



Reinventing the Public Employment Service: the changing role of employment assistance in Britain and Germany

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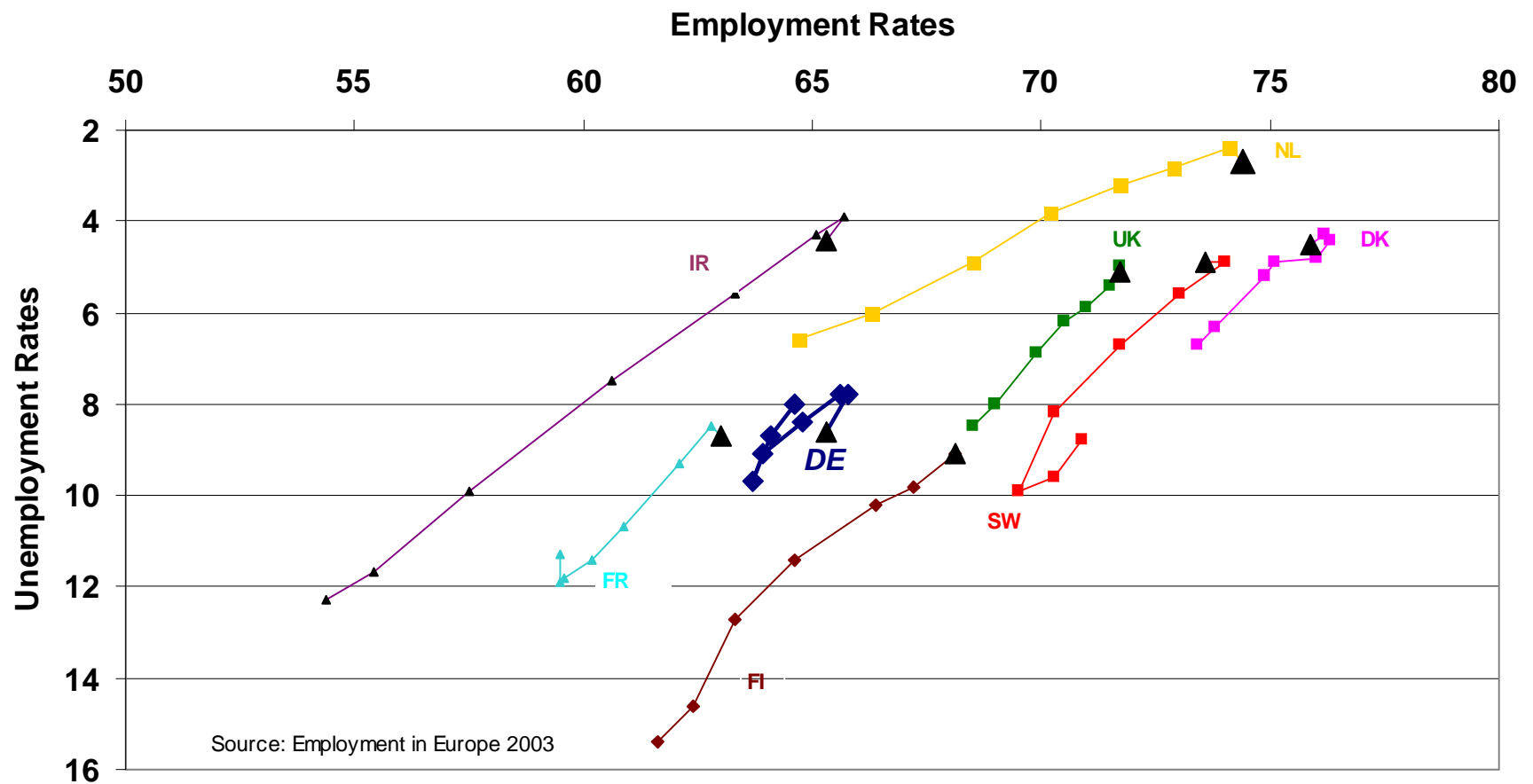
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Overview

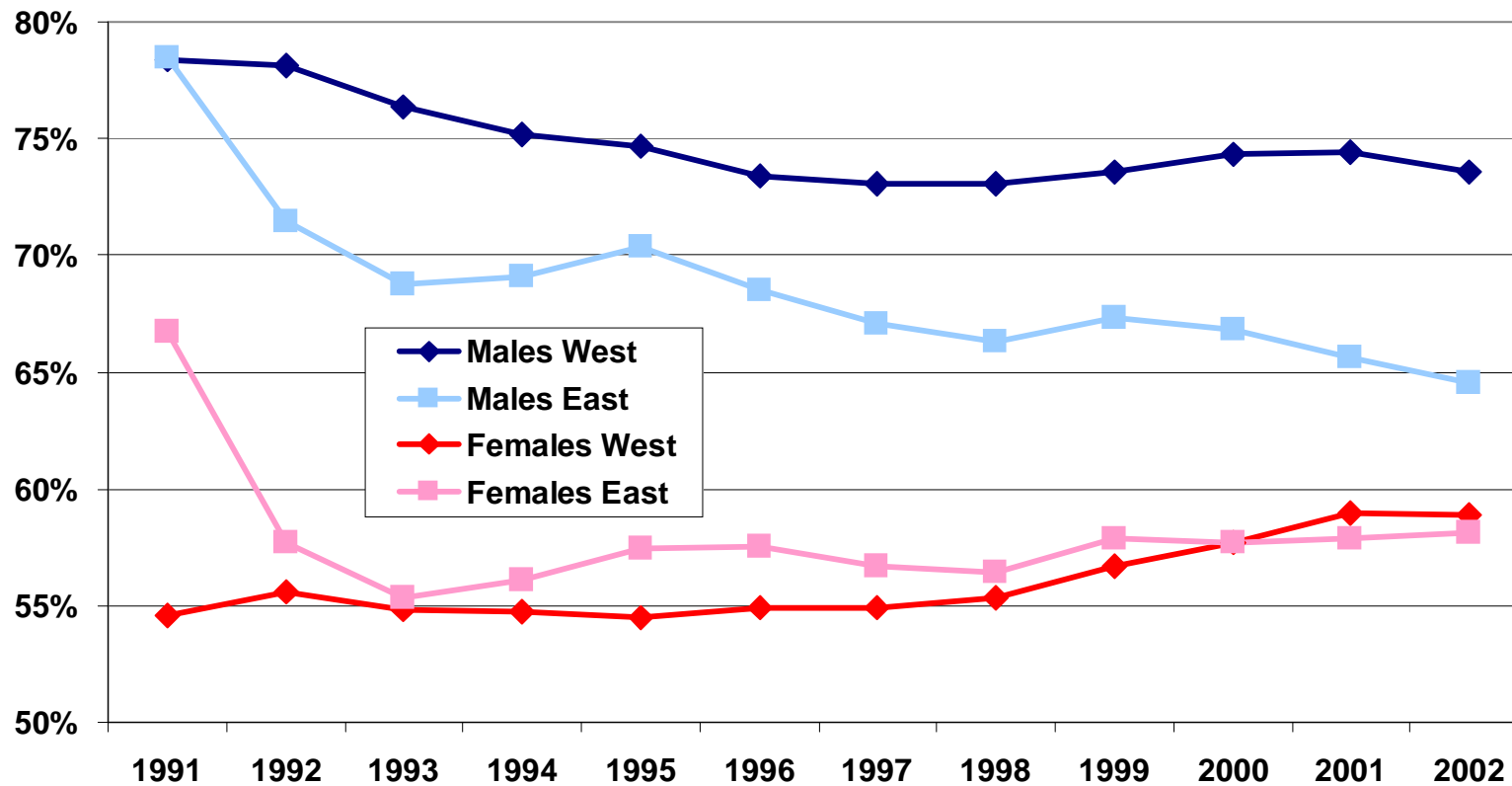
- Introduction (DF)
- German unemployment and the ‘Hartz’ reforms (MK)
- The British ‘employment first’ welfare state (DF)
- British lessons learned and not learned in German Reforms (MK)
- Lessons from AGF case studies (DF)



