



# Integrated approaches to active welfare and employment policies

## Germany

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## **Introduction: objectives and procedure**

With continuing employment problems in the Federal Republic of Germany, as in all Member States of the European Union, the (re-)integration of unemployed people into the employment system is one of the central tasks facing economic and social policy in those countries today. In Germany, as in most other EU states, there is a call for a paradigm shift in the debate on social policy: instead of merely “passively” providing the marginalized groups in the labour market with government transfers, it is argued, the focus of the welfare state’s efforts should shift to the “active” advancement of integration. The “activation” of the unemployed can be seen here as a new guiding concept for active integration policy.

To date, however, the concept of “activation” has not attracted any very widespread attention in Germany, where the talk is of integration programmes and measures. At European level, too, and among the individual European states, no consistent use has yet been made of the term “activation” (cf. for example European Foundation 1999). The present study has been based on a broad interpretation of “activation” which encompasses not only the promotion of willingness and ability to integrate among the unemployed but also their actual incorporation into the labour market. Since “activation” relies on improving both the ability to work and employment conditions, all aspects of the process of integration into the labour market must be included in the planning of an “activation policy”.

In particular, unemployed social assistance claimants, as a group, have become more and more a priority target for reintegration programmes and measures. After all, they are generally groups of jobless people who are particularly disadvantaged in the labour market and run a high risk of being permanently excluded from the employment system. At the same time, the fact that these groups rely on social assistance benefits means that they have not been adequately protected by the initial safety net of unemployment insurance, which bears the main responsibility. Finally, they are often seen as being particularly at risk of welfare state transfers leading to a lack of motivation and in habituation to social assistance, the urge to “break free of social assistance dependence” becoming weaker as their period of dependence becomes longer. To this extent, this particular group seems to pose a particular challenge to the welfare state in devising labour market and social policies that develop and implement suitable activation and integration strategies. The activation and integration of unemployed social assistance claimants seems, indeed, to be the ideal field of application for the “activating welfare state”.

It is not the province of this study, however, to consider in detail whether the paradigm shift advocated is actually necessary for the economic and social (re-)integration of unemployed social assistance claimants. In fact, the debate on how mass unemployment is to be overcome and certain problem groups in the labour market reintegrated has been going on in Germany for years. The controversy is not so much about whether this integration can and should be achieved, but how. One of the most important issues here is whether the task of integration should be left to the dynamic of market forces or whether—and if so to what extent and in what form—active government aid to integration should be provided. Another lastingly controversial subject in the debate on labour market theories and policies is how far the objective structural conditions of the labour market and the disadvantages specific to various groups, or the reluctance of the marginalized to adapt and integrate, are crucial to continuing unemployment among certain groups of the population.

The present study attempts a critical evaluation of current labour market integration strategies for unemployed social assistance benefit claimants in Germany. The focus of the analysis is on how the terms of reference of employment promotion are structured between the conflicting interests of the various political levels and the various political actors, how far action to promote employment is being coordinated, how the various actors work together, and what influence this coordination has on the overall success of the integration schemes.

The study was commissioned by the Dublin-based European Foundation for the Improvement of Living and Working Conditions, a European Union institution. It forms part of the programme entitled “Coordination of activation policies for minimum income recipients”, under which eleven national studies are being produced simultaneously in various EU Member States. These studies will then be supplemented by a summarizing Synthesis Report.

The structure of the report is based on a system of presentation that was developed for all studies jointly:

- First (Chapter 1), the social protection system for the unemployed is outlined, to provide an understanding of the significance of social assistance as the ultimate safety net and the resulting dual structure of unemployment insurance and social assistance for social protection in the event of unemployment.
- Secondly (Chapter 2), strategies and tactics of labour market integration are presented in the context of unemployment insurance and social assistance, and their practical significance is discussed.

- Thirdly (Chapter 3), the report considers the specific need for coordination between the various levels and actors in this field of policy. The coordination structures and initiatives evolved to date are compared with the need for coordination.
- Fourthly (Chapter 4), the practical aspect of the coordination of integration schemes is presented and critically evaluated with reference to the examples of four local case studies, undertaken in the cities of Cologne, Offenbach and Dresden and in the rural district of Osnabrück.
- Finally (Chapter 5), conclusions and recommendations for coordination at the various levels of policy are presented.

# 1 Social insurance for unemployed benefit claimants

## 1.1 The problem

According to information supplied by the *Institut für Arbeitsmarkt- und Berufsforschung* (Institute for Labour Market and Vocational Studies—IAMBF), the official research institute of the *Bundesanstalt für Arbeit* (Federal Office of Employment—BfA), the total number of unemployed in 1999, as in 1998, averaged around seven million over the year. Of these, 4.3 million were registered as unemployed at the *Arbeitsämter* (local employment offices), while 2.6 million formed the “hidden reserve” of unregistered unemployed people. Registered unemployment corresponded to an unemployment rate of 12.3% of the entire dependent civil workforce (cf. Autorengemeinschaft 1999; BfA 1999a, cf. also Table 1).

