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

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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)

Source: Employment in Europe 2003
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)

- Outflows UE > employment
- Inflows empl. + apprenticeships > UE
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

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)
<table>
<thead>
<tr>
<th>1927–2004: Three Benefits for Workless People of Working Age</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>unemployment benefit</strong></td>
</tr>
<tr>
<td><strong>funded through contributions</strong></td>
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<tr>
<td><strong>funded through taxes</strong></td>
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<tr>
<td><strong>earnings related</strong></td>
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<tr>
<td><strong>flat-rate</strong></td>
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<tr>
<td><strong>not means-tested</strong></td>
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<tr>
<td><strong>means-tested</strong></td>
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<tr>
<td><strong>wage replacement</strong></td>
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<tr>
<td><strong>subsistence</strong></td>
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<tr>
<td><strong>limited duration</strong></td>
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<tr>
<td><strong>unlimited duration</strong></td>
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<tr>
<td><strong>individual entitlement</strong></td>
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<tr>
<td><strong>household entitlement</strong></td>
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<tr>
<td><strong>obligation to work</strong></td>
</tr>
<tr>
<td><strong>contributions to other social security branches</strong></td>
</tr>
</tbody>
</table>
## The Benefit System from 2005

<table>
<thead>
<tr>
<th>Contribution Type</th>
<th>Unemployment Benefit</th>
<th>Basic Income for Jobseekers</th>
<th>Social Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contribution based</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Tax based</strong></td>
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<tr>
<td><strong>Earnings related</strong></td>
<td></td>
<td>relative status maintenance</td>
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<tr>
<td><strong>Flat-rate</strong></td>
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<tr>
<td><strong>Not means-tested</strong></td>
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<td><strong>Means-tested</strong></td>
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<tr>
<td><strong>Limited duration</strong></td>
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<tr>
<td><strong>Unlimited duration</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Individual entitlement</strong></td>
<td></td>
<td>with child component</td>
<td></td>
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<tr>
<td><strong>Household entitlement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Obligation to work / counted as unemployed jobseeker</strong></td>
<td>former breadwinner only</td>
<td>any able-bodied household member of working age (able to work for three hours per day)</td>
<td>by definition not able to work</td>
</tr>
<tr>
<td><strong>Contributions to other social security branches?</strong></td>
<td>yes</td>
<td>yes</td>
<td>no</td>
</tr>
</tbody>
</table>

### What has changed?
- **Abolition of:**
  - Status maintenance
  - Breadwinner model
- **Introduction of:**
  - Health and pension contributions
Basic income for jobseekers and their households (at least 1 member able to work)

<table>
<thead>
<tr>
<th>Working age</th>
<th>Children / household members not able to work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single / lone parent able to work</td>
<td>&lt;14: 60%</td>
</tr>
<tr>
<td>Two persons in household 18+</td>
<td>15+: 80%</td>
</tr>
<tr>
<td>Additional household member able to work</td>
<td></td>
</tr>
<tr>
<td>345 € (West)</td>
<td>2 x 90%</td>
</tr>
<tr>
<td>331 € (East)</td>
<td>80%</td>
</tr>
<tr>
<td>Full cost of “adequate” housing and heating</td>
<td></td>
</tr>
</tbody>
</table>
### Changes in Contribution-Based UE Benefit Duration

<table>
<thead>
<tr>
<th>months of contribution</th>
<th>since 1998</th>
<th>months of entitlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>12</td>
<td>6</td>
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<tr>
<td>16</td>
<td>16</td>
<td>8</td>
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<td>20</td>
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<td>60</td>
<td>57</td>
<td>30</td>
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<tr>
<td>64</td>
<td>57</td>
<td>32</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>months of contribution</th>
<th>from 2006</th>
<th>months of entitlement</th>
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</thead>
<tbody>
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Since 1998 from 2006
„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

  \(\Rightarrow\) group strongly affected: Turkish housewives who don’t speak German
Increase in UE through Implementation of Reform
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, benchmarking, ‘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

Federation

Land A  Land B  Land C
New Benefit Regime
Administered by Consortia between Employment Agencies and Municipalities

Local Branch of Federal Employment Agency

- job broking, counselling
- benefit processing
- almp instruments

Municipality under Land legislation

- 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

Local Branch of Federal Employment Agency

Municipality under Land legislation

households with at least one member able to work and without UE insurance eligibility

households with no member considered able to work

„able to work“ classification

insured labour market participants

unemployment benefit (6-18 months)

basic income for jobseekers (unlimited duration)

social assistance (unlimited duration)
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’)

- Frontline case-loads must be kept in reasonable limits
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 ≠ 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’