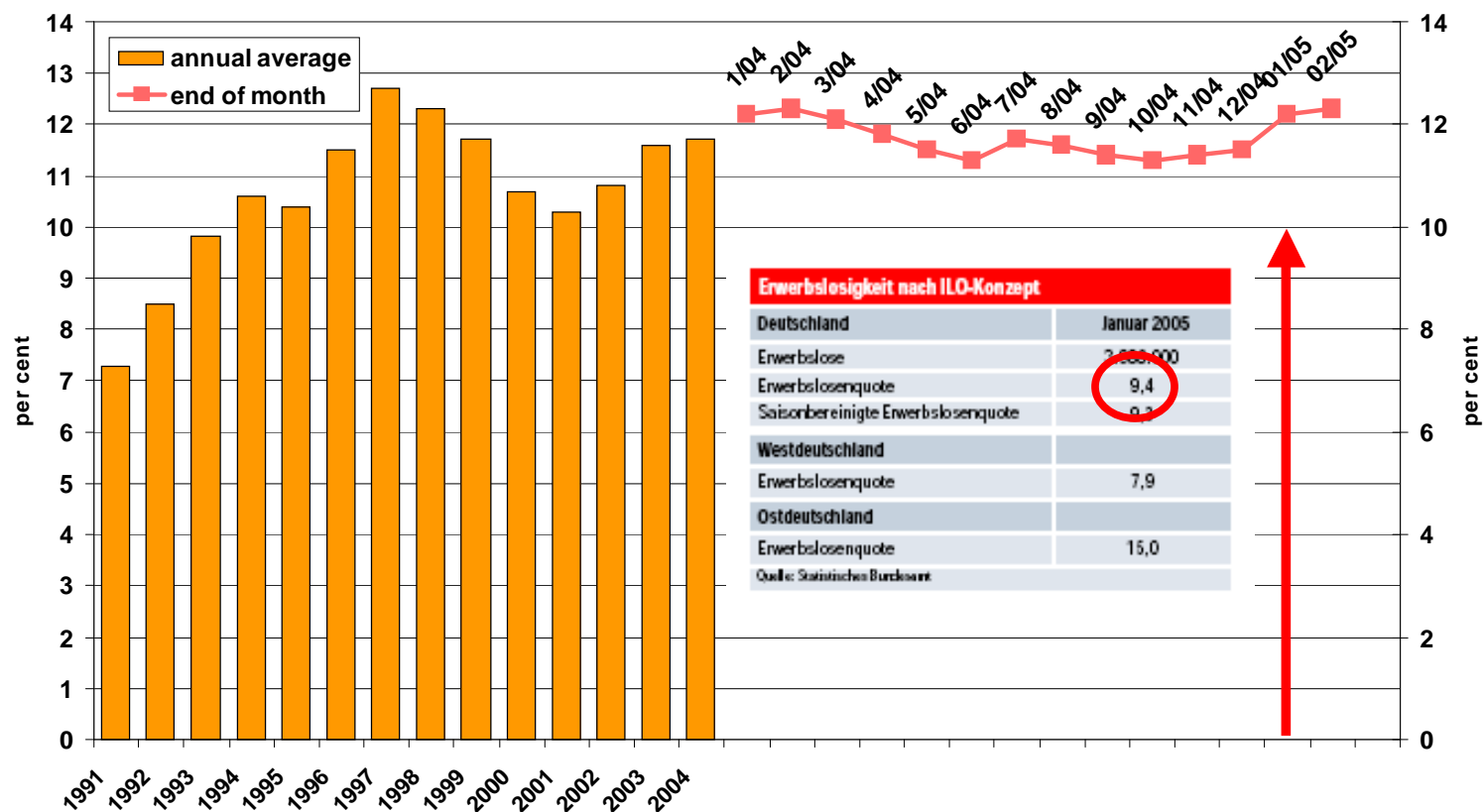
Employment and Unemployment Rates of Selected EU Countries (1995–2002)