The problem of the scale of long-term mass unemployment is being supplemented and exacerbated by the trend towards increasingly uneven distribution of labour market risks in the German labour market. This is also reflected by a very uneven (socio-)geographical spread of the impact of unemployment. For example, the unemployment rate in the “new *Länder*” (the former East Germany), at 19.5%, was almost twice as high as the 10.5% rate in the “old *Länder*”. But in both parts of the country there are sharp discrepancies between the various regions and local authority areas. In particular, however, the uneven distribution of the unemployment risk is reflected by a “structuralization” of unemployment, in other words the consolidation of a “hard core” of people who are unemployed repeatedly or in the long term. While the risks of becoming unemployed for the first time are still relatively evenly spread, the danger of remaining unemployed is increasingly becoming concentrated in “problem groups” in the labour market. The longer the employment crisis continues, the less prospect such groups will have of gaining access to regular work, and the greater the risk will become that they will be permanently marginalized in the labour market and reliant on government transfer benefits.

(1) In Germany, unemployment insurance acts as an initial safety-net in cases of unemployment, while social assistance benefits are intended solely as a back-up measure in cases of unusual risk or circumstances of need. As a result of developments in the labour market and social policies over the past two decades, however, there have been some shifts in the division of responsibility. As a consequence, the unemployment insurance system seems to be less and less capable of providing the kind of protection against the material consequences of unemployment that is appropriate to a welfare state. At the same time, the problem of social assistance dependence created by the labour market has taken on drastic proportions, in the expert view. In the next part of this section, we review and evaluate the protective function these two insurance systems provide within social policy on unemployment.

## 1.2 Protection through unemployment insurance

In the German social protection system for unemployment there is a clear distribution of functions: while the income support benefits provided by unemployment insurance—especially unemployment benefit and assistance—are intended to provide social cover in the normal case, social assistance is intended to supplement this primary safety net only in atypical emergencies and need situations. In the present situation of continuing mass unemployment, with a growing number of long-term unemployed, the first effect has been an increase in the number of those drawing unemployment assistance. Secondly, there is also an increasing number of people who are exclusively or partly dependent on social assistance. As a result, social assistance has increasingly become a *de facto* form of minimum income for the unemployed. Thus, averaged over the year 1998, of the 4.3 million people registered as unemployed (with 1.5 million long-term), 3.5 million were drawing income support benefits under Section III of the German Social Code (SGB III), of whom 2.0 million were receiving unemployment benefit and 1.5 million unemployment assistance. The ratio of persons drawing benefit has risen constantly in recent years, with the importance of unemployment benefit rising continuously in parallel with the increase in long-term unemployment (cf. Table 2).

Why is it that not all those confronted by involuntary unemployment are adequately covered by Germany's unemployment insurance on the legal basis of Book III of the Social Code? A distinction has to be made between two sets of causes:

- First, unemployment insurance in German traditionally suffers from defects in terms of the aim of preventing poverty.
- Secondly, repeated changes in benefit law over the last twenty years have restricted the scope of protection.

This will be discussed in more detail below (on what follows, cf. for example Hanesch 1995; Bäcker 1995; Sell 1996):

(1) The income support provided by unemployment insurance—especially unemployment benefit and unemployment assistance—is linked to a number of conditions (cf. Survey 1); if those conditions are not met, no claim can be made. In addition to the fact of unemployment, registration as unemployed at the employment office and availability for the labour market, the main requirement is that applicants should be able to prove that they have paid contributions for a minimum qualifying period. Entitlement to unemployment assistance, however, exists only where the applicant is in need; to this extent, there is a specific connection here between the requirements of insurance law and those of welfare law. The existence of qualifying periods in SGB III means that unemployed persons who have never been in

contributory employment, or have been but for too short a period, have no entitlement to benefit; they are unemployed and have no form of unemployment support. The supplementary condition of “need”, however, means that an additional disqualification principle kicks in at the point of transition to unemployment assistance. As a result, many unemployed people, especially women, lose their entitlement to further unemployment assistance when their unemployment benefit runs out, if not before.

(2) The structure of income support benefits in SGB III is mainly determined by the principle of equivalence, meaning that the amount and duration of unemployment benefit are directly linked to the amount and duration of previous contribution payments. In the case of unemployment assistance, a link to previous contribution payments exists only in respect of the amount of benefit, while the period of benefit is unlimited in the case of follow-up unemployment assistance.<sup>1</sup> The amount of benefit is calculated as a percentage of previous net income from employment. The effect of the selective lowering of benefit rates for unemployed people without children, introduced under the *Haushaltsbegleitgesetz* (Budget Supplement Act) 1984, together with the further reduction in income support benefits on a broad front in 1994, has been that there is little question now of SGB III income support benefits being sufficient to safeguard living standards. An additional factor is that benefit rates are based not on actual but on “adjusted” net income, a figure that disregards certain components of income. Overall, the structure of income support benefits largely reflects the professional and income pyramids in the employment system, and is thus dominated by the primary distribution of dependent employment income. Because of the abandonment of a need-oriented benefit structure, this means that those formerly in receipt of low earned incomes can find their living standards dipping below the poverty line as soon as they receive unemployment benefit, so that they come to need social assistance—especially if special needs exist. Only in the new *Länder* was a “social supplement” introduced in the period 1990 to 1995 as a temporary measure until a functioning social assistance administration had been set up, the intention here being to avoid the need for social assistance. However, this social supplement was so inadequately structured that it failed to ensure protection of the necessary subsistence level.

