

Nine years of Hartz IV – a welfare reform under scrutiny*

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ABSTRACT

Nine years ago, Germany has implemented Hartz IV, the last one in a series of welfare state reforms, merging the former separate systems of long term unemployment benefit and basic income support into a new system. The article summarizes the main empirical findings from a growing field and draws a few conclusions. Mainly, after years of heavy debates and practical experiences in Germany and elsewhere, it has to be said the goal of substantially reducing poverty and saving public money has not really been achieved. Although the system is working well in terms of financial support and population coverage, there are problems in providing cultural and social participation, and even the money is not enough under certain family constellations. Moreover, the idea to solve every poverty problem by rigid work first policies does obviously conflict with the observable heterogeneity of poverty situations. Main results are the disappearance of the privileges of persons in long term unemployment, a shift from permanent unemployment to unsteady low wage employment and need for further subsidies for a major part of the poor, as well as a consolidation of the normative image of a 'normal working citizen', making it harder to get support for people who don't fit into that scheme.

Keywords: social policy, welfare reform, Germany, unemployment, activation policies.

Nueve años de Hartz IV: evaluación de una reforma del bienestar

RESUMEN

Hace nueve años, Alemania puso en marcha Hartz IV, la última de una serie de reformas del estado social, fusionando en un nuevo y único sistema las antes separadas prestaciones por desempleo de larga duración y los apoyos a los ingresos. Este artículo resume las principales conclusiones de un amplio estudio y plantea algunas conclusiones. Después de muchos años de intensos debates y experiencias prácticas en Alemania y otros países, puede concluirse que no se ha cumplido el objetivo de reducir sustantivamente la pobreza y el gasto público. Aunque el sistema funciona bien en términos de apoyo financiero y cobertura de la población,

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hay sin embargo problemas en la provisión de participación social y cultural e incluso los fondos previstos no son suficientes en ciertas situaciones familiares. Es más, la idea de que se puede resolver cualquier problema vinculado a la pobreza a través de rígidas políticas de activación que fuerzan a aceptar cualquier trabajo, entra obviamente en conflicto con la heterogeneidad observable de las situaciones de pobreza. Los principales resultados de estas políticas son la desaparición de los recursos para los desempleados de larga duración, un cambio de un desempleo permanente a empleos inestables escasamente remunerados y la necesidad de más subsidios para la mayor parte de los pobres, además de la consolidación de una imagen normativa del “ciudadano trabajador normal”, lo que, a su vez, dificulta la posibilidad de conseguir apoyo a aquellos que no encajan en estos programas.

Palabras clave: política social, reforma del bienestar, Alemania, desempleo, políticas de activación.

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SUMARIO: 1. Hartz IV: Basic ideas, aims and research questions. 2. Selected findings from nine years of research. 3. Synthesis: Well working for ‘normal working citizens’, problems at the fringes. 4. Open questions. 5. References.

1. Hartz IV: Basic ideas, aims and research questions

Since the mid 1990s, many European countries have debated and implemented welfare reforms inspired by the idea of ‘activation’. Such was the case in Germany as well, where a sequence of labour market and social policy reforms started in 1997 with the so-called ‘JobAqtiv-Law’ and ended in 2005 with the Hartz IV-laws, which merged the basic income support system with the long term unemployment benefit system. The following considerations are intended to give an overview on the basic ideas, research activities and empirical outcomes of the Hartz IV-Reforms¹

¹ In early 2002, the former Chancellor Gerhard Schroeder implemented an advisory commission for labour market and social policy reforms, which was named after its chairman Peter Hartz. He had before been the human resources chairman of a leading Saarland steel company, then changed to the same position at the Volkswagen motor company; in both positions he had played a crucial role in modernizing bargaining procedures and collective agreements in huge companies with strong workers’ codetermination traditions. Especially, Volkswagen can be seen as the German experimental laboratory for codetermination and social partnership since the post-war period. Having been the ‘father’ of the ‘Four Days Working Week’ of the Volkswagen company, which was meant to avoid redundancies and create more space for flexible work organization by cutting working hours and wages (see Promberger et al. 1996, 1997), Peter Hartz had recommended himself for Chancellor Schroeder as a man who was able to modernize labour-capital-relations, labour market and social policy patterns without leaving the German path of social partnership. The Hartz commission issued a sequence of labour market reforms (Hartz I, II, III, IV) between 2003 and 2005, such as the deregulation of agency work, deregulation of minijobs, organizational reforms of the Federal Labour Agency, and the merger of the

and try an interpretation. The article's strategy will not be to investigate or falsify a hypothesis or to search for proofs of a paradigmatic change, but will more take the shape of a social historian's narrative, an inductive approach of a synopsis and interpretation outlining changes and continuities of the most prominent German welfare reform of our decades. It will present Hartz IV as a welfare reform that cut actual and perceived privileges of people with long employment biographies, works more or less well in terms of monetary poverty alleviation, increases welfare coverage, shows problems at the fringes of society, brings a part of the poor from benefit transfers into precarious labour and combined incomes, and is still not really able to activate those parts of the poverty population persons who are remote from the labour market due to bad health, old age, family reasons, low skills or – few but still worth to be mentioned – motivational problems. There is a lot of continuity to the preceding welfare systems, in both socioeconomic conditions and discursive patterns, with some changing weights in the latter: So does the role and expectation frame of a 'normal labouring citizen' move from an emerging into a dominant but contested state, to stay in Raymond Williams' terminology².

Sources, development and critique of the activation paradigm – if we can talk about a paradigm here at all³ - have been discussed elsewhere (Dingeldey 2005, Van Berkel and Honemann 2002, Evers 2000; Serrano Pascual and Magnusson 2007), but the basic ideas were the following: Basic income support, understood as regular payment for people in proven neediness, given without any further conditions, was presumed to keep people in benefit claimancy and lock them there, with dramatic effects on public budgets and work ethics⁴. This process of welfarization had, simplifyingly, to be overcome by bringing the poor back to work and putting them under pressure if they refuse, as Tony Blair⁵ and Gerhard Schroeder proposed⁶ years ago. It has to be doubted whether the preassumptions of

formerly separate systems of unemployment benefits and basic income support in 2005 (Hartz IV). Maybe it is worth to mention that Peter Hartz had to resign when he was sentenced for being part of bribing some of the Volkswagen workers' representatives.