Employment Rates 15-<65, West and East Germany, by Gender

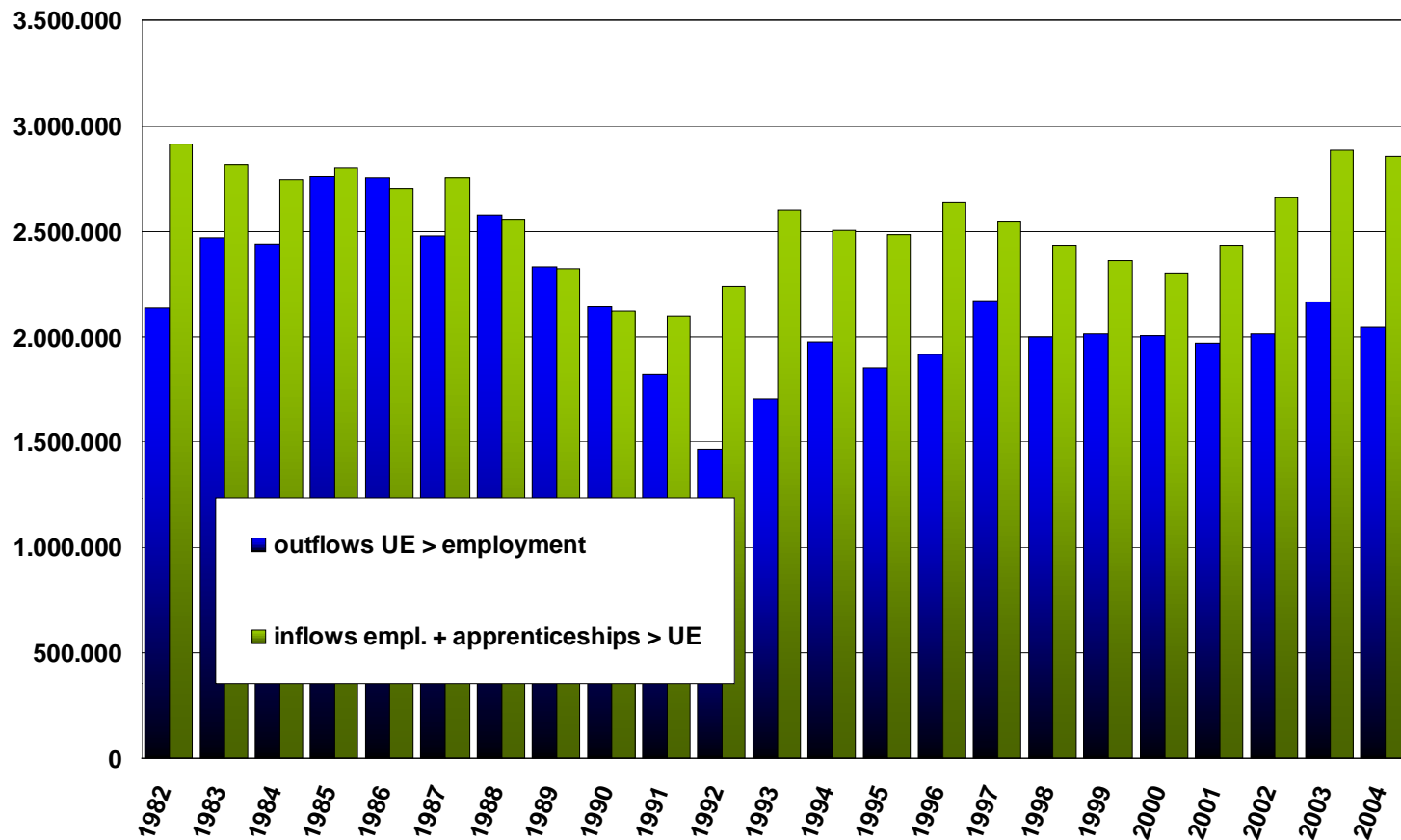


Unemployment Rates 1991–2004 and 01/04 – 02/05 (National Count vs. ILO Definition)