(3) The two-part, graded unemployment assistance benefit system means that, when the entitlement to unemployment benefit expires and the claimant is transferred to unemployment assistance, the reduced benefit rates and the additional “need” test increase the risk that he will be downgraded to an inadequate level of provision or even excluded from the unemployment insurance benefit system altogether. In other words, as the period of individual unemployment lengthens and/or repeated instances of unemployment occur, the SGB III protection against risks of impoverishment caused by unemployment is reduced. In

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<sup>1</sup> In the case of qualifying unemployment assistance, which could be claimed after six months’ contributory employment but which was abolished during the year 2000, the period of benefit from 1994 onwards was one year.

addition, SGB III provides that the assessment basis for unemployment assistance is lowered as the period of individual unemployment grows longer.

(4) The income support benefits under SGB III are, in particular, conditional on the claimant's availability to the labour market, meaning, among other things, that he must be prepared to accept a reasonable job offer or take part in an appropriate scheme run by the employment authorities, and to do everything possible to end his unemployment. The requirement that a claimant primarily uses his own efforts to earn an income was supplemented in the former *Arbeitsförderungsgesetz* [Employment Promotion Act—AFG] by rules safeguarding acquired professional status. Since the transition to the new SGB III, this former “occupational protection” has been modified by regulations to introduce graded income protection. By contrast, the social assistance benefit system includes no such occupational or income protection.

The overall result of these structural principles of unemployment insurance is that substantial material security exists only for the core group of those who formerly held reasonably well paid and long-term employment under normal contracts of employment. Members of the marginal workforces or “problem groups” in the labour market either have no entitlement at all or are compelled by an (absolutely) minimal benefit level to live in conditions of near-poverty. In other words, disadvantageous positions within the employment system are merely reproduced by unemployment insurance: the lower a claimant's original position in the professional and income hierarchies, the shorter his previous period of employment, the longer his personal period of unemployment, and the more frequently his status has forcibly changed from employed to unemployed, the greater the risk of a poverty-level income. These processes of marginalization in unemployment insurance, again, particularly affect the same groups who are already at above-average risk within the labour market and employment system. To this extent, the labour market and unemployment insurance fatally interact to generate and establish lives of poverty caused by unemployment.

Only those who perform qualified and comparatively well paid work under a normal contract of employment and have a “normal”, meaning uninterrupted, working life can expect to receive adequate protection when general risks to their livelihood occur. All other groups—especially including women—receive completely inadequate protection and, in the virtual absence of minimum safeguards, run the risk of being exposed to processes of impoverishment if a risk situation arises. As a result of the evident decline in the number of normal contracts of employment, the foundation of unemployment insurance (and, indeed, of the social insurance system as a whole) is becoming increasingly narrow. A growing number of people do not receive adequate protection from social insurance and, when general risks to their livelihood arise, become reliant on social assistance.

Since income support benefits under unemployment insurance tend to reproduce existing disadvantages in the labour market, certain groups of the unemployed cannot obtain adequate security against the risk of unemployment. The occurrence of unemployment early in a person's career or on re-entering the working world, unemployment in marginal positions within the employment system and, ultimately, long-term and repeated unemployment are particularly typical problem situations for which the existing insurance system provides only the most inadequate cover, if any. Unemployment insurance, then, is far from being capable of protecting all jobless people against the material consequences of unemployment: indeed, its structural defects mean that in the current situation of enduring mass unemployment and the increasingly widespread occurrence of atypical forms of employment, the risks to livelihood connected with marginalization in the labour market are only inadequately compensated by the income support benefits of SGB III. These structural defects, the result of the insurance-based system, have been made worse during the current employment crisis by repeated political interference with employment promotion law. Thus, for example, qualifying periods have been lengthened, the benefit level has been lowered, the duration of benefit has been selectively cut, one partial benefit has been discontinued altogether, the rules on "reasonable employment" have been made more restrictive, and the pressure on the unemployed to make active efforts to find employment has been increased (cf. Steffen 2000; cf., for example, also Adamy 1998). The reforms of employment promotion law introduced by the liberal/conservative coalition government in Germany were partly driven by fiscal considerations, the main interest being in how the burden of contributions on employers and the financial burden of unemployment assistance on the federal government could be reduced. At the same time, however, the reforms were influenced by the debate on the allegedly very high income support payments and the lack of incentive to obtain work inherent in the unemployment insurance system. Since the change of government in Bonn/Berlin, this "negative reform process" has come to a temporary halt. Some of the inconsistencies and social injustices of the employment promotion reforms of the previous federal government were rectified during 1999 (cf. Rockstroh 1999).

The existing social insurance system purports, and is intended, to provide complete cover against general, standardizable risks to livelihood under whichever branch of insurance is responsible in the particular case. It is only in special, non-standardizable emergencies and hardship cases that the ultimate safety net of social assistance takes effect instead, or additionally. An increasing number of people who obtain no protection, or inadequate protection, under the unemployment insurance benefit system cannot be reconciled with this situation. This poses the question of what reforms can be introduced to (re-)establish the social protection function of unemployment insurance. On the basis of this objective, there are two conceivable reform strategies. First, the existing income support benefits can themselves be restructured or extended (extension of income support benefits under insurance law). Secondly, looking at it from a different viewpoint, it has been proposed that minimal or basic security should be introduced within the (pensions and) unemployment insurance scheme (introduction of need-oriented basic security under

unemployment insurance). In the current sociopolitical debate, however, these two options are not a central issue. The ground of the reform debate has shifted increasingly towards whether social security, especially for the long-term unemployed, should not in principle be transferred to the province of social assistance, for example by equalizing or combining unemployment assistance and social assistance (cf. for example Sächsisches Staatsministeriums für Wirtschaft und Arbeit 2000; Berthold 2000; for a critical view, cf. for example Adamy and Steffen 1999). At the same time, there is debate as to whether the present social assistance should not be completely redesigned as a negative income tax or so-called “combination wage” (cf. for example Bäcker and Hanesch 1998).