² See Williams 1977.

³ If we dedicate to the fashion of identifying paradigms and paradigm changes, we might identify at least two very different paradigms as the roots of the 'activation' concept when looking closer: One is the 'enabling' approach in critical social work, the other one is the liberal perspective that unemployment and poverty are an individual's voluntary decisions, related to idleness, and therefore have to be alleviated by coercive employment policy.

⁴ This so-called 'welfarization' hypothesis has been made popular by Charles Murray (1984) but dates back to Alexis de Tocqueville in 1835, see Prein/Buhr 1998.

⁵ See: Great Britain (1998). Department of Social Security. *New ambitions for our country: a new contract for welfare*. London: Stationery Office, 1998.

⁶ See former chancellor Gerhard Schroeder's speech to the German parliament (Bundestag) of March 14th 2003.

those ideas have ever been true, as most evidence beyond poverty rates and household incomes, such as on work readiness, welfarisation habits and the ‘culture of poverty’ problem was either selective, dispersed, small or biased (see Barlösius and Ludwig-Mayerhofer 2001: 10 ff.), and too much of those preassumptions sounded like old but still vivid perceptions of the idle and undeserving poor, which we can at least trace back to the late middle ages (Lis and Soly 1979, Paugam 2005, Geremek 1991). And it has to be stated that activation rhetoric in the political field in the 1990s and 2000s had almost completely ignored the various older efforts and programs to bring the poor back to work – which had had not much success at least in the labour market dimension, while their effects on psychosocial stability, participation and social cohesion were not thoroughly measured⁷.

More elaborated versions of activation concepts (Giddens 1998) related to a mixture of progressive thoughts from social work traditions, like enabling or empowerment approaches⁸, and identification of some true deficits in social aid policy, which could often fight poverty and social disintegration mainly by fulfilling basic needs and providing care for those who could not properly care for themselves, but could not end poverty, both in an individual and societal sense. Activities of the ‘supplying’ welfare state were thus seen limited to supplying food, money, shelter and care, including the prevention of deviant behavior and neglect, while work- and education related activities were hardly to be found, according to this perspective. Moreover, in implicitly and again taking up perspectives from the old ‘culture of poverty’ studies (Lewis 1965) and mixing them with the welfarization thesis, it was presumed that the supplying welfare state supported a kind of cultural ‘lock in effect’, called the poverty trap: Generous welfare state transfer incomes were seen to enable the poor to develop behavioral patterns which – from a liberal or conservative perspective – could be called deviant or irrational, reducing any chances to get out of poverty⁹.

⁷ There is, if at all, just a very localized evaluation literature on the pre-Hartz work schemes for welfare clients in Germany, such as Meendermann (1992).

⁸ E.g. Saalebey 1996, Lee 1994

⁹ There have been huge international debates on the ‘culture of poverty’ thesis (for an overview see Barlösius/Ludwig-Mayerhofer 2001) as well as lots of research and publications on the poverty trap, which proved the rationality of many behavioural patterns in poverty (Jordan et al. 1992), the relatively high entry- and exit-dynamics of the poverty population (Bane/Elwood 1986, Leibfried/Leisering 1995, Buhr 2011) as well as the causes for entering poverty being exogenous to the persons’ economic behavior – like general labour market problems, socioeconomic change (Vobruba et al. 2002), illness and psychosocial crises (Chowdhury 2001, Senadjiki et al. 2012) and – for Germany – the fact that sinking real wages (Joebges et al. 2009) contributed more to narrowing the wages-welfare-gap than the presupposedly rising welfare benefits, which did not rise after all when controlled for consumer price developments. Interestingly, those debates were extremely

In opposite, the proposed ‘activating’ welfare state was seen as a promise to end persisting poverty and reduce public budget problems by bringing people back to work as quickly as possible, using phrases like ‘from welfare to workfare’, or the German ‘Fördern und Fordern’, which can be translated into ‘support and challenge’ or, ‘enabling and enforcing’.

In Germany, the protagonists of activation policies - where the mentioned Hartz Commission played an interesting but yet underanalyzed role - enforced their position through public debates and policy procedures until in 2005 the new Social Code II was issued. Looking at what the new law and the parliamentary discussions stated, the main aims of the reform were to end poverty by better labour market integration and improved employability, while through individual periods of poverty, basic needs should be covered. But soon new debates arose what should be part of those basic needs: Just food, accommodation, clothes, covered by the so-called unemployment benefit II plus the reimbursement of housing costs? Or also a certain level of cultural and social participation as well? The latter has been crucial to contemporary interpretations of the German constitution since 1961 and was also included into the new social code II (§ 20 SGB II), but was widely ignored in public debates of and around the Hartz reforms. A further aim of the reform was to reduce the growing expenditures of the welfare state, which had come under pressure from economic changes like tertiarisation and globalization, and were under critique from neoliberalism and austerity policies¹⁰.

The following happened through the Hartz IV legislation: At a formal level, the former income-related long-term unemployment benefit (Arbeitslosenhilfe)¹¹, was in fact abolished, just transferring a part of its name to the payments of the new system, which were then labeled ‘Arbeitslosengeld II (unemployment benefit II), being actually a workfare version of the old basic income support system ‘Social Aid’ (Sozialhilfe), now applicable to all persons in need and able to work aged 15

underregarded in the proceedings of the Hartz-Commission as well as in the earlier British debates.

¹⁰ See Crouch 2005, Streeck 2010.