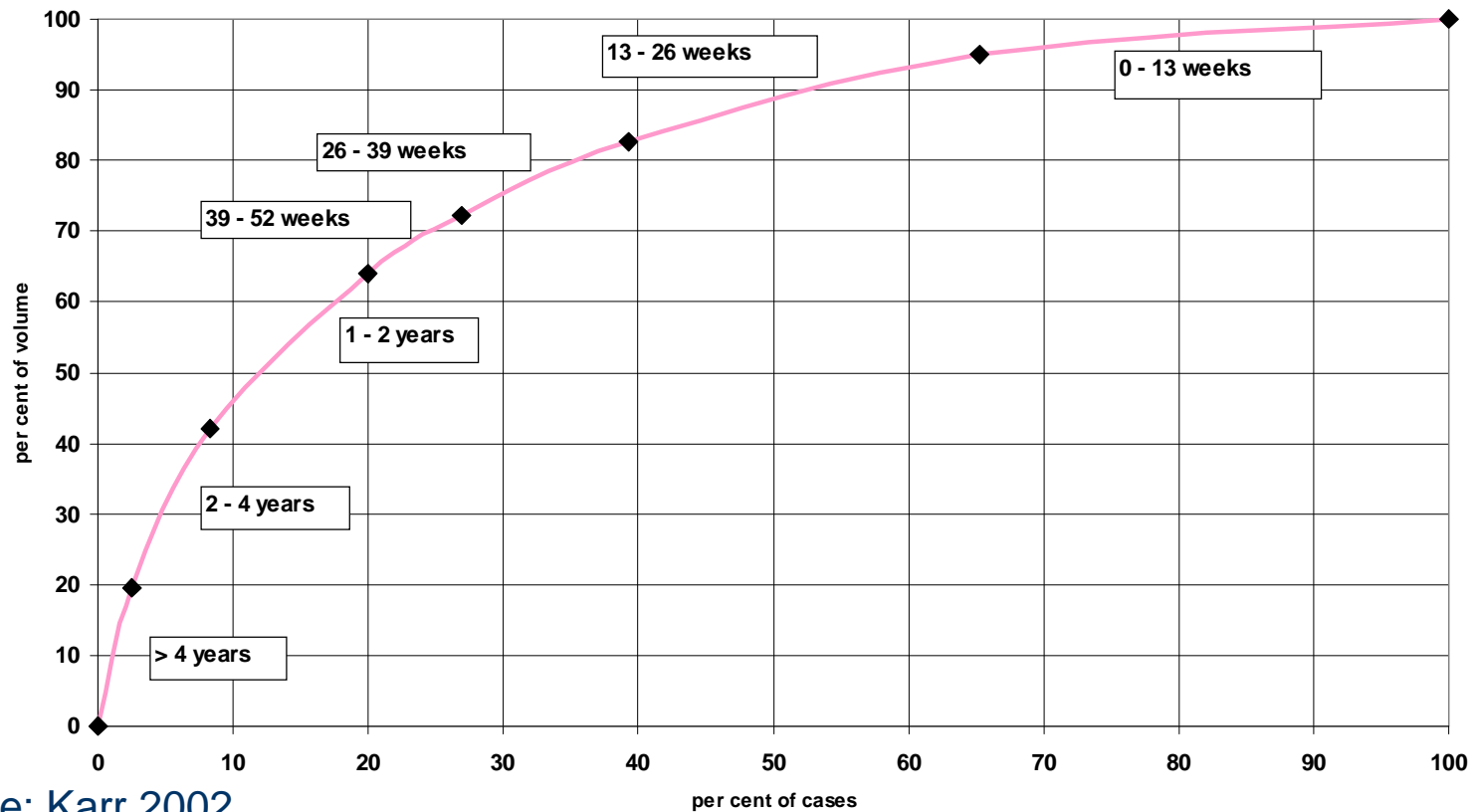


Source: Federal Employment Agency Website

Long-Term Flows between Employment and Unemployment (West Germany)

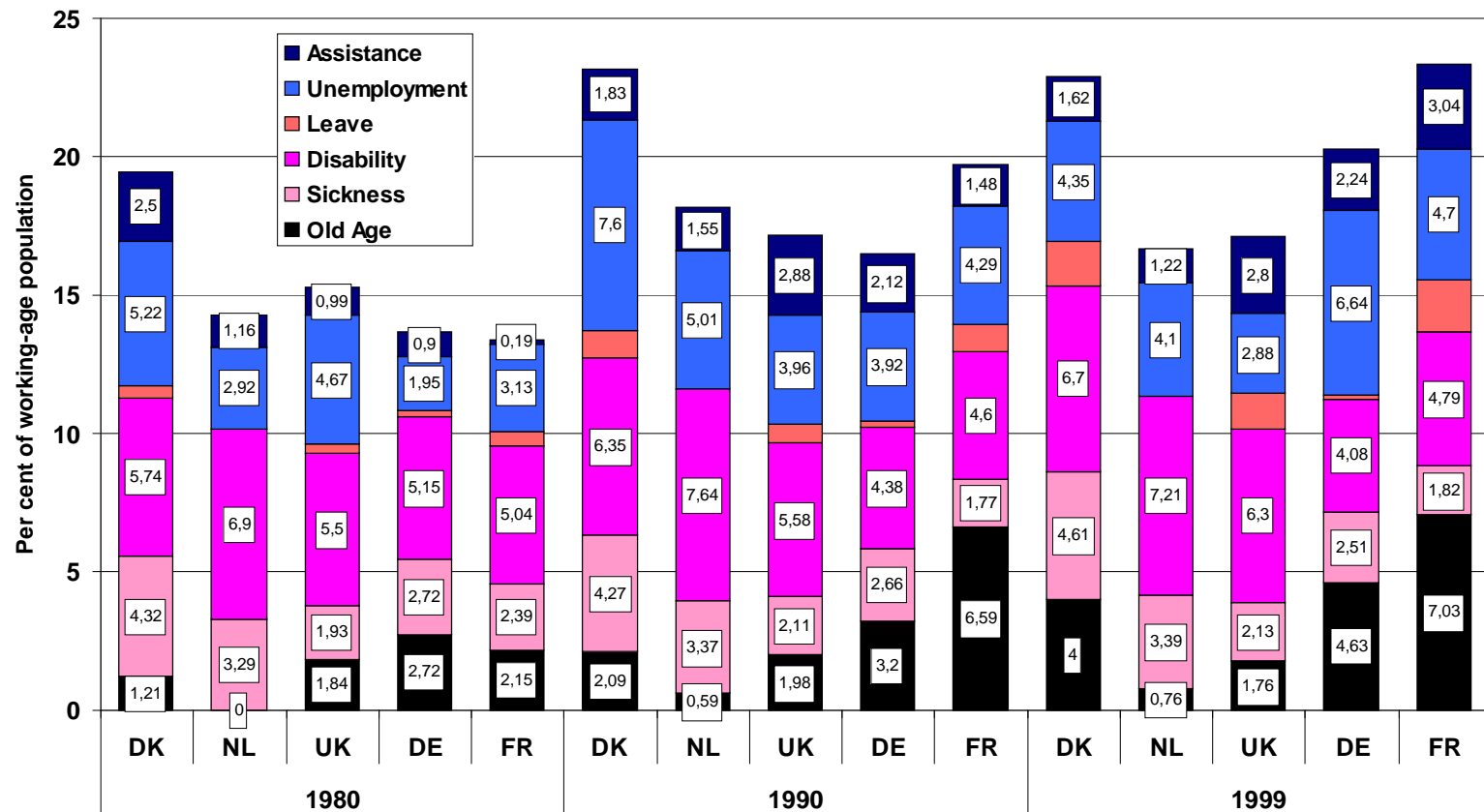


Individuals' unemployment spells completed in June 2000 by duration and contribution to macro volume



Source: Karr 2002

Percentages of Working-Age Population Depending on Benefits



Source: OECD Employment Outlook 2003: 224ff.

Problems of the German Labour Market

- low rates of net job creation
- job destruction in East Germany following unification (40%) never compensated
- automatic in-built redistribution within social insurance systems works as primary financial pipeline West → East
 - ↳ 1/3 of total East German public and private spending based on transfers from the West
- German unification has driven up social insurance contributions and thus labour costs
- containment of labour costs through wage restraint creates depression on domestic market

Problems of the German Labour Market (cont.)