### **1.3 Protection within social assistance**

With the passing of the *Bundessozialhilfegesetz* (Federal Social Assistance Act—BSHG) in 1961, social assistance was allocated the task of serving as a final social security safety net to deal with special, atypical emergencies and hardship cases (on what follows, cf. Hanesch 1995 and 1996). It supplements the primary social insurance systems, linked to the employment relationship, whose function, in the event of general, standardizable risks to livelihood, is particularly to provide income support benefits by which material living conditions are supposed to be stabilized in accordance with the principle of safeguarding living standards. In principle, the BSHG provides every citizen with a legal entitlement to assistance. The assistance benefits are supposed to enable those in need—meaning all those who have an inadequate income, if any, whose assets do not exceed certain limits and who have no claim to primary public social benefits or private subsistence benefits—to lead lives compatible with human dignity. Whereas *Hilfe in besonderen Lebenslagen* (assistance in special situations—HBL) provides mainly benefits in kind to bridge special, statutorily defined emergency situations, *Hilfe zum Lebensunterhalt* (subsistence assistance—HLU) is supposed to guarantee to cover the necessary requirements to secure a sociocultural minimum subsistence income.

HLU provides what are known as “regular rates”, in some cases “additional needs supplements”, one-off subsidies and costs of accommodation (rent plus secondary costs of rental and heating expenses). Under this system, accommodation costs are paid in the amount actually incurred, provided they do not exceed an “acceptable level”. Similar considerations apply to the range of possible one-off benefits, the amount of which may vary greatly from case to case. The additional needs supplements are intended for special need situations and controlled by law as a percentage of the regular rate applicable in each case. The regular rates are set by the *Länder* and, since the introduction of the “statistical standard” in 1990, have been geared to the changes in actual consumer spending among the lower income groups. The intention is that they should be reviewed at intervals of several years on the statistical basis of income and consumption sampling, while in the intervening years the regular rates

are updated in line with the annual consumer price increase. Overall, the consumption standard defined by the level of the regular rate is supposed to develop roughly in parallel with income and consumption levels among lower budget groups.

Social assistance benefits are essentially granted on a secondary basis: priority is attached not only to existing income and assets, in the context of overall need, and existing entitlements to social benefits and subsistence, but also to the claimant's duty to use his own labour to earn a livelihood for himself and his family. Where benefit claimants fail to comply with this obligation, their social assistance entitlement lapses, meaning that in social assistance practice graded cuts in HLU are introduced (penalty clause in Section 25). The reason for attaching priority to the claimant's own labour is to a large extent a reflection—in conjunction with the individualization principle, a broad interpretation of family subsidiarity and restrictive means tests—of the aim of keeping access to this benefit as “narrow” as possible. To exclude the possibility of overlaps between social assistance qualification and lower earned income in the regular case, the “differential requirement” was introduced into the BSHG (Section 22(4)). In its present version, this provides that the level of HLU benefit for married couples with three children must be lower than the average household income among lower-paid groups (households with a single full-time earner). This regulation, repeatedly modified, has introduced an upper limit for social assistance benefit, which is supposed to safeguard the functionality of the labour market by ensuring that—in addition to the duty to work—an incentive to find work is also provided by the level of social assistance.

A final characteristic of the social assistance benefit system in Germany is the fact that the regulatory power lies primarily with the federal government, and in some cases the *Länder*, while local authorities have responsibility within their own areas for financing and administering the majority of BSHG spending. Although the *Länder* contribute to social assistance spending, the regular HLU, important in the context of unemployment, is financed almost exclusively by the local authorities. One significant feature of the implementation of social assistance is that the BSHG is a framework law, which allows the authorities applying it substantial discretion, restricted only by the case law of the administrative courts. In addition, the local authorities are themselves responsible for the administration of social assistance. They are therefore free, within the limits set by law, to decide the administrative form of social assistance spending and the priorities and concepts underlying it.

If we consider the changes in social assistance payments—more accurately, payments of ongoing HLU—the total can be seen to have risen virtually uninterrupted since the 1980s (cf. Table 3). At the end of 1998, 2.9 million people were receiving regular HLU, of whom 709 000 were registered as unemployed. Of these, again, 285 000 were drawing income support benefit under SGB III, while 424 000 were not. Overall, then, 24% of HLU claimants were registered with the employment offices

as unemployed, of whom 9% did and 16% did not receive unemployment assistance. Based on claimants of working age, the figure was 40.1%. If we also include those who, as part of the “hidden reserve”, were not registered with the employment offices, the proportion of people out of work was much higher than this figure suggests. On the basis of a total of 4.3 million registered unemployed, the figure of 703 000 social assistance claimants means that, in the year in question, 16.5% of registered unemployed people were reliant on social assistance, of whom 6.6% drew regular HLU to supplement SGB benefits and 9.9% were living entirely on regular HLU (cf. Table 4).

