

# Germany: Ten years of Hartz IV welfare cuts

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When the so-called Hartz IV reform came into force 10 years ago, on January 1, 2005, the Social Democratic-Green Party government had already been in office for almost seven years. Cooperating closely with the trade unions, it carried out the most destructive attack on social welfare provision in Germany since the end of the Second World War.

The impact was devastating. The fourth in a series of laws on labour market reform developed by the Hartz Commission, the measure broke up the existing social system and put both unemployed and employed workers under tremendous pressure. The go-ahead for the catastrophe was given by the federal government of the day, led by Chancellor Gerhard Schröder (Social Democratic Party, SPD) and Vice-Chancellor and Foreign Minister Joschka Fischer (Greens).

Since 2005, Unemployment Benefit I (ALG I) entitles the unemployed to receive monthly financial support based on a percentage of their previous wages, typically for only one year. Thereafter, Unemployment Benefit II (ALG II) allows them to receive a standard rate amounting to a maximum of only €399 per month (from 2015). The term “Hartz IV” has come to be applied to this particular rate of support.

The “reform” supposedly combines unemployment support and other forms of social assistance in one form of entitlement. In reality, however, the new scheme abolished the pre-2005 rate of unemployment benefits linked to former wages. It was replaced by ALG II, which provides a much lower amount, similar to pre-Hartz welfare payments for the destitute. It is a hand-out that condemns the recipient to a life of poverty.

In November 2014, Hartz IV legislation officially provided state benefits to some six million people, of whom 4.3 million were employable and about 1.7 million were children under 15 years of age. In addition, there are half a million elderly people whose pensions are below the Hartz IV level and are topped up to this standard rate.

This drastic reduction for many of the unemployed was accompanied by increased pressure on them to accept any kind of job offered. If people refuse or are unable to keep up with requirements made by job centres—whose overwrought staff are often abrupt and bullying—they are threatened with sanctions.

Such sanctions push those affected even further under the subsistence level arbitrarily fixed by the state, which is supposedly €399 a month for a single person (plus rent and heating allowances).

In August 2014 (more recent figures are not yet available), about 140,000 unemployed adults and 35,000 under-25s received at least one sanction. The adults had an average of €123 and the under-25s €107 deducted from their monthly benefits! Young people under 25 years are liable to 100 percent cuts to their rate of support. The rising number of homeless young people is not least due to these sanctions imposed by the job centres.

Journalist and jurist Heribert Prantl explained in the *Süddeutsche Zeitung* newspaper, “Sanctions Clause 31 of the Social Code II book is the core and centre of the whole Hartz law.” The longest section treats Hartz IV recipients “as potential idlers, who need to have their laziness driven out of them at every turn.”

Hartz IV transforms the unemployed from victims of the economic system into offenders who scrounge benefits from the state without giving any service in return. Over the past decade, millions have been committed to state-compelled labour in the form of the so-called “one euro jobs” (low-paid jobs with a state supplement of €1 per hour above the standard support rate). Last November, approximately 104,000 people nationwide worked in such a job.

“The principle of assisting and demanding is working,” said Heinrich Alt, member of the Federal Employment Agency (BA), in a review of the tenth anniversary of the Hartz IV laws.

In addition to impoverishing the unemployed, however, the Hartz laws were especially used to create a broad low-wage sector within the labour market. More than one in five employees in the country (i.e., almost 10 million people) are now working for an hourly wage of less than €10 gross. Poverty and social inequality are increasing in Germany.

Job centres and employment agencies contribute to this development at several levels. A real division of labour has been established between them and contract and temporary work agencies. About 900,000 people currently work in the temporary staff sector and about three-quarters of them are in low-wage jobs.

Incomes were so low that every tenth contract worker received additional Hartz IV benefits—as did a total of 1.3 million workers nationwide. More than 30 percent of all unemployed people supplied to employers by employment agencies and job centres end up in temporary employment. After six months, many of them are again out of work and

standing on queues in job centres and employment agencies.

Along with this, the Hartz IV laws were used to intimidate all workers. Because the unemployed are doomed after a year to live in poverty, regardless of what job they had previously practised and how long they had paid for unemployment insurance, the workforce in factories and offices was able to be extorted and compelled to accept wage cuts and deteriorating working conditions. The conversion of full-time to part-time jobs, the growth in temporary employment, wage cuts, increasing work stress, etc., are the result.