- rising levels of UE primarily due to increasing average UE durations
- decoupling of LTUE from labour market
 - UE as a pathway to retirement
 - 1/3 of UE persons with impaired health
- restrictive criteria for incapacity pension keep ‘unemployable’ people in UE
- national preference for ‘inclusive’ UE statistics far above ILO definition

The 'Hartz Commission'

- individual honorary membership
 - ⇒ social partner participation in person, not by delegation
 - ⇒ deviation from established tripartite policy patterns like “Alliance for Jobs”
- industrial and political leaders
- only two members from Academia: Labour Market Policy and Public Management
- from the sidelines strong influence of
 - consultancy firms
 - the Bertelsmann Foundation (think-tank and source of funding for applied research)

Key Messages and Concepts

- „Fördern und Fordern“
 - “*promoting and obliging*” / “*advancement and challenge*”
 - ⇒ *pedagogical framing of “activation”*
- reducing UE level by shortening individual UE duration
 - earlier intervention
 - more effective job placement
 - activation to job search, more intensive monitoring
 - stricter criteria of ‘acceptable job’
 - ⇒ ‘Modern Services on the Labour Market’
- ↔ **labour demand side hardly considered at all**

The „Hartz“ Proposals and their Legislative Implementation

- numerous new instruments of almp (legislation “Hartz I”)
 - ⇒ for an organisation already overburdened with instruments
- more favourable conditions for “small jobs” (on the employees’ side, not the employers’!) (Hartz II)
- renaming from ‘institution’ to ‘agency’, renaming of executive functions, modernisation of the Federal Employment Agency’s governance, HR policies and organisation of services (Hartz II and III)
 - ⇒ earlier intervention, more effective job broking, monitoring of job search, **reducing UE by shortening individual UE spells**
- merging of services hitherto divided between Employment Agencies and municipalities (‘one-stop Job-Centre’) (Hartz IV)
- merging of the benefits of the two customer groups concerned: (Hartz IV)
 - ⇒ UE Assistance ∪ Social Assistance for working-age and able-to-work people ⇒ *Grundsicherung für Arbeitsuchende* (‘basic income for jobseekers’ ≈ jobseekers allowance)

1927–2004: Three Benefits for Workless People of Working Age

| | unemployment benefit | unemployment assistance | social assistance |
|---|----------------------------------|-------------------------|--|
| funded through <i>contributions</i> | | | |
| funded through <i>taxes</i> | | | |
| <i>earnings</i> related | relative status maintenance | | |
| <i>flat-rate</i> | | | minimum income |
| <i>not</i> means-tested | | | |
| means-tested | | | |
| <i>wage</i> replacement | paid in arrears (end of month) | | |
| subsistence | | | paid in advance |
| limited duration | | | |
| <i>unlimited</i> duration | | | |
| <i>individual</i> entitlement | with child supplement | | |
| <i>household</i> entitlement | | | flat-rates for each category of household members |
| obligation to work | former breadwinner=claimant only | | any able-bodied household member of working age (in theory!) |
| | | | |
| contributions to other social security branches | yes | | no |

The Benefit System from 2005

| | unemployment benefit | basic income for jobseekers | social assistance |
|---|-----------------------------|---|---------------------------------------|
| <i>contribution based</i> | | | |
| <i>tax based</i> | | | |
| <i>earnings related</i> | relative status maintenance | | |
| <i>flat-rate</i> | | | |
| <i>not means-tested</i> | | | |
| <i>means-tested</i> | | | |
| <i>limited duration</i> | | | |
| <i>unlimited duration</i> | | | |
| <i>individual entitlement</i> | with child component | | |
| <i>household entitlement</i> | | | |
| obligation to work / counted as unemployed jobseeker | former breadwinner only | any able-bodied household member of working age (able to work for three hours per day) | by definition not able to work |
| contributions to other social security branches? | yes | yes | no |
| What has changed? | abolition of: | <ul style="list-style-type: none"> ● status maintenance ● breadwinner model | |
| | introduction of: | <ul style="list-style-type: none"> ● health and pension contributions | |

Basic income for jobseekers and their households (at least 1 member able to work)

| | | | |
|---|------------------------------|--|---|
| working age | | | children / household members not able to work |
| single / lone parent able to work | two persons in household 18+ | additional household member able to work | <14: 60% 15+: 80% |
| 345 € (West) 331 € (East) | 2 X 90% | 80% | |
| full cost of “adequate” housing and heating | | | |

Changes in Contribution-Based UE Benefit Duration

| since 1998 | | | from 2006 | | |
|------------------------|-----|-----------------------|------------------------|-----|-----------------------|
| months of contribution | age | months of entitlement | months of contribution | age | months of entitlement |
| 12 | | 6 | 12 | | 6 |
| 16 | | 8 | 16 | | 8 |
| 20 | | 10 | 20 | | 10 |
| 24 | | 12 | 24 | | 12 |
| 28 | 45 | 14 | 30 | 55 | 15 |
| 32 | 45 | 16 | | | |
| 36 | 45 | 18 | 36 | 55 | 18 |
| 40 | 47 | 20 | | | |
| 44 | 47 | 22 | | | |
| 48 | 52 | 24 | | | |
| 52 | 52 | 26 | | | |
| 56 | 57 | 28 | | | |
| 60 | 57 | 30 | | | |
| 64 | 57 | 32 | | | |

„Arbeitsgelegenheiten“ ‘Opportunities for Work’

- old concept inherent in the Social Assistance tradition
- intentionally inherited by the new ‘basic income for JS’
- now to be universalised: 600,000 work opportunities announced
- working for the benefit + 1-2 € per hour
 - ↳ can be more than equivalent low-wage job
- no labour contract, but health and pension insurance contributions now part of the benefit anyway
- ‘additional’ and ‘in the public interest’
- individual participation for about 6 months at a time
- participants not counted as unemployed

