectations. Compared to total manufacturing, the decline is (much) more pronounced in the energy- intensive industries (chemicals, metal production, building materials, paper), where in some cases business expectations are now lower than during the COVID pandemic. Capital goods producers are less pessimistic so far than energy-intensive industries even though business expectations have fallen significantly as well. The reason for this smaller degree of pessimism in capital goods producers could be that the order backlog is still at a record high, for the automotive industry as well as the electrical one.

What business associations see as an existential threat might turn out to be an opportunity to implement the overdue requalification of German industry. In this regard, the government’s economic policies might accelerate the restructuring. Moreover, by raising the level of subsidies the government also intends to raise

the minimum wage of the employed, forcing firms not only to pay higher wages, but to move to a higher technological scale and adjust their level of labor productivity.

From a euro-area perspective, this evolution cannot be overestimated. It might bring to an end the era of "real devaluation" through which the German economy increased its competitiveness by keeping labor costs low rather than via high domestic capital investment.

All in all, there are some aspects of the reform that need to be carefully considered in Italy, where the mechanisms for disbursing citizenship income are about to be modified.

1. The promptness to tackle the strategic problems concerning the need for industrial conversion: this alarm involves the whole of parliament and public opinion.
2. The implementation of industrial policy: the federal government draws up its own objectives but leaves the identification of innovative jobs to companies and trade unions that study the needs of the labour market together.
3. The ability to organize efficient training courses for the unemployed. The training mechanism is integrated with the private economy and oriented to its future needs.
4. The ability of municipalities and local administrations to manage grant applications with granular knowledge of applicants.
5. The attitude of the German tax administration to verify the financial conditions of the beneficiaries and fight against unofficial work in the "black economy". According to the available statistics, the "non-visible" jobs are a fraction of the Italian ones.

The European agenda

The issue addressed by the German government has an obvious European dimension, both in its social aspects and in those concerning the balance between economies of different countries in a context of redesigning global value chains. The repositioning of Germany, the productive hub of the euro-area economy, has consequences on the prospects of the countries integrated into the European production system.

According to a calculation presented by the European Commission in its proposal for a recommendation to the European Council on an "adequate minimum income ensuring active inclusion":

Despite policies to combat poverty and improvements over the last decade, the risk of poverty or social exclusion affected over 95.4 million Europeans in 2021. In many Member States, there has been an increase over the last decade in the poverty risk for people living in (quasi)jobless households, worsening in the depth and persistence of poverty and a decline in the impact of social transfers on poverty reduction. More recently, the sharp increase in energy prices and hiking inflation affected in particular low- and lower middle- income households, as the share of energy and food consumption in their overall incomes is generally higher.

The fight against poverty and social exclusion and the right to adequate minimum income occupies a central role in the European Pillar of Social Rights. Principle 14 of the Pillar states that

‘Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labor market.

On 4 March 2021, the Commission adopted the European Pillar of Social Rights Action Plan, which was welcomed by the Union leaders at the Porto Summit on 8 May 2021. The European Council³ set 2030 headline targets in the areas of poverty, employment, as well as in the area of skills. By 2030, the number of people at risk of poverty or social exclusion should be reduced by at least 15 million, including at least 5 million children; at least 78% of people aged 20 to 64 should be in employment, and 60% of adults should participate in training every year. In June 2022, Member States presented their national targets to support this ambition.

Against this backdrop, the German initiative has opened the way to a rethinking of active policies aimed at including the unemployed. In the current situation, in Europe the coordination between income support policies and incentives to (re)integrate into the labor market of those who can work remains insufficient.

Active labor market policies encouraging the transition to employment include lifelong learning, personalized support, and guidance that meet specific needs, promoting quality jobs and job retention, and enabling advancement, in line with the concept of inclusive labor markets. Yet, in many Member States, these measures are not sufficiently tailored to the individual needs of beneficiaries of minimum income who are often furthest away from the labor market.

According to the EU Commission:

While participation in activation programs is a requirement in most of the Member States, adequate measures may not even be available. Activation requirements (and related sanctions) need to be accompanied by supporting services such as counseling, coaching, or job-search assistance to be more effective and to encourage the acceptance of job offers. Special attention needs to be paid to young adults outside of the labor market or being at risk of poverty or social exclusion. To get them back into education, training, or the labor market within the shortest time possible, the receipt of income support should be linked to particularly strong activation measures supporting them in gaining work experience and developing the right skills for a changing world of work, in particular those relevant to the green and digital transitions”.

Conclusions

Germany seems to have taken note of the changes taking place on a global scale and is grasping the need for urgent evolution in its economic model. The German government has endorsed the goal of a higher technological and productive quality in order to preserve the high-income and high-performance nature of the country.

The jury is still out, and it will remain out for the next years. The protest of companies and the usual alarm about the de-industrialization of the country are to be expected. For now, the German lesson is that in order to carry out reforms, in addition to the political interest of parties immersed in the reality of the country, a vision of the future and widespread administrative capacity is necessary.

Without this, the provision of subsidies is reduced to electoral opportunism. Also Italy's government should think about the country's future position in global value chains. The volumes of unemployed in Italy are much higher than those in Germany. The country also needs extensive professional qualifications for jobs in tomorrow's production. It has a fundamental deficiency in administrative capacity and is unable to ensure fiscal fairness, allowing for pathological evasion. Changing the provision of basic income will not solve Italy's underlying problems.