“This was precisely the intention of the 2003/2004 policy makers,” declared a formal Hartz IV appraisal by the German Federation of Trade Unions (DGB), criticising the labour market reform.

### **A show of contempt**

The Hartz laws arose to a large extent from the wheeling and dealing of the trade unions. Their representatives, together with those of big business and the federal government, sat in a commission headed by Peter Hartz, which devised all the austerity measures that were subsequently to be implemented under the name of the commission leader. Members of the commission included former district head of the IG Metall union in North Rhine-Westphalia Peter Gasse (SPD), his predecessor and current Minister of Labour and Social Affairs in NRW Harald Schartau (SPD), and Isolde Kunkel-Weber from the Ver.di trade union federal executive.

Peter Hartz himself was and continues to be an IG Metall union and SPD party member. He had risen via this ladder to become personnel manager of the VW Corporation, which qualified him in the eyes of the former SPD-Greens government to prepare legislation for the most extensive welfare cuts since World War II. He remained in that post until he had to relinquish it in 2005 due to a murky corruption and sex scandal.

Trade unions effectively merged with the state under the Schröder government. They put into practice the plans for anti-social attacks prescribed in Schröder’s “Agenda 2010” policy statement and suppressed any serious opposition.

When hundreds of thousands went on numerous demonstrations against the impending Hartz IV reform in 2004, the unions adamantly refused to participate. Instead, they came to the support of Chancellor Schröder, who repeatedly declared he would not bow to “the mob.” Following a series of SPD defeats in state elections, he preferred to call new federal elections rather than budge an inch from Agenda 2010 and the Hartz laws.

The SPD and Greens thus paved the way for the Angela Merkel (Christian Democratic Union, CDU) government, which continued the anti-social Agenda 2010 policies.

The unions’ cooperation with Merkel was a continuation of their collaboration with Schröder. Particularly in the wake of the 2008 global financial and economic crisis, the unions cooperated closely with the government and corporations to

shift the burden of the crisis onto the shoulders of the working class.

It was, therefore, no coincidence that IG Metall chairman Berthold Huber celebrated his 60th birthday in 2010 in the Berlin chancellery at the invitation of the chancellor. Also invited to the event were employer association president Martin Kannegiesser, Siemens CEO Peter Löscher and VW boss Martin Winterkorn, as well as former DGB chairman Michael Sommer and works council representatives of the major corporations, including Klaus Franz from Opel and Uwe Hück from Porsche.

The anti-Hartz IV demonstrations had also accelerated the rise of the Left Party in 2004. At the time, Oskar Lafontaine was alarmed by the protest movement because it was developing beyond the control of the unions, the SPD and the former Party of Democratic Socialism (PDS). In order to prevent a radicalisation of the working class, he joined with trade union functionaries to seize the initiative to establish the Labour and Social Justice Electoral Alternative (WASG) party and forced its merger with the PDS to form the Left Party in 2007.

As successor to the former ruling party (SED) of Stalinist East Germany, the PDS had already shown in its Berlin coalition with the SPD since 2001 that it definitively represented the interests of the banks and corporations as opposed to those of employed workers and the unemployed. Like racist Senator Thilo Sarrazin (SPD), the PDS had not only agreed to the reduction of public sector wages by up to 12 percent, it also condemned thousands of Hartz IV recipients in Berlin to one-euro jobs.

Since the return of the SPD to the federal government as part of the grand coalition, attacks on social benefits and wages have continued to sharpen. In addition to relentlessly imposing Hartz IV, the coalition has now transformed migrants into working slaves deprived of rights and forced to accept work under any and all conditions. These unfortunates are then used, as were the Hartz IV recipients over the last ten years, as leverage to further overturn the working conditions of all workers and drive down social standards. Christoph Schmidt, chairman of the government’s advisory council of experts, has already declared that the state must cease pumping “billions into the social welfare system.”

The “billions” thus saved are to be used to the benefit of Germany’s aggressive foreign policy and remilitarisation. The trade unions and all parties, including the Left Party, share these policies and collude to enforce them against the opposition of the population.



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