Extension of Obligation to Work Boosts UE Statistics

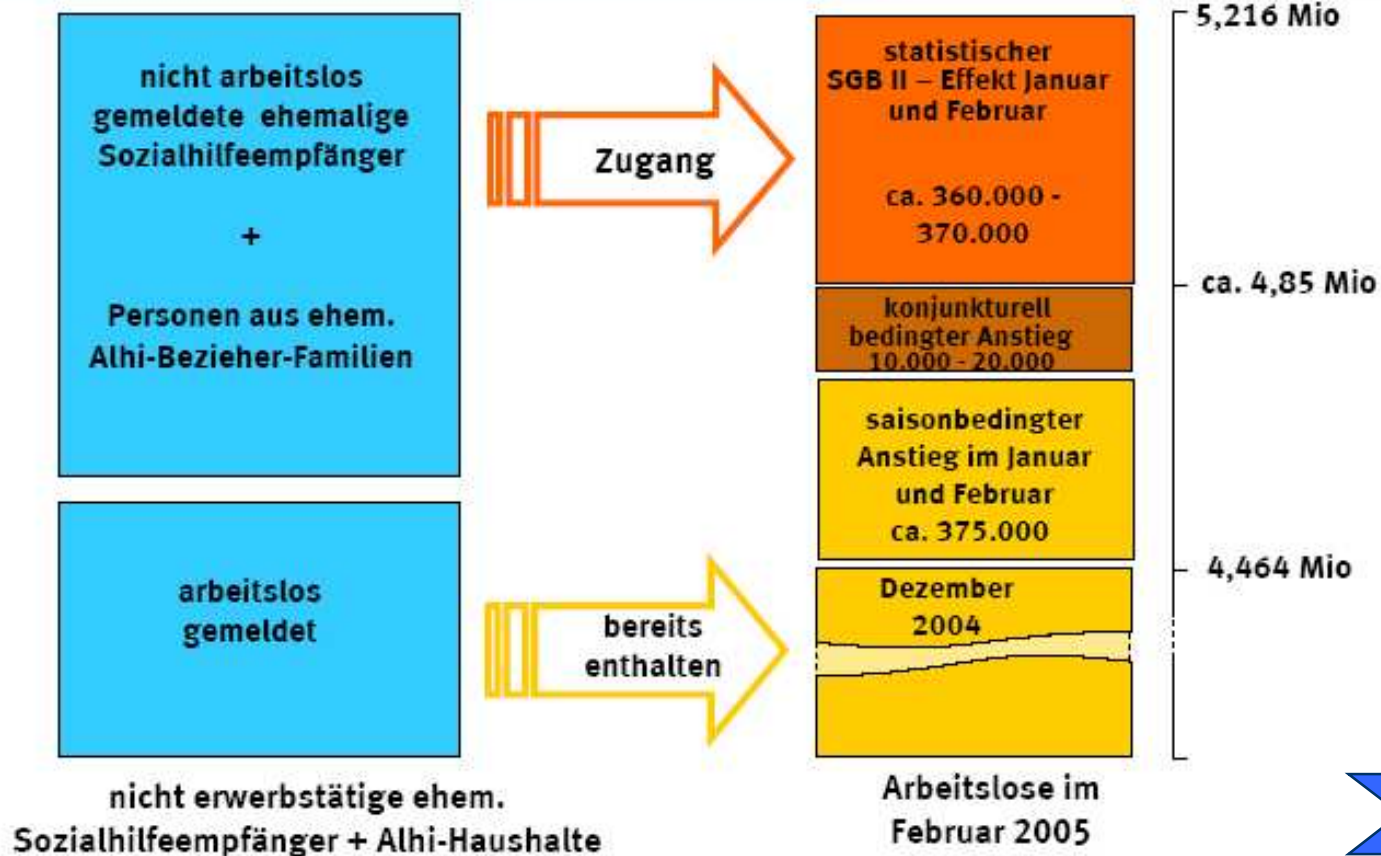
- Former members of households receiving Social Assistance and able to work:
 - in theory no change (were supposed to register)
 - in practice, many were not registered
 - municipalities interested in defining as ‘able to work’
- Former recipients of UE Assistance:
 - only the recipient himself had to be registered
 - now, all household members able to work are registered
 - ⇒ **group strongly affected: Turkish housewives who don’t speak German**

Increase in UE through Implementation of Reform

Der Arbeitsmarkt im Februar 2005



Bundesagentur für Arbeit



The British Employment Service: 'Activation' & lessons from the 1980/90s

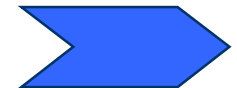
- Labour Force Survey, the 'inactive' unemployed and remaking the link between benefit administration and employment assistance
- 'Work First':
 - 'activation' (individual job search and the responsibilities of the unemployed – Jobseekers Allowance)
 - labour market attachment: 'signing on' & Restart
 - work incentives ('carrot and sticks')
 - the role of programmes (duration dependent & job search)
- Market Testing and Quasi Markets (performance related contracts: evidence of instability and 'creaming')
- Assessment of impacts (tracking & evaluation)

New Labours Strategy: An 'Employment First Welfare State'