¹¹ The former Arbeitslosenhilfe (unemployment benefit for long-term unemployed) amounted to about 53% of the previous last net wage for those who had been participating in paid work at least once in their life and had expired of unemployment insurance (Arbeitslosengeld) entitlements. Historically, the Arbeitslosenhilfe was created in the 1920s to form a privileged system for poor persons who had been paid workers before. Their symbolic privilege in the old system laid in the perception that the claimant, as having worked before, is a useful member of society and deserves recognition and support. Also, the benefit is coupled to the former wages, which often was misunderstood as means to keep up the previous standard of living, which was impossible at an almost 50% gap. Nevertheless, the major part of the ‘Arbeitslosenhilfe’ beneficiaries were at least slightly better off than the poor in the ‘social aid’ system (Bonß et al. 1995).

to 65 and their children and partner in the same household. In addition, the maximum duration for receiving the foregoing insurance based unemployment benefit one (Arbeitslosengeld I) was cut down to 12/18, later 24 months, depending on age, while before it was 24 months in any sufficiently entitled case, and even longer for elder persons. After that period, the new system would lead any person in need into the basic income support Hartz IV/Arbeitslosengeld II, with no regard on the previous earnings and employment biography. There was (and still is) a lump sum payment of 345 Euro in 2005, 391 Euro in 2014 per month for the adult household member in single households, plus locally different housing costs, while additional household members are provided a discounted sum, which was justified by intra household ‘scale effects’ of expenditures and vague ideas that minors require less expenses than adults, and women less than men¹², which covertly related to male breadwinner/adult worker models and patriarchal images of the family. After various protests and bargaining during almost seven years after 2005, the system meanwhile provides equal treatment for adult men and women in one household, top up rates for single parent families, disabled persons, pregnant women as well as single extra payments after a child’s birth or school entry, plus a monthly top sum of 10€ often paid as a cheque or voucher for childrens’ educational, cultural and social activities since 2012. Interestingly, the old social aid system had had provided a more extensive possibility for single extra payments, for example for purchasing expensive long-life household goods like refrigerators, washing machines and winter clothing. When Hartz IV was introduced, those extra payments had been generalised and standardised at average level. This made the new unemployment benefit II lump sum exceed the old social aid lump sum by about 10 to 30 Euro per month, led by the heroic assumption that poor households would be able to save this amount for eventually purchasing things like a new washing machine after months’ or years’ time – an assumption which had been proved false by Seebom Rowntree (1902) long before. The details of the new system could (and actually does) build piles of literature, but the most relevant changes compared to the previous systems were

- the application of a whole set of labour market policy schemes on the poor, including those who had never worked before,
- the actual cease of extra single payments (with some little reintroduction after 7 years),
- the disregard and devaluation of the clients’ previous occupational and employment biographies, partly in terms of money, partly in terms of social recognition.
- The normative notion of the poor as ‘normal labouring citizens’ with normal patterns of rationality and behaviour, making it harder to fit in for others.

¹² The standard rule when a family applied for Hartz IV before 2011 was to declare the husband as ‘paterfamilias’, if not objected by other adult household members.

- The slow, stepwise and so far mostly verbal acknowledgement of the necessity for cultural and social participation as a matter of social cohesion for those not ‘automatically integrated’ through labour and consumption.

While the clients of the previous social aid system had had been scientifically observed only by some regionally dispersed and often case study based research (Leibfried et al. 1995 and subsequent, Meier et al. 2003, Kreher 2012), some of which were quite informative but had been widely ignored outside a few social policy or social work experts. The former long-term unemployed and their benefit system had hardly been subject to any research at all since the 1980s¹³. Contrary to this, Hartz IV was accompanied by extensive research interests and programmes from the beginning. The main questions were as follows:

- Population dynamics, structures, turnovers.
- Life circumstances under the new welfare regime
- Access selectivity and treatment effects of activation measurements (“econometric effectiveness analysis”)
- Poverty during the life course (transitions, trajectories, biographical patterns and processes)
- Formation, structure, decisions, informal policies and side-effects of institutional practices („Implementation research“), also with respect to local differences in regulation and experiments in practice.
- Welfare reforms and living in poverty in the view of the people concerned
- “soft” and side effects of activation schemes – psychosocial stability, health, feelings of inclusion/exclusion, participation, family, substitutional effects on private businesses and sectors or on other employment forms
- Effects and problems with regard to social cohesion, social participation
- Economic macro effects
- Policy analysis at macro level

At present, research on poverty and welfare roughly divides into four lines: First, social work and social problems research, mostly based in social work schools, polytechnics and charities, still carried on with a small number of scattered and disparate qualitative or quantitative case studies. Second, free academic research, mostly from universities or academic research institutes, newly turned towards the subject, often with a background of labour studies, social policy or exclusion research (Dörre et al. 2013, 2005, Butterwegge 2006, Ludwig-Mayerhofer et al. 2010, Knuth 2007) or have even been there since more than a decade (Buhr et al. 2010). Third, policy comparison research which had been developing strongly

¹³ With the remarkable exception of Bonß et al. (1995).

between 1995 and 2005¹⁴ carried on (e.g. Dingeldey 2005, Leisering et al. 2006, Obinger et al. 2011), but seems to have lost its previously dominant position when, fourth, a handful of public and private research institutes were commissioned by the German Federal Ministry of Labour to develop, negotiate and execute research programmes of considerable size. These programmes were at first instance mostly centred around the idea of doing econometric ‘analysis of micro level causal effects’ on the new Hartz IV policies, but quickly have been supplemented by macroeconomic modelling, large scale survey research and, last but not least, qualitative studies on both the newly set up administrative structures of Hartz IV and the living circumstances and everyday practice of their clients. The following section will show main results of all those four research lines.