Since the early 1980s, unemployment has become a primary cause of social assistance reliance in Germany. One reason for this has been continuing mass unemployment, and the increasing number of long-term unemployed people, reflecting an accelerating process of economic and social structural change. Another has been the shift of the political and financial responsibility for this problem from federal to local authority level—not least as a result of repeated cuts in the unemployment insurance protection system. There are two principal factors that can result in a social assistance entitlement caused by unemployment:

- First, the income support benefits paid, especially under the unemployment assistance system, are in some cases below the level of HLU, as a consequence of which increasing numbers of unemployed people have to claim supplementary social assistance benefits to cover necessary subsistence requirements.
- Secondly, a significant proportion of the registered unemployed receive no SGB III income support benefits, either throughout the period of their unemployment or during certain phases of it. The lack or expiry of entitlement to income support benefits is also an important reason why jobless people refrain from registering as unemployed and become part of the hidden reserve.

Although social assistance spending still accounts for less than 5% of the total social services budget, a relatively low figure by comparison with the social insurance systems, the local authorities, which are primarily responsible for financing it, feel the impact of this increase in social assistance spending as an almost intolerable additional strain in the current tight budget situation. Overall, changes in the numbers and structure of benefit claimants, and the increase in spending, mean that social assistance has undergone a radical change in significance during the course of the last 15 years. In practice, this ultimate safety net is required today to function as a general basic income floor not only in atypical emergencies but also when general threats to living standards arise. This function was not envisaged when the present social assistance system was introduced, nor is this benefit network appropriate to fulfil it.

The fact that, in 1998, 9.1% of Germany's population lived below the poverty line, meaning 50% of the average needs-weighted net household income (cf. Hanesch *et al.* 2000), means that HLU is not proving sufficient to enable people to avoid or escape from poverty. This applies not only to the "undisclosed" poor, meaning those who do not claim social assistance benefits. The fact is that the level and structure of HLU are also proving insufficient to raise benefit claimants above the relative poverty threshold. In particular, repeated adjustments to the BSHG benefit law and political tinkering with the regular rates have helped to ensure that HLU today provides very incomplete coverage of needs (cf. Steffen 2000).

Against the background of growing numbers of claimants and increasing expenditure, the social assistance benefit system—and especially HLU—has become more and more the subject of sociopolitical controversy in recent years. A very wide variety of possible explanations has been put forward, together with therapeutic proposals for "solving" the problem of social assistance dependence that is increasingly caused by unemployment. The reform debate has centred especially on two topics (cf. Hanesch 1995 and 1996):

(1) In view of the fact that the function of social assistance is to guarantee a sociocultural minimal subsistence, the first point is the question of what part social assistance will play in future in safeguarding against the risk of unemployment. Some argue that a need-oriented income floor should be introduced as a way of reintegrating all jobless people systematically into the scope of application of SGB III and relieving social assistance of the burden of this general livelihood risk. Conversely, proposals for transferring unemployment assistance to the social assistance sector envisage the municipal social assistance agencies taking on overall responsibility for all long-term unemployed people—as regards both the function of income maintenance and that of reintegrating marginalized individuals into the labour market.

(2) Secondly, the relationship between labour market and social assistance has become the subject of increasing criticism, part of the question being whether continuing mass unemployment and the increasing numbers of unemployed social assistance claimants are not partly attributable to the social assistance benefit network. In other words, are unemployment assistance and HLU transfers not providing an excessively high level of cover combined with inadequate incentives, thus damping the motivation to return to work, or take on additional work? As a consequence, there is a call for a more strongly incentive-oriented restructuring of the final safety net in particular (combination wage variants). At the opposite extreme, there are calls for the final safety net to be restructured in line with needs, on the ground that the much-cited unemployment and poverty trap has no practical relevance and the majority of benefit claimants capable of working are indeed interested in obtaining jobs.

Although social assistance was reformed on several occasions during the 1990s, and despite the continuing discussion of reform, no fundamental reorganization has yet taken place. Instead, the local authorities—as a consequence of the sustained pressure exercised by the problem at local level—have evolved more or less extensive innovations in the practical implementation and handling of the BSHG. Thus, the local authorities have increased their efforts to slow the rise in numbers of social assistance claimants and the amount of social assistance spending—not least by developing new strategies and programmes to integrate into the labour market those benefit claimants who are able to work but have no jobs. As these new initiatives take place within the context of local self-administration, they are very widely varied in nature. At the same time, no studies have yet been produced to give an overall picture of these new approaches.

Overall, it can be said that although the vast majority of unemployed people are still drawing unemployment insurance benefits, an increasing number are additionally, or exclusively, reliant on social assistance benefits. This means that there are also two different “activation systems” responsible for the integration of unemployed social assistance claimants into the labour market, since each of the two legal and benefit systems has its own regulations and instruments for employment promotion. These, then, will be described and evaluated in the next chapter. We will look particularly at local authority strategies for the integration of unemployed social assistance claimants, and the conflict between activation and discipline that affects many of these initiatives.

## **2 Activation and integration of unemployed social assistance claimants**

### **2.1 The problem**

For the individual unemployed person, the first purpose of active employment promotion schemes is to improve or re-establish material protection. At the same time, they are intended to serve as a “bridge” for (re-)entry into working life. In terms of the national economy, promotional measures in the context of labour market policy are also designed to ease the burden on the labour market; finally, they are also able and intended to help improve the economic supply structure. Both the social security function and the labour market relief function of social protection aim to produce an immediate effect. It is only in its individual and economic bridging function that labour market policy helps to improve the employment situation.

