



To the point!

Cross-Asset- and Strategy-Research

Germany's contentious social benefits

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Fact checking the controversy about the citizen's allowance

Since its introduction in 2023, the citizen's income (known as "Bürgergeld" in German) has been a major political football in Germany. Now, amid the election campaign, this successor to the previous little-loved welfare scheme known as Hartz IV is even more at the center of heated debates. The more emotions come into play, the higher the risk of veering away from the facts into untenable positions. Allow me to put things into perspective.

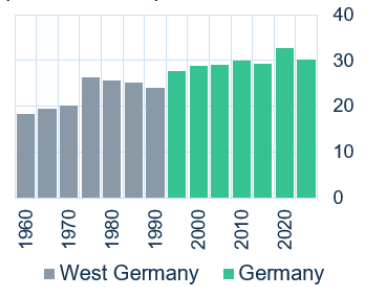
What does the citizen's income cost?

Germany's welfare state is comprehensive and costly. Despite an aging population and a sluggish economy, the overall social budget has remained relatively stable (see Fig. 1). The citizen's income itself, like its predecessor Hartz IV, accounts for only a relatively small and decreasing portion of welfare expenditures: between 2010 and 2023, its share dropped from 5.8 % to 4.1 %. The bulk of welfare spending is allocated to healthcare, pensions, and long-term care. In 2010, the expenses for the predecessor to the citizen's income, "basic security for jobseekers," amounted to 1.8 % of Germany's GDP. By 2023, this had fallen to 1.3 %, equivalent to just under €54 billion.

Recently, significant criticism has emerged over the 12 % increase in the basic Bürgergeld benefit for 2024 to €563 per month. The government had overestimated inflation and overshoot the target. Consequently, there will be no increase in 2025. As some excess from last year's inflation adjustment still lingers, I expect only small adjustments for 2026, too. Thus, the costs of the German citizen's income remain manageable and static.

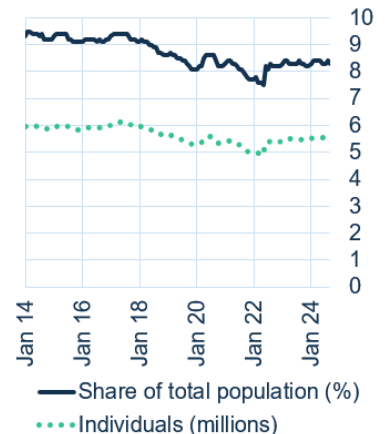
Currently, about 5.5 million people in Germany receive the citizen's income, corresponding to a rate of just over 8 % of the total

Fig. 1: Social benefit ratio (% of GDP)



Source: German Federal Ministry of Labour and Social Affairs, LBBW Research

Fig. 2: Incidence of citizen's benefit



Source: Federal Employment Agency, LBBW Research

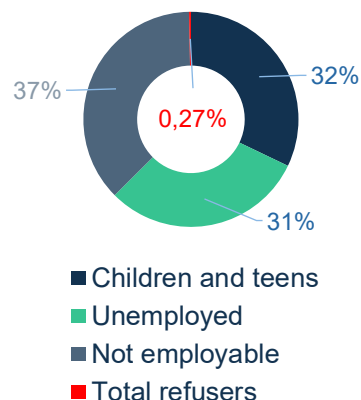
population (see Fig. 2). The number of recipients was declining until 2022. The trend reversal since then can be solely attributed to refugees from Ukraine, mostly women and children. This increased the share of foreign recipients of the citizen's income from 37 % to 48 %. Contrary to common belief, not all eligible beneficiaries are unemployed: if an income is too low to cover living expenses, the German state tops it up with citizen's income. Only about 1.7 million recipients are actually unemployed, half of whom are long-term unemployed. Two-thirds of these have no vocational training at all. Another 1.6 million people are not employable, most of whom are children (see Fig. 3).

Does citizen's income constitute a disincentive to work?

Critics and tabloids often claim that the citizen's income deters the unemployed from seeking work as they supposedly fare better with social transfers. As Fig. 4 shows, this assertion is false for all demographic groups. Those who work always have more money in their pockets. This aligns with the fact that despite the introduction of the citizen's income, the number of transitions from work into benefits did not increase in 2023, even though the labor market has become more challenging for low-skilled workers. The significant increase in the minimum wage since 2021, compared to the citizen's income, has also sharpened incentives to take up work. In the first eleven months of 2023, a total of 13,838 "total refusers" avoided work or training. This corresponds to 0.9 % of employable recipients of the citizen's income.

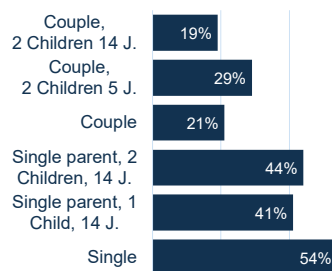
Of course, there is room for improvement in the citizen's income scheme, such as making it harder for recipients to engage in unrecorded work in the shadow economy. However, a look at the facts quickly reveals that the citizen's income is not a panacea whose reduction would solve multiple problems at once and free resources for tax cuts or investments. The world is not that simple. Whoever claims differently is either ignorant or malevolent.

Fig. 3: Structure of benefit recipients (Sep 24)



Source: Federal Employment Agency, LBBW Research

Fig. 4: Working always pays more*



* Additional income for a 38-hour week at minimum wage, single earner, as of 2025.
Source: Portal Sozialpolitik, LBBW Research

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