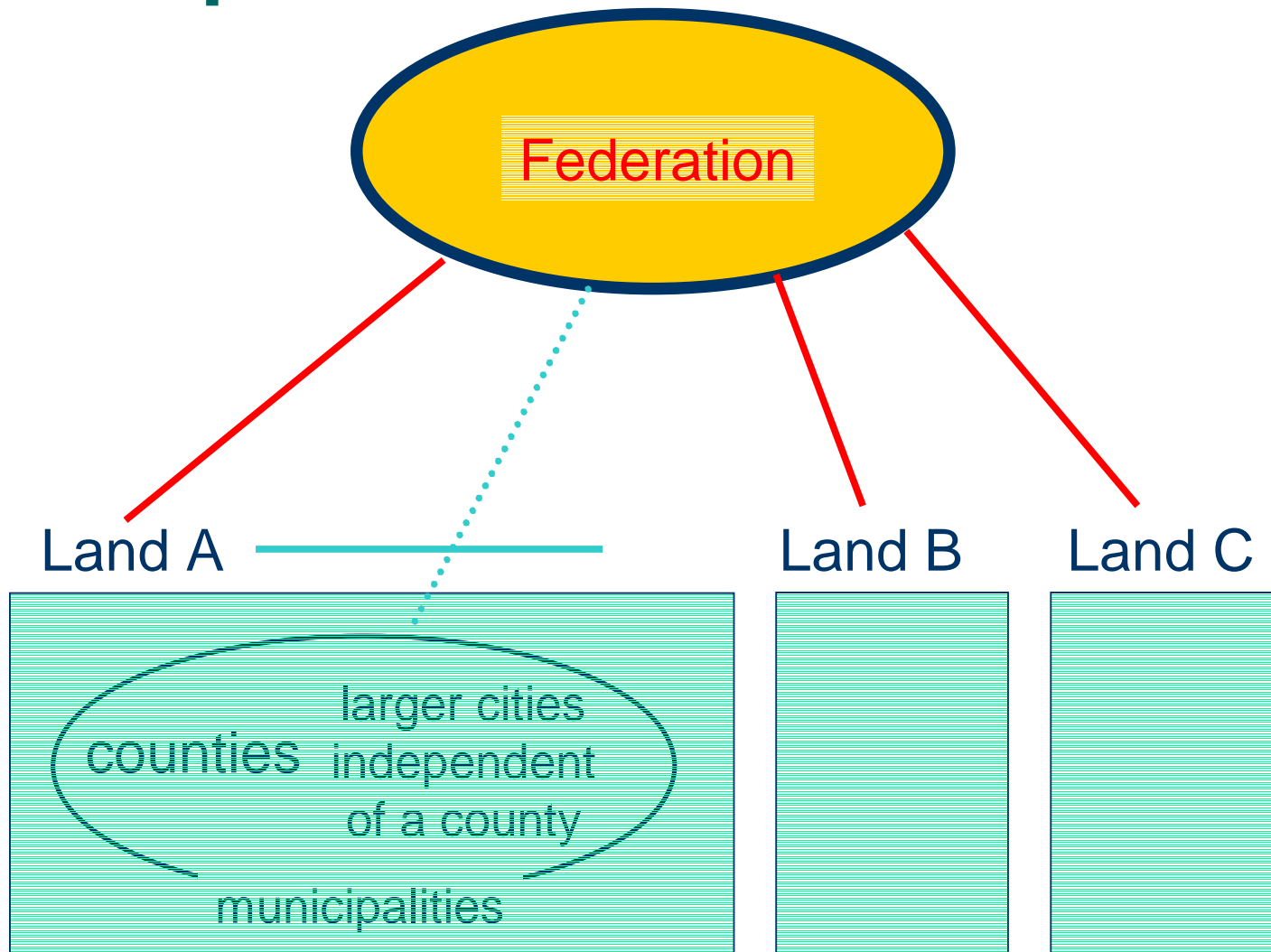
- Jobcentre Plus and Work Focused Interviews
 - Financial Assessors & Personal Advisers
 - Focus on unsubsidised jobs
 - New Deal Programmes and 'Pathways' for the Unemployed and 'inactive' ('Rights and Responsibilities')
 - 'Hardest to Help' (Basic Skills; Progress2Work; Ex-offenders)
- Make Work Pay
 - Tax Credits, Labour market re-regulation & Childcare
 - 'Risk' and Making Transitions Pay
- Role of 'contestability' (evidence based reform, bench marking, 'spur' to modernisation):
 - New Deal Private Sector Leads
 - Employment Zones and Action Teams

Jobcentre Plus Policy Design & Implementation

- Integration by 2006, and network of 1000 Jobcentres and 25 'contact call centres' by 2008 (efficiency gains from centralisation)
- Extensive use of new technologies
- Staff numbers predicted to fall to 70,000 by 2006 (re-training and redeployment)
- New management and target systems, organisational change and pressure from the private sector
- New Deal for Skills & 'Building on New Deal': 'localising' Jobcentre Plus provision from 2005



Set-up of the German State



New Benefit Regime Administered by Consortia between Employment Agencies and Municipalities

Local Branch of **Federal**
Employment Agency

?

Municipality under
Land legislation

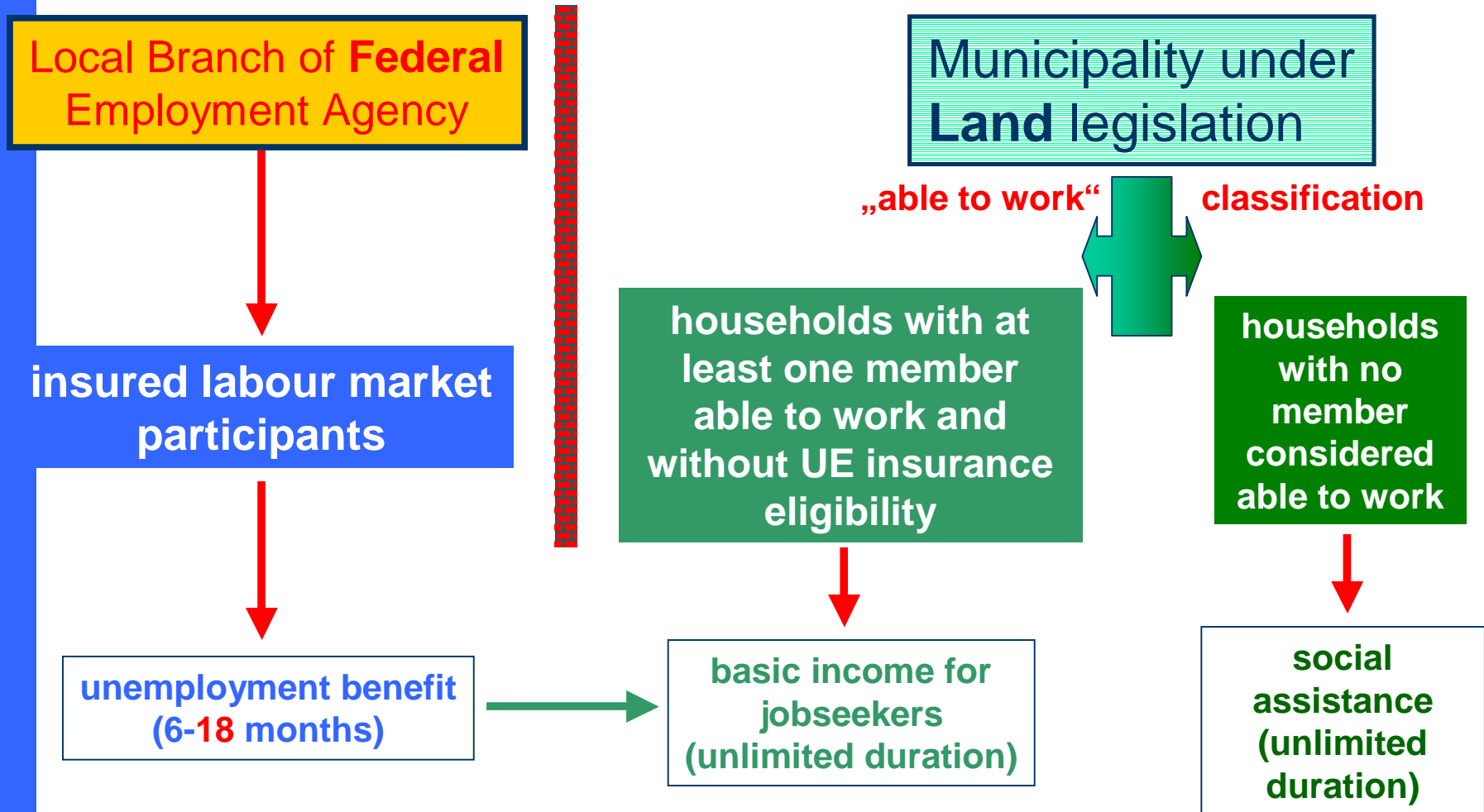
- job broking, counselling
- benefit processing
- almp instruments