2. Selected findings from nine years of research

Possibly one of the most remarkable findings in the field of population dynamics and the first unexpected consequence for policy makers were the unexpectedly high numbers of claimants in early 2005 (Rudolph 2006). The former two systems – basic income support and long term unemployment benefit - had had included 3.92 Mio persons at the end of 2004, of which about 1 Mio were estimated to be transferred into other systems like sick benefit, early retirement or pension, to change into employment or to lose their entitlements due to stricter access rules compared to the former system for long term unemployed. This meant an expected net transfer of 2.92 Mio persons from the previous two systems into Hartz IV. A seasonal growth of 63.000 persons as well as 0.6 Mio children who had been unrecordedly accompanying their parents in the previous long term unemployment benefit system were also supposed to be entering, summing up to about 3.5 million expected claimants in the new Hartz IV system. But in February 2005, there were actually 4.5 Mio, exceeding the expected level by about one million persons which could not be explained by additional administrative causes, cyclical or seasonal inflows, or by the cuts in the duration of unemployment benefit I. The only remaining explanation was a tremendous mobilization out of hidden or unrecorded poverty. The literature (Becker et al. 2005) usually gives three possible causes for hidden poverty: lack of information, low additional utility through small additional income in the case of small partial entitlements, and high claimancy efforts or

¹⁴ This ‘policy comparison’ research had been developing mainly for two reasons: First, the need for international comparisons of welfare states and their poverty policies in a loose relation to the 1990s ‘varieties of capitalism’ debate, which can be said to be a delayed result of the shock of neoliberalism on social thinking. The second reason was the lack of sufficient German-wide, not to say international household level and longitudinal data on poverty, which drove the researchers to turn towards institutional comparison instead.

hindrances, both in the practical or psychological sense – from literacy deficits to shame or fear of stigmatization. Although in the case of Hartz IV those explanations were not empirically proved, a mobilization out of hidden poverty seems quite plausible. Information lacks were quite likely to have decreased, as the Hartz reform was preceded by four years of broad public debate, ranging from expert commissions to boulevard media. The problem of low additional utility lies in the fact that basic income support may also be paid at reduced rates – e.g. if someone has a small job, his or her income might still be below the maximum claimancy threshold, but claiming this entitlement may provide him only a small top up of a few Euro. It may quite likely be the case that the increase of the monthly maximum payment caused by the reform gives him now, say, 35 Euro instead of previously 5 extra per month and thus increases the motivation to undergo the effortful claimancy procedure. There was also good reason to expect shame and fear of stigmatization be lower than in the old social aid system, as the benefit had been renamed into ‘unemployment benefit II’, and the term ‘unemployment’ has seen a slow but strong destigmatization between 1984, when Rainer Zoll quoted an interviewee “*Those unemployed, I could rather shoot them all*” (Zoll et al. 1984) and a typical quote from a qualitative panel survey in 2008 which went “*becoming unemployed can happen to everyone those days...*” (Promberger, 2008). But this seems to be contradictory and contested today, nine years after the reform: While ‘Arbeitslosengeld II’ (unemployment benefit II) is still a more or less destigmatized term, ‘Hartz IV’ has turned into a catchword to describe persons and social settings where negatively perceived immigration, educational disadvantages, inherited labour market remoteness and delinquency problems among youth concentrate in urban problem areas. Thus, the public debate on poverty in Germany keeps swinging from mercy for the poor and unemployed towards blaming the supposedly idle and back again in terms of sometimes just a few months, again reproducing medieval distinctions between the deserving and the undeserving poor¹⁵.

Another surprise for politicians and labour market researchers was the overwhelming heterogeneity of the poor in terms of sociodemographic characteristics, life situation, class and family background as well as economic, social and cultural resources, while poverty historians and some sociologists knew that since long ago (see Kaschuba 1990, v. Hippel 1995, v. Friedeburg 2002, Leibfried and Leisering 1995). Analysis from 2011 data reveals that at least the qualitative composition of the present day poor holds some continuity with times long ago: Single parents (16%)¹⁶, still mostly mothers, families with two or more

¹⁵ Examples for amalgamating those conditions into a ‘Hartz IV syndrome’ are some recent populist writings of Heinz Buschkowsky, mayor of a problem quarter in Berlin, and Thilo Sarrazin, ex board member of the German Bundesbank, notably both are members of the right wing of the Social Democratic Party.

¹⁶ The percentage is based on all families in unemployment benefit II.

children (13%)¹⁷, undereducated (73%)¹⁸, persons who experience weak physical or mental health¹⁹ or are in a personal crisis, older low skill workers with industrial backgrounds who have been made redundant by technical and economic change, immigrants with poor language skills, failed self employed, one million of people just occasionally holding a job, having insufficient job incomes or both, persons who have to combine different entitlements, and quite a few persons with appearance, behaviour or practices deviating from the image of a ‘normal working citizen’, like deviating physical appearance, remarkable overweight, drug abuse, untreated diseases, behavioural problems and the like. But quite a lot of the beneficiaries are in educational or childcare periods and not unemployed in the strict sense (see Beste et al. 2011). Concerning the unemployed Hartz IV beneficiaries, qualitative and quantitative studies show that real remoteness from the labour market is not very common (Hirsland and Ramos-Lobato 2010, Beste et al. 2011). Work readiness, motivation and even participation in the labour force is quite high (ibid.), although many of the accessible jobs substantially lack agreeable payment and job stability (Koller and Rudolph 2012) – if there are accessible jobs at all. A participant observer at a local jobcenter in Southern Germany noted in 2009 *“The men entering and leaving the counters do in all their manners, clothing, movements, language give the impression that they are ready to at once take up the nightshift at the nearby TV factory – but this factory had been closed 8 years ago.”* (from the observation record²⁰). This brings us to another poverty population of interest – the older former low skill industrial labourers, who can, with some exaggeration, be labelled as the ‘victims of tertiarisation’²¹. It has to be added that those habits usually are being achieved in a long process of a biographical habitualisation and incorporation of industrial labour. This industrial workers’ habit and culture has been addressed by labour researchers since about 100 years in connection with psychophysical adoption to the labour process (Weber 1924), class

¹⁷ See previous footnote.

¹⁸ Percentage based on all persons aged 15 to 65 in unemployment benefit II.

¹⁹ According to Beste/Bethmann/Trappmann (2011), about 0,35 Mio. recipients of Hartz IV are neither engaged in any kind of paid labor or educational activities, nor in active labour market schemes nor unpaid childrearing, care or other voluntary work, due to self reported severe health restrictions.