In the German model of the welfare state, active employment promotion forms part of the comprehensive terms of reference of employment policy. Thus, the function of employment policy in the broader sense, and of its programmes and measures, is to reconcile the level and structure of employment with the available manpower potential, to ensure the satisfactory employment of the whole working population, and to improve regional and sectoral employment structures. Active employment promotion, as a labour market policy in the narrower sense, includes schemes directly aimed at the supply or demand side of the labour market and designed to support the processes of equalization in the labour market.

Traditionally, responsibility for employment policy in the Federal Republic of Germany has lain with the federal government and the *Länder*, and still does. By contrast, labour market policy has been and remains the province of the BfA and its local employment offices, as the agencies responsible for unemployment insurance and active employment promotion, whereas the local authorities' efforts have hitherto been focused on the limited field of developing the local economy. Over the last twenty years, this distribution of tasks has been greatly disrupted. A contributory factor has been that the federal government has increasingly refrained from intervening in employment policy and, instead of taking the initiative, has banked on the self-healing powers of the market. The employment authorities, too, traditionally responsible for labour market policy, have proved increasingly overburdened and shown only a limited ability to perform their statutory functions of placement and integration, particularly as far as the target group of unemployed social assistance claimants is concerned. As a result of increasing unemployment and the social assistance demand it creates, the local authorities have therefore been increasingly confronted, and still are confronted, by the need to develop their own initiatives in labour market policy. Today, virtually all local authorities are actively involved in efforts

to get to grips with the problems of unemployment and the poverty created by the labour market within their respective areas (cf., for example, Blanke, Evers and Wollmann 1986; Maier and Wollmann 1986; Freidinger and Schulze-Böing 1993).

If we consider the target group of unemployed social assistance claimants, we can see that the effect of the dual structure of legal regulations and institutional structures providing protection against unemployment means that there is also a dual structure of activation and integration schemes in Germany. We will now take a more detailed look at activities to activate and (re-)integrate the unemployed under both the unemployment insurance and the social assistance systems: against the background of the overall legal conditions, the range of measures adopted and the results achieved to date will be outlined.

## **2.2 Activation under employment insurance**

With the conversion of the former AFG (1969) into the new Book Three of the Social Code (SGB III), which came into force in 1998, the terms of reference of active labour market policy also changed. Whereas the old AFG still had a structure of objectives and tasks that was clearly defined by law, the new SGB III has deliberately been left more open. Thus, employment promotion activities under Section 2(2) SGB III are to be used in such a way that they “take due account ... of the employment policy aims of the social, economic and financial policy of the federal government and the special responsibility of employers ... and employees”. The legislation also emphasizes the fundamentally subsidiary character of employment promotion by comparison with the primary responsibility of the actors in the labour market for the events that take place within it. At the same time, the new SGB III leaves the definition of employment promotion aims to the discretion of the current federal government. What has been retained, however, is the priority of active employment promotion over the provision of income support benefits under unemployment insurance. The former, according to Section 5 SGB III, is to be used in such a way that “benefits that would otherwise be necessary to replace earned income [are avoided] on more than a temporary basis in the event of unemployment”. Thus, as a rule, long-term placements in training and work take priority over other employment promotion services.

Responsibility for active employment promotion services, and for income support benefits provided by unemployment insurance, lies with the BfA as a federal regulatory corporation under public law. The structure of the BfA comprises the central office in Nuremberg, with supreme decision-making and administrative powers, the *Land* employment offices at middle administrative level, and the local employment offices with their branches at local administrative level. The self-regulatory function is

exercised jointly and equally by the employees, the employers and the public corporations. At federal level, these three groups are equally represented on the Board of Administration, as the supreme decision-making body, and the same applies to the administrative committees on the middle and lower levels. The committees play their part in performing the tasks of the offices and have particular responsibility for sharing out the discretionary services of active employment promotion.

The client-oriented core areas of the local employment office are: the occupational guidance service, responsible for advising on and arranging training places; the employment advisory and placement service, which registers people as unemployed and provides assistance with job seeking and placement; and the benefits department, which receives, processes and approves applications for income support benefits. Thus, applicants and clients claiming income support benefits generally have to deal with at least two departments of the employment office. One indication of the great importance attaching to work placement is the fact that in 1998 about 3.7 million placements were arranged. Despite a high average level of registered unemployment, 4.3 million people, this population is changing constantly and substantially as a result of the placement activities of the employment offices. Active employment promotion measures are the province of the occupational advisory and work placement services and are offered and filled through the placement officers.

Under SGB III, the employment office is required, after a person has been unemployed for six months at the most, to interview him to determine what action, services or independent efforts he himself can undertake to avert the threat of long-term unemployment. If it is unnecessary or impossible for the employment office to take any action or provide any services, the situation must be reviewed after a reasonable period—not more than six months (Section 6 SGB III). Employment promotion measures are provided by the local employment offices, with due regard to the conditions existing in the local labour market. Each employment office is required to produce an integration balance sheet, detailing its discretionary active employment promotion services, at the end of each budget year. This balance sheet is based on standardized principles of calculation, and is intended to provide information on the use of resources, the groups of persons assisted and the efficacy of the assistance. Since SGB III came into force, the employment offices have been able to use up to 10% of the resources received under the heading of integration for discretionary services of active labour market policy, to provide “independent services” to broaden the possibilities of the active employment promotion services provided by law (Section 10 SGB III). As a result, the local employment offices’ room for manoeuvre in planning employment promotion has increased very substantially since 1998 on the basis of SGB III. Whereas the employment offices were previously no more than executive bodies acting on the instructions of a highly centralized federal authority, the introduction of the “integration line” transferred the power of decision relating to much of the employment office budget to local level.

