



Support and Obligation: From Unemployment Insurance in 1927 to Basic Income Support

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In 1927 a legal right to unemployment support was created. How benefit and obligation have been linked since, up to the Neue Grundsicherung of 2026.

If you lose your job in Germany, you have had a legal entitlement to support since 1927. That was new at the time, and from the outset it was linked to obligations. Since then, the question of how much support there is and what may be demanded in return has been answered anew again and again, most recently with the Neue Grundsicherung (New Basic Income Support), which has been entering into force in stages since July 2026. This article traces the lines from 1927 to the present day.

Unemployment insurance in 1927

A legal entitlement instead of alms

Before 1927, unemployed people depended on the poor relief of the municipalities or on the support funds of the trade unions. After the First World War there was state relief for the unemployed, but no entitlement that anyone could invoke.

On 16 July 1927, the Reichstag adopted by a large majority the Gesetz über Arbeitsvermittlung und Arbeitslosenversicherung (Act on Employment Services and Unemployment Insurance). It created unemployment insurance as the fourth branch of social insurance, alongside health, accident and pension insurance. Anyone who became involuntarily unemployed and was able and willing to work received, for the first time, a legally secured entitlement to support.

Contributions and self-administration

The insurance was financed by contributions of no more than three per cent of wages, paid half by employees and half by employers. It was administered by the Reich Institution for Employment Services and Unemployment Insurance, a self-governing public body in which representatives of

employees, employers and public authorities sat. Employment services and support were thus in one hand. This combination still shapes unemployment insurance today.

Defeated by the crisis

The insurance was built for a period of normal economic activity. According to the account of the German Historical Museum, its funds were calculated for at most 1.4 million unemployed people. With the Great Depression, unemployment rose far beyond that and exceeded the five million mark in February 1930.

On 27 March 1930, the last parliamentary majority government of the Weimar Republic, the Müller cabinet, broke up over the question of how the gap was to be closed. The SPD wanted to raise contributions, the German People's Party wanted to cut benefits. After that, presidential cabinets governed by emergency decrees. The contribution rate rose to 6.5 per cent in October 1930, and at the same time access to benefits was made considerably more difficult. By January 1932, with around six million unemployed, only just under a third of them still received insurance benefits. The rest depended on crisis relief or municipal welfare.

The Federal Republic

Insurance and welfare

After 1945, unemployment insurance was rebuilt. In 1969 the *Arbeitsförderungsgesetz* (Employment Promotion Act) replaced the Act of 1927; since 1998 the law on employment promotion has been set out in Book Three of the Social Code. For decades there were three levels: unemployment benefit from the insurance, tax-funded unemployment assistance for the long-term unemployed, whose amount was based on previous wages, and social assistance as the last safety net.

Hartz IV

In 2005, unemployment assistance and social assistance for people able to work were merged into *Arbeitslosengeld II* (Unemployment Benefit II), governed by Book Two of the Social Code and known as Hartz IV. The benefit was no longer based on previous wages but on need. It brought with it an expanded system of obligations and benefit reductions for breaches of those obligations.

The limit set in Karlsruhe

On 5 November 2019, the Federal Constitutional Court set limits on these reductions. It held a reduction of 30 per cent of the standard needs rate to be compatible with the *Grundgesetz* (Basic Law) on the basis of the knowledge available at the time, provided that it can be waived in cases of exceptional hardship. It declared reductions of 60 per cent and complete withdrawal to be incompatible, because the burden reached far into the subsistence minimum guaranteed as a fundamental right. A complete withdrawal of benefits could only be justified if work that actually secures a livelihood and is reasonable is refused without good cause. The Court also objected to a rigid duration of three months, regardless of whether the obligation is in the meantime being fulfilled.

Bürgergeld and the Neue Grundsicherung

In 2023, Arbeitslosengeld II was replaced by the Bürgergeld (citizen's benefit), with higher protected assets, a grace period for housing costs and a stronger emphasis on further training. As early as 2024 it was tightened again.

On 5 March 2026, the Bundestag adopted the conversion into a Neue Grundsicherung, by 321 votes to 268 with two abstentions; the Bundesrat approved the Dreizehntes Gesetz zur Änderung des Zweiten Buches Sozialgesetzbuch (Thirteenth Act Amending Book Two of the Social Code) on 27 March 2026, promulgated in Bundesgesetzblatt 2026 I Nr. 107. The benefit is now called Grundsicherungsgeld (basic income support benefit), and most of the changes have been entering into force since 1 July 2026. If, for example, offers of support are rejected, the benefit is reduced by 30 per cent for three months; after the second missed appointment at the Jobcenter a reduction follows, and repeated breaches of obligations or being unreachable can lead to complete withdrawal. The grace period for assets is abolished, protected assets depend on age, and placement in work takes priority over further training. Whether the new rules meet the standards of 2019 in all respects is disputed and is likely to be reviewed by the courts again.

What has stayed the same over the decades

The link between benefit and obligation

As early as 1927, only those who were willing to work received support. The link between benefit and cooperation is therefore not an invention of recent years. What has changed is how tightly it is drawn and what happens when someone does not fulfil an obligation. Today the limit for this is set by the Grundgesetz: the subsistence minimum is protected, and the state must be able to show that a reduction achieves its aim.

The situation on the labour market

What has also stayed the same is that every rule for the unemployed works only as well as the labour market it meets. The insurance of 1927 was well built and failed because of the number of unemployed. Obligations to take up work are effective where there is work that pays enough to live on. Where wages are low and employment is insecure, the way out of basic income support often leads into work that again depends on supplementary benefits.

What this means for you

If you receive benefits

Decisions on reductions must state reasons, and you can lodge an objection within one month. A hardship case must be examined if you put forward reasons. Keep invitations, decisions and your replies, and note down when you received and sent what. A decision sent by post is deemed to have been notified on the fourth day after posting, and the time limit runs from then (§ 37 Abs. 2 SGB X).

If you work and still top up your income with benefits

Many people receiving basic income support are in work. If your wages are not enough, it is worth looking at your payslip: is the minimum wage being paid, are all hours being paid, are holiday pay and sick pay correct? Every euro that your employer owes and does not pay is missing from your income and is ultimately made up by the general public.

Summary

With the Act of 16 July 1927, unemployed people in Germany received a legal entitlement to support for the first time, financed from contributions and administered by a self-governing Reich institution. In the Great Depression, the insurance collapsed under millions of unemployed, and in 1930 the last parliamentary government of the Weimar Republic broke up over its financing. In the Federal Republic there followed the Arbeitsförderungsgesetz of 1969, Hartz IV in 2005, the Bürgergeld in 2023 and, since 2026, the Neue Grundsicherung with stricter reductions. In 2019 the Federal Constitutional Court established that the subsistence minimum remains protected even in the event of breaches of obligations. The link between support and obligation is as old as the insurance itself; what is negotiated anew again and again is how far it may reach.

Cited as

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