²⁰ This record was collected under the accompanying exploration for the ‘IAB-100’ qualitative panel survey which followed more than 100 Hartz IV-recipients and other people in poverty in four waves of narrative interviews through the years 2007 to 2012.

²¹ Tertiarisation is meant here as a double process, indicated by growing numbers and proportions of service jobs and shrinking numbers of industrial jobs; it is caused in a complex way through what Fourastié (1968) called labour-saving technical progress, and changes in the global division of labour, shifting simple manual labour partly outside the borders of the newly industrialized countries.

behaviour, the unlikeliness of socialist revolutions (Marx 1867: 765) and the turn of the major part of the labour movement to social democracy and trade unionism, the low intergenerational upward mobility of workers in Britain (Willis 1976), but so far has not been widely debated as an explanation for high unemployment and low intersectoral mobility of older low skill industrial workers. But in doing so, much of the long term unemployment among older workers with manufacturing background which seemingly contradicts with an undeniable work readiness among many of them, can be explained with a mismatch, which prevents older industrial labourers from taking up low skill jobs in services. This mismatch surely has an economic component, as the low skill manufacturing kind of labour they had done through their previous biographies was usually paid much better than present days low skill service work. But there is also a heavyweight cultural component, as many of the acquired informal, tacit and therefore non-certified skills, habits and practices which were useful for manual labour and functional for the labour process, are obsolete or even hindering when being transferred into services work. Although this hasn't been investigated too much so far, the problem seems to be quite clear for practitioners in the field: *"You can't make a 55 year old redundant ship welder sell mobile phones in a shopping mall or work in a callcenter"*, as an interviewed jobcenter manager put it.²²

But as much truth lies in this for the population of older low skill manufacturing workers now unemployed, it cannot confirm the thesis of the one dominant path into poverty caused by socioeconomic transformation and industrial decline which has been propagated by parts of the German poverty research two decades ago (e.g. Adamy and Hanesch 1990): At least since 2009, only about 30% of the annual inflow comes actually from standard employment through registered unemployment into unemployment benefit two, the exact level mainly depending on the business cycle (Fuchs 2012). This conforms earlier findings on the previous German system of social aid, as they were only partly coming out of employment or short term unemployment, thus already Leibfried and Leisering (1995) stated a considerable heterogeneity of processes leading into poverty, when they transferred the Bane and Elwood (1986) approach of 'poverty dynamics' into German research.

The other side of poverty dynamics is staying in and getting out of poverty, or benefit claimancy in this case. In general, population turnover is fairly high with a 20-25% annual turnover rate²³, although much lower than in the short-term unemployed population. Exits from the stock population in Hartz IV benefit recipiency summed up to 55 % in a three years period 2005 to 2007, but 40% of the exiting persons returned into benefit claimancy within a 12 months period (Graf and

²² See footnote 11 on the source. See also Weimann-Sandig/Osiander (2013) for difficulties to recruit educational staff for children daycares from the unemployed Hartz IV beneficiaries.

²³ Last measured by Graf/Rudolph (2009).

Rudolph 2009). Among all households in Hartz IV, short term benefiteres and childless couples are most likely to exit soon, while single parents are most likely to exit late. Exiting poverty seems to accelerate a bit between 2005 and 2007, but whether this was caused by the labour market and welfare reforms or by reaching the peak of the economic cycle is an ongoing subject of a debate (see Möller et al. 2007, Horn 2012, Klinger and Rothe 2012). Perhaps even more important than asking whom to praise or blame, is the question what this heterogeneity means for debating poverty and inequality, as it justifies a change of perspective on poverty populations in two respects: First, becoming poor does not necessarily mean to stay poor forever and to become more and more remote from paid labour, with evil consequences of various kinds. But second, this proves that the dynamic approach in poverty research does not mean neglecting poverty as a risk of social divide and declaring it just a temporary biographical problem, dissolving the class or stratification and persistent inequality aspects, as it was accused to (Groh-Samberg 2009). Even on the contrary, additional analysis shows that there is a dynamic segment with actually insufficient jobholding or frequent transitions into and out of precarious employment periods and benefit recipiency periods (Bruckmeier et al. 2010). But there are also segments of mid and less dynamics, as well as of no dynamics at all, despite changes from one transfer system into another. And, again, many of those who leave Hartz IV are quite likely to come back soon, and those who are actually integrated in the labour market through small jobs which they have to combine with transfer income, are not very likely to access to sustainable employment (Bruckmeier et al. 2013). In terms of class, this would mean that there is indeed a new, re-emerging (or previously underregarded) class of precarious labourers with ‘perforated’ biographies, but there are also different types of low-dynamic underclasses, and all those classes are relatively unlikely to exit poverty sustainably. The precarious labourers have low chances to enter the more privileged parts of the working class, although this is not fully impossible, and the other ‘underclasses’ – this term is not satisfactory as it actively denies their various ways of functional and social inclusion – have hardly any chance to get out, while middle and privileged working classes face poverty risks mainly in case of long term sickness, unemployment at elder age or personal and family crises. Anyway, despite all dynamics and turnovers, the class term can well be used, as the permeability between the respective social groups is quite low. What the observable high dynamics actually do, beyond this differentiation of the working classes, is to raise the question of the appropriateness of many ‘activating’ measurements, which may be falsely targeted on those already quite active, but just suffering of low wages, low skill and low possibilities of sustainable employment. Education and training might do much better – but there is still research to be done and policy makers to be convinced that in many cases it is not labour market remoteness, another modern term for the old word ‘idleness’, but low skill that should have to be fought by any anti-poverty policies for a huge part of the population concerned.