Like the former AFG, the new SGB III also offers a diverse selection of instruments for active employment promotion (cf. Survey 3). Apart from vocational training grants, services aimed at the occupational integration of the handicapped, short-time allowances, winter benefit, winter compensation bonuses and settling-in allowances for those returning to work, all active employment promotion services are discretionary. They include, in particular, continuing vocational training schemes, job creation projects, support programmes for disadvantaged young people, and settling-in grants. Active employment promotion schemes are financed from employees' and employers' insurance contributions. Only the structural adjustment measures (pro rata) and the special federal government programmes implemented by the BfA on behalf of the federal government are financed from federal tax revenue.<sup>2</sup> In 1998, the BfA and the federal government contributed DM 133.2 million for employment promotion services, of which income support benefits accounted for DM 85.2 million and active employment promotion for DM 39.4 million (cf. Table 5). Of this sum, DM 24.7 million was allocated to the "discretionary" benefits, the distribution of which is decided upon by the local employment offices, DM 10.8 million to other active employment promotion benefits, and DM 3.9 million to special federal government programmes. Continuing vocational training alone accounted for DM 12.5 million, job creation schemes for DM 7.4 million, the similar structural adjustment measures for DM 4.6 million, and vocational rehabilitation services for DM 3.9 million. The differences in financial importance are reflected in the distribution of participants over these schemes.

Three areas in which assistance is provided should be particularly emphasized at this point (cf., for example, Fitzenberger and Speckesser 2000):

- (1) The promotion of continuing vocational training: these measures include adjusting qualifications to new technologies within a trained vocation, and the encouragement of retraining when that vocation can no longer be followed. The periods for which the continuing training schemes run vary between 3 and 24 months. In addition to payment of the costs of the scheme and travelling expenses, a subsistence allowance equal to unemployment benefit may also be paid.
- (2) Subsidized employment: the most important programme of subsidized work comprises the *Arbeitsbeschaffungsmassnahmen* (work creation schemes—ABM), offering fixed-term employment on projects which involve socially useful work and are intended to be supplementary in nature (meaning that they would not take place without subsidies). The employment office pays up to 75% of the wage costs, the remainder being borne by the project agency (or another cost contributor, such as the local authority). ABMs generally run for up to 24 months, or up to 36 months in exceptional cases. Payment may not exceed 80% of the comparable collectively agreed

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<sup>2</sup> The objectives of labour market policy under SGB III are supported financially by the European Social Fund (ESF). ESF funds may be used to provide supplementary assistance for participation in vocational training schemes and entry into employment.

or locally customary wage. Another form of subsidized employment are the *Strukturanpassungsmassnahmen* (structural adjustment schemes—SAMs), which play an important part in the new *Länder* especially. Yet another is the fixed-term subsidizing of certain target groups in the primary employment market. Finally, under the integration agreement, an employer who takes on a member of the long-term unemployed is subsidized for up to six months and up to 100% during the settling-in period.

- (3) Mobility allowances: the purpose of these schemes is first to make it easier for a person to take employment in another region, and secondly to provide initial assistance with self-employed working. The forms of aid range from loans, grants and allowances to “bridging payments”.

It is impossible here to provide a detailed account and assessment of the wide spectrum of schemes and possible forms of assistance. In all cases, the local employment office plans, commissions and finances the activation and integration schemes under SGB III. Implementation is the province, first, of training and employment agencies which, to a greater or lesser extent, have specialized in the local implementation of such training and/or employment schemes. While the local authorities and other public-law corporations have also become less important as organizers of such schemes, largely because they have hived off their activities in this area as legally independent entities, an increasing number of schemes are being implemented by industrial undertakings at their own premises. The intention here is to optimize the prospects of transferring to the primary employment market. Also increasingly common, however, are combinations of theoretical and practical periods of training, where participants work alternately with a training agency and a business undertaking.

The BfA supplies no information on the extent to which unemployed social assistance claimants benefit from these schemes and services. The basic principle is that entitlement to active employment promotion services is restricted to those drawing income support benefits under SGB III. This means that only “toppers-up” or combination benefit claimants can also take advantage of the normal range of benefits. There is no confirmation that they actually do so in practice. The local authorities criticize the fact that this particular group tends to have poor prospects of benefiting from the services offered by the employment authorities, because—from the authorities’ standpoint—they are included among the clientele of the social services offices. In general, there is no legal guarantee whatsoever of access to SGB III activation schemes for any of those who are exclusively dependent on social assistance. It is only within the framework of “free assistance” that the local employment offices are permitted to include this group, too, in their assistance schemes, though—as far as can be ascertained—little use has hitherto been made of this option. The BfA statistics also provide no information on this, so that no positive findings can be recorded.