- housing and heating allowance
- case management
- concomitant services

Consortium of public or private law

**no straightforward legal solution in terms of
liability, contractual relations with workforce, employee
representation.....**

Alternatively, 69 Municipalities Could Opt for Full Responsibility for 6 Years



German assets for activation policy

- OECD holy trinity of benefit processing, job broking and employment assistance (traditional)
- ‘availability for job offers’ expanded to ‘active job search’ (legally since 1998 but poorly monitored)
- ‘active measures’ subcontracted to third party providers (traditional; targeting and incentives wanting)
- job placement monopoly lifted (since mid-nineties)
- responsibilities for program mix and third party procurement devolved to Employment Agency Districts (since 1998)
- strong financial incentive for local authorities to reduce assistance dependency

Lessons Germany has learned

- language important for recalibration of entitlements and obligations:
 - ‘Unemployment Assistance’ ⇔ ‘Basic Income for Jobseekers’ (Grundsicherung für Arbeitsuchende)
- pre-scheduling of customer contacts, management of customer flows
- frontline case-loads must be kept in reasonable limits
- integration of IT systems crucial
- readily available ‘work test’ (‘Arbeitsgelegenheiten’)

Lessons Germany has not learned

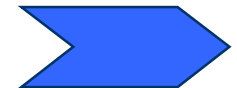
- framing of reform should engage jobseekers
 - ‘promoting and obliging’ engages only the professionals
 - too many ‘Hartz gimmicks’ shroud fundamental strategy
- equity problems:
 - simultaneous reduction of benefits and demand for more individual initiative
- physical space shapes behaviour:
 - centralistic architecture of Federal Employment Agency might prevent decentralisation into wards
- roll-out strategy transition with defined schedule needed
- changing benefit system and organisational set-up simultaneously tends to crowd out activation of customer and employer contacts
- targeting: 3 million jobseekers agreements at once
 - = nothing for all
- ‘making work pay’ strategy suffers from absence of legal minimum wage

Aspects neglected in implementation of German reforms

- legacy of social assistance system for unemployment count
- extensive UE definition and jobsearch requirement creates deadweight for activation:
 - physically able to work three hours \neq employability
 - housewives without training and language skills become ‘jobseekers’
- changing the mindset and professional profile of staff
 - prevailing attitudes: “there is no work, and our customers have no chance”
 - ‘administrators’ and ‘social workers’, but no job-search coaches
- comprehensive professional approach of “Assistance to Work” (case management, pathways) might be buried in the merger
- differences in professional and organisational culture between Federal Employment Agency and municipalities not addressed

Difficult institutional legacies of Germany

- federalism and local self-government bar join-up between federal and local services
- federalist policy interlock prevents straightforward and sustainable approach
 - open race between two competing models
- financing social security primarily through contributions
- collective bargaining by strong unions used to be functional equivalent of minimum wage
 - unions divided over minimum wage



Lessons from AGF case studies

- ‘Learning by doing’ & ‘Hearts and minds’, but conflicting priority between rollout implementation and operational delivery.
- ‘Take over’ of Benefits Agency (investment in the front office)
- IT limitations:
 - ‘Paper work’ and ‘work arounds’, e.g., ‘ghost interviews’ with assessors, loss of LMS expertise
 - Delays in Customer Management System
 - Select Committee: “adverse effect on staff morale and turnover” (p.5).
- Interaction with PAs
 - ‘Crowding out’ employment assistance: routinised ‘scripts’ – potential for profiling
 - Better Off in Work Calculations
 - Skills, capacities and motivation of PAs (training and cultures)
- Employment barriers of the workless (soft skills) – issues around sanctions and passive compliance

Lessons from AGF case studies

- Systemic or problems specific to the transition?
- Policy Dynamism & Pace of Change: capacity of staff implementing initiatives – front line training & awareness crucial to deal with rapid changes in programme rules, eligibility and involvement of other partners.
- Front and back office (the ‘Achille’s Heel’ of the British system? -) Benefit Administration & simplification, e.g., two benefits to replace IB)
- Employment Assistance as a new entitlement (legal benefits & discretionary assistance)
- The limits of ‘Work First’: Unemployment Benefit & the German ‘high skills equilibrium’