The life-nexus in poverty, as I would call it referring to Wilhelm Dilthey (1927), means the biographic and historic layering of events, experiences and perceptions,

resulting in people making similarly sense of previous and taking action in future situations of poverty. And as we know since Karl Mannheim (1928/1929), and Alfred Schütz (1932), the life-nexus is socially structured through class or generational dimensions as well as through social knowledge and social patterns of biographies. First, the biographical patterns are under change, which means that transitions in the life course rearrange in meaning, extension, connections, succession and content. Second, there is no mellow and continuous development from one phase of life to another, but distinct transition periods which are called status passages (Kohli et al. 2009, Van Gennep 1909, Glaser and Strauss 1971), of which some are more or less normal, like birth, getting adult, marriage, founding a family, taking up work, getting out of the active age, dying, while some of them are irregular, like getting severely sick, unemployed, divorced or poor and the reverse. Even normal passages can be seen as crises in the sense of dissolution and recomposition of identity and social role (Turner 1969, Van Gennep 1909), which increase vulnerability. But even more so this has to be taken into account for irregular passages of the mentioned kind, or regular passages taking place under difficult conditions, like becoming adult in a poor family. On this theoretical basis it is worth looking into biographies and everyday life of the poverty population with qualitative and reconstructive methods – but also quantitatively. Doing so, some main findings are as follows:

First, the strong work orientation of many (Hirsland and Ramos-Lobato 2010, Beste et al. 2011), and the high actual labour market involvement of about one fourth of the adult Hartz IV population holding at least small jobs. This is corresponding with the fact that employers who actually hire persons previously long-term unemployed are positive about their motivation and readiness to work (Rebien and Müller 2013). Young beneficiaries' feel like being excluded by not being able to keep up with the leisure and consumerist behavior of their peers (Schels and Popp 2008). Interacting with welfare institutions, the Hartz IV beneficiaries show divergent rationality patterns in contact with the poverty institutions (submissive behavior, cooperation as pseudo-work, superficial adaptiveness, legitimate basic income with no reciprocity requirements, tit for tat, market chance improvement, self improvement, see Wenzel 2008), not all of which are suitable for the intentions of activation policies. There still are actual problems of hunger under Hartz IV, in two respects: First, indirectly, as the social event of eating out is absolutely restricted by budget scarcity, and the people concerned may face a loss of social relations otherwise maintained by the social ritual of eating out (Hirsland et al. 2011), but there is also direct scarcity of food, when mainly mothers eat less or worse from mid-month on to allow their schoolchildren more budget for clothes and school activity participation in order to avoid stigmatization (ibid., Bosch 2010). Coming back to the unemployed in the Hartz IV system: Vocational or professional identities rooted in vocational training during adulthood seem to stabilize the self-perception, self-effectiveness, labouring capacity and employability even through long periods of unemployment (Hirsland 2010), while non-participation in labour again evokes the destructuring powers on everyday life,

family and social relations we all know from the classical poverty studies like those by Booth (1892-97), Rowntree (1902), or Jahoda et al. (1974). This is one background why many labour-like participation schemes are widely accepted among the people concerned, as it improves the structuring of daily life and microsocial relations as well as the feeling of being needed, providing meaningfulness activities and social recognition. Subsidized labour may therefore replace the ‘natural’ mechanisms of social inclusion provided by regular labour, although its direct labour market effects may be small.

And this brings us to the question of the ‘effectiveness’ of activation schemes in terms of the so-called net treatment effect on the treated in the econometric sense. Subsidized labour in short term arrangements (One-Euro-Jobs) seems to have slightly positive effects on women in western Germany, on elder persons and for most participants in the long term (at least two years after the end of the scheme) (Wolff and Hohmeyer 2012), which is better than the foregoing long-term arrangements of subsidized job creation schemes which had been introduced in 1969 and had been blamed for keeping participants away from search activities (Caliendo and Hujer 2006). But this positive labour market outcome is not very strong, as it is partly counterbalanced by creaming effects and false targeting (Wolff and Stephan 2013). The One-Euro-Jobs can also improve the feeling of inclusion, but expectably not that much as regular labour does (Promberger 2008, Gundert et al. 2011). Training schemes may accelerate returns into employment, but mostly if they are provided by regular private businesses, not by specialized training companies or other third sector employers (Wolff and Stephan 2013). There are almost no substitutional effects on regular labour by One-Euro-Jobs, as they seem mainly to replace older job creation schemes instead, and the local advisory councils to the labour agencies seem to be able to prevent those side effects of substituting regular jobs (Sowa et al. 2012). The heterogeneity of the poor surprisingly corresponds with the rather open design of the One-Euro-Jobs which can be used as a multiple tool, from work therapy through work availability tests, real bridges into work life and the first labour market, up to creating a cheap and flexible labour force for public and third sector activities, being allocated through local networks (ibid.) and even hired out to private employers in few cases. Politics had to learn a lot during those first years – e.g. not forcing young persons into paid labour when their education is still incomplete, not creaming academics or other well trained persons into long run job creation schemes instead of helping them into the first labour market. And, heterogeneity is still a big challenge for labour market and welfare practitioners who still tend to think in risk-, problem- or target groups instead of analyzing every single claimant. Although single mothers in general have increased risks to stay in benefit claimancy for longer terms, the well educated part will soon get a job again after the kids are old enough for school or daycare (see Achatz et al. 2013), and the less educated part is the subpopulation where further training schemes help most to get back to work (Zabel 2012). Promoting and subsidizing the take up of self employment for persons in Hartz IV proves to be

quite successful for the few cases that ‘survive’ the obligatory rigid preselection (Pongratz et al. 2013).

When the Hartz IV reform was introduced in 2005, a whole lot of the practical work of benefit payments, counselling, job placement and other casework shifted from the local communities and the local labour offices, where it was done separately before, to newly created joint organizations between the local community and the local branch of the federal labour agency, or – in the minority of the German counties – to the local communities alone. This again raised research questions. One of them was the question which organizational form would perform the legal tasks better – the joint organization or the local community alone, which was quite a political issue, as it touched German federalism at its core: Labour market policy is seen to be a federal affair executed through the Federal Labour Agency, while caring for the elementary needs of the population is a matter for the local communities and their social services, and their joint organizations could be seen as an unconstitutional mix of tasks and budgets, which was why the Constitutional Court of Justice imposed some changes in 2011, of which most were on contractual level and did not touch practical activities too much. Extensive and detailed research revealed almost no significant differences between the joint organizations and the community alone organizations (BMAS 2008). But moreover, it raised once more the question of the quality of casework and job placement for groups with special labour market and social problems. The evidence is quite patchy so far: Inadequate communications between clients and caseworkers revealed in a small study (Klevenow 2014), partly incompatible rationalities between both sides (Wenzel et al. 2008), a lack of professional casework experiences and education as well as tight time schedules on the side of job placement officers (Ludwig-Mayerhofer et al. 2009, 2010, Baethge-Kinsky et al. 2007), as well as dense controlling and reporting duties on the side of the job placement officers who are moreover subject to precarious labour contracts themselves in many cases. Meanwhile, in early 2013, this debate was taken over by the Federal Court of Audit, the Federal Labour Agency’s works councils and executive board, still going on in early 2014, and including also the employment services for the short term unemployed. One crucial topic of criticism is the standardized practice of many job center workers, providing measures or jobs they have easily at hand instead of searching for case-fitting solutions. There are lot of them trying to do best, but the more they do so, the more they risk to overwork themselves or to come into trouble with their organizational controlling. On the other hand, the majority of the Hartz IV ‘customers’ or ‘entitled persons able to work’, as the organizations and the law call their clients, are relatively satisfied with the persons in charge for their benefit, as standardized mass surveys and cased study analysis show (Tisch 2011, Schütz et al. 2011).

It is still an open question whether and how the Hartz reforms in general, in particular the new social code II had contributed to the stunningly positive labour market development in Germany since 2005. As said before, many scientists indeed think so (e.g. Klinger and Rothe 2012 a,b), although there is no direct proof – as

there is no possible method to fully separate the effects of the general business cycle, demographic changes, the specifics of Germany in the new global division of labour, losses in real wages Germany had experienced between about 1992 and 2008, and the introduction of the Euro with its different effects on labour and capital. Critics therefore stated that most of the labour market relief has been caused by the business cycle and Germany's special position in the world market (Horn 2012), focusing on high quality export goods and knowledge-intensive industries rather than on just financial services. Moreover, there are strong hints that the German economy and labour market have benefitted from the European crisis (Joebges et al. 2009).

3. Synthesis: Well working for 'normal working citizens', problems at the fringes

There are quite a few conclusions of nine years practice and research in this new welfare system Hartz IV which can be drawn in practical, analytical and political respects:

Most beneficiaries of Hartz IV are surprisingly close to the labour market in terms of motivation and readiness to work. But educational poverty, the precariousness or lack of simple jobs are causing problems in labour market participation, the same counts for self perceived health problems and life crises. Political criticism from the beneficiaries themselves was mainly addressing the loss of former privileges of the long-term unemployed, and therefore is losing ground in the same way the old separate system for long-term unemployed becomes a kind of remote history.

Other political criticisms still are vivid and seem to be justifiable: Conclusively and simplifyingly, we have to state that highly different living situations require different and case-adapted action. Fulfilling basic economic needs seems to be relatively simple for a system like Hartz IV and his antecessors, although even there are blank spots to be filled like the above average needs of single parent families, and the slowly but steadily decreasing living circumstances of those constantly in need for a long time. On the other side, activation in the sense of improving employability and labour market integration is quite complicated. There is no one-size-fits-all activation recipe and a lot more of classical social work is needed, especially for those not many but undeniable groups remote from the labour market, suffering from bad health or bad psychosocial situations, low self-esteem and isolation. Still almost untackled is the problem of bad education and low skills, although since 2012, some special money of about 10 € per child and month can be spend on education and social integration issues. Of course the participation of the people concerned in political affairs on poverty is low and politically unwelcome: The case of the standard welfare payment fixation in 2011 showed, that this is a matter of politicians and various experts speaking for the poor in the best case, not talking to them or involving them into negotiations. Reported and published cases

of mistargeted and misconducted ‘activation’ measurements, surveys among charities’ caseworkers (Diakonie 2012) and a lastingly high amount of court cases support the notion that Hartz IV is based on the rather strict idea of a ‘normal working citizen’ (Promberger 2010), who is healthy, non-deviant, German speaking, with a rational life conduct and cooperative manners, mobile, self-expressive and communicative in a way that matches the expectations of job placement officers, case managers and employers’ human resources staff. In cases where welfare clients deviate from this picture by habit, communication patterns, body appearance or waywardness, they are quite likely to become misinformed, pressurized, their entitlements withheld, or subject to open sanctions, even if they share the values and norms of a labour society. Although scientific proof for this is still scattered, selective and patchy, the newspapers as well as the staircase talks of both Hartz IV clients and their case managers are full of evidence at everyday level, and policy analyses (Ullrich 2006, Lessenich 2003) and qualitative studies do at least indirectly support the thesis that Hartz IV does not really work well at the fringes – like probably most known welfare systems in the western world.

It seems that activation policies have in no way ended poverty, but have brought the relation of poverty and work under readjustment: Combined benefits, working poor with or without subsidies, frequent transitions into and out of jobs and benefit claimancy, precarious labour market status in persistency seem to have replaced the old pattern of either working in a standard labour contract or being unemployed or poor for a relatively long period and with proper alimentionation. But this change of the labouring society’s face is primarily an effect of fundamental changes in the employment system and the broad introduction of flexible and precarious employment, which secondarily shifts risks and social obligations from employers to society – which in that case means the welfare system. The German (or say conservative) pattern of a postfordist labour society and welfare state seems to be presently completing a change, replacing the structurally persistent unemployment of the 1970s and 1980s by precarious employment to a huge extent, as roughly estimated one fourth of the German labour force is meanwhile employed under nonstandard, mostly precarious labour contracts (Promberger 2012, Sachverständigenrat 2008). And activation policies seem to contribute their share to this, enhancing, regulating and subsidizing the growing segment of unsteady work, especially by forcing the unemployed into non-standard working conditions like low pay contracts, agency work, minijobs and short term contracts.