Measured against the figure of 4.3 million registered unemployed, the number of cases of active employment promotion in Germany—and the expense—are substantial. Overall, averaged over the year 1998, 912 000 people benefited from these schemes, corresponding to a reduction of 765 000 people in the burden on the labour market (cf. Autorengemeinschaft 2000). Without these schemes, in other words, the number of people unemployed would have exceeded 5 million. The high cost of active employment promotion schemes, as the unemployment level remains high, has also increasingly posed the question in recent years of whether the effectiveness of the schemes justifies the expenditure involved. Since the introduction of SGB III, the employment authorities have admittedly been required to show, in their federal and local integration balance sheets, how the integration funds have been used and what direct effects they have produced. These balance sheets, however, at present provide no information on how many people would actually have found employment without an employment promotion scheme (which would make it possible to determine the net effect of this machinery), nor are there yet any analyses to show what happens to those for whom placement or integration has been arranged (cf. BfA 1999b). Because of the one-dimensional success indicator—integration into any employment—there are reasons to fear that employment office policy is degenerating into a statistical contest using the most “cost-effective” instruments (cf., for example, Sell 1996).

Nor do existing analyses of the effectiveness of labour market policy machinery in Germany show any clear results as yet (cf. the surveys in Schmid, Mosley, Hilbert and Schütz 1999; Fitzenberger and Speckesser 2000). In an analysis of regional variations of SGB III labour market policy in Germany, Schmid, Mosley, Hilbert and Schütz came to the conclusion that active employment offices which are particularly successful in reaching the long-term unemployed are notable mainly for cooperating with a professional agency structure and constructively involving local business. The success of such integration programmes can be increased, especially, by the designing of carefully targeted schemes, for example making use of the new machinery of placement support provided by third parties. This kind of function can be performed by leading nation-wide agencies such as Maatwerk or START, or by qualified local agents. Again, looking at the target group of particular interest here, unemployed social assistance claimants, one point to be emphasized is that efficient systems for implementing local authority labour market policy are far from universal in Germany. The message here is that it is necessary to warn against rapid transfer of labour market policy to local authority level. Even so, cooperation agreements between employment offices and social services, regulated data swapping, joint facilities and agencies, and formally institutionalized or even informally organized steering and advisory committees could successfully promote cooperation in dealing with the problems at the interface between unemployment and social assistance (cf. Schmid, Mosley, Hilbert and Schütz 1999: 554).

One effect of the criticism of the supposed ineffectiveness of the services provided by the employment authorities has been the launching of their organizational reconstruction under the title “*Arbeitsamt 2000*”. The aim of this administrative reform is to introduce comprehensive client-oriented team organization in conjunction with increased decentralization of the range of services (cf. BfA 1999c). In practice, however, this process of reform is encountering many obstacles, so that there is no immediate prospect of the process reaching a successful conclusion. However, a wealth of proposals for reform have also been introduced regarding the further development of the content of active employment promotion. For example, the *Institut der deutschen Wirtschaft* (German Industry Institute) argues in favour of restricting the scope of active employment promotion and, at the same time, decentralizing it and transferring it to local authority level. Ultimately, runs the argument, it should be concentrated on direct integration into the primary employment market, a combination of increased pressure and increased incentives being most productive here (cf. Klös 1994 and 1998). Others, such as a group of academics at *Wissenschaftszentrum Berlin* (Berlin Scientific Centre), by contrast, call for the retention of the existing machinery combined with greater concentration on (not restriction to!) the disadvantaged groups in the labour market, greater investment orientation for labour market policy, and cooperation between and networking of the relevant actors in order to increase the effectiveness of labour market policy (cf. Schmid, Mosley, Hilbert and Schütz 1999).

## **2.3            Activation in the context of social assistance**

### **2.3.1         Active employment promotion as a function of local authority economic and social policy**

In principle, the *kreisfreie Städte* (towns with administrative district status in their own right) and *Landkreise* (rural districts), as local social assistance agencies under Sections 18–20 BSHG, have an obligation to assist unemployed social assistance claimants to break free of their need for social assistance and become integrated into the labour market. However, since *Hilfe zur Arbeit* (“Help to Work”—HZA) is relatively unstandardized in the BSHG, the local authorities have extensive discretion in structuring the labour market integration of unemployed social assistance claimants in accordance with their own ideas of policy. Aims, instruments, use of resources and effects therefore differ from one local authority to another.

Against a background of accelerating economic structural change and continuing labour market problems at both national and local levels, local authority employment promotion is currently confronted by a dual challenge. As an element of local authority social (assistance) policy, it faces the task of supporting problem groups within the local labour market and, especially, providing assistance to unemployed social assistance claimants with their reintegration into the labour market. At the same

time, as an element of economic and structural policy, employment promotion must be concerned with preserving existing jobs or creating new ones for problem groups under labour market policy, developing new areas of employment under local and/or regional development plans, and advancing the process of economic structural change within the local area.

The local authorities approach this dual task in very different ways. A good many of them, for example, have made these functions the organizational province of the social services authorities, because they consider the main emphasis to lie on the activation of social assistance claimants and control of the process of integration in the context of assistance planning. Others, by contrast, have made employment promotion a part of their economic development programme, to ensure close links with economic and structural policy. Finally, many local authorities have outsourced some aspects of these functions and set up their own training and employment associations, which are entrusted with the implementation of the integration remit in cooperation with other agents.

### **2