This also means, that we have to change our view on poverty now, if we haven’t done so already. In the 1990s, the ‘dynamic approach’ in poverty research, following Bane and Ellwood (1986), suggested also for Germany, that poverty mainly is an episodic problem for most of the people concerned, thus limited in duration from a few months to a few years, but reaching out even in the middle of the middle classes (see Leibfried et al. 1995). This was widely criticised for neglecting class or strata aspects (Groh-Samberg 2009) but can now be seen as confirmed (Buhr et al. 2010). On the other hand, it is undeniable that a considerable part of the benefit claimants who take up a job will come back into benefit or will

never leave it despite holding a job – and this counts mainly for the low-skill part of the working class, reminding for William Beveridge's thoughts on the unsteadily employed low skill part of the British early 20th century working class, finding jobs only under optimum conditions and being made redundant again soon on any slight changes of circumstances (Beveridge 1909).

Considering inequalities and stratification of the German society, from a cross sectional and statistical perspective there is a growing income inequality, which is not only a problem of growing poverty but also caused by income growth in the highest income quantiles. Labour market inequalities move into a growing 'dualism' of those who hold a standard employment contract and those who don't.²⁴ Among the latter we can find a rather high share, if not to say dominance of both women working part time and low qualified males. Hartz IV must not be seen as a cause of this development but as a codifying, supplementing and adopting the European labour market fission tendencies reemerging since the mid 1980's (Oschmiansky 2007) into the poverty benefit system. It is still unclear whether this undeniable dualism (see Köhler 2012) transforms into the resurgence of the old intra-class difference of privileged workers with higher skills and steady employment, and underprivileged workers with low skills, low wages, high local mobility and high risk of repeated unemployment, unsteady employment and poverty, well known since the days of Beveridge (1909) in England or Brentano in Germany (1893). Conceptualizing this labour market dualism as a reemerging intra-class fission would require three empirical confirmations still pending: First, a low mobility from the underprivileged into the privileged workforce segment would have to be proved at aggregate or macro level, and second, on micro level there should be a significant group of precarious labourers who alternate between transfer incomes and labour incomes or who get both, and this for a major part of their employment life, unable or statistically unlikely to get into a better labour market position. Third, it is still unclear if, where and under which conditions precarious employment at an individual level actually develops into poverty and need for basic income support at family/household level, which we would call precarious living conditions. But although this is still an open question, the answer might be very crucial for judging the degree of social cohesion in European societies. If precarious labour is just an episode for most, and a permanent fate for few of the precarious labourers, its threats to social cohesion are low, while they are high if there is no way out of precarious employment for the active lifetime of the underprivileged segment of the workforce, and Hartz IV plays the unfavourable role of pressing them back into bad labour when getting unemployed. Coming back to Germany, it seems as if the labour market reforms of the early 2000s and Hartz IV in general

²⁴ This dualism is different from the dualism proposed by the 1970s US segmentation theory (Doeringer/Piore 1971) but may show some overlaps to refined forms of segmentation theory like Sengenberger 1987.

helped to change the bad end of the labour market from high structural and partly longlasting unemployment into precarious employment and non-sustainable wages.

4. Open Questions

The above problem of inequality and class is just one of a few open questions for research and open problems for anti-poverty policies. Moreover, it has to be asked what helps really against persistent poverty? Which role do habits, poverty cultures and inherited poverty actually play in forcing people into or enabling them to leave poverty? A better understanding of the emergent rationalities of living in poverty could be helpful, and there is just limited, mainly case study evidence on this up to now (Jordan et al. 1992). An interesting approach could be to learn from the poor citizens themselves, especially from those who were able to end poverty, even long term poverty, from those who manage to touch in and get out of poverty quite soon, maybe also from those who manage to get well despite living close to the poverty line, without or with little state money. This brings two ideas into play: One is a biographical approach, in search how turning points out of poverty occur and work, the other one are concepts like resilience, both drawing on hidden personal, social or cultural resources which can be mobilised by the poor. Moreover, this stretches out into the evaluation of job centers and measurements connected to Hartz IV: Should 'work first' in every case be the top priority, usually meaning every kind of out-of-home paid labour, how bad it may be? Don't we need to develop different and adaptive concepts and care for psychosocial stability and social participation first? A look across the borders might help – for example on the Dutch concepts of social activation, which do not really leave the workfare ground, but accept that not everyone can take up work so easily – although those concepts seem to have disappeared in the crisis (Ester and Vincken 2011). How good are counselling and case management really? Couldn't we imagine a kind of institutional support not only handing out little money and giving sanctions or improper treatment for misbehaviour, but also supporting knowledge, motivation, enabling and empowering poor citizens to change their fate into agency? There are huge differences from place to place, and the centralized new system has – at least in Germany - a strong tendency towards bureaucracy and tayloristic forms of work organization with low skill at the front office, which make case-sensitive solutions quite difficult (Sowa and Staples 2014). And, if we accept that there are more targets than just taking up work, may they be equally justified or interim steps, how can we measure the achievement of soft targets like employability, participatory effects, better health and social stabilisation effects of different schemes? And last but not least, how could educational participation be improved? A better interface to educational research and policy would be a milestone on the long and winding road to reducing poverty. The second one would be, if we had an answer on how a good secondary or third labour market might look like, integrating and supporting those who need it but not creaming and trapping those who don't or do not longer. And

third, how could the risks of precarious labour market integration be limited through social policy, if we can't go back to the age of the standard employment contract? If we want to significantly reduce poverty in Europe, we will have to think about the ways in which labour, employment, poverty and social security are interacting, and in which way they should interact to keep up social cohesion. And we will have to think about the citizens in poverty not only in a way to refunctionalize them for the 21st century's globalized economy, but also open their access to participation and knowledge – not only with respect to taking up paid labour, but also how to get by well with little money, about the various ways to work, cooperate and gain mutual support in families, neighbourhoods, networks and communities, and how to speak up and act in the political sphere – and how the institutions of the European welfare states could improve themselves and support their poor citizens after the failure of the activation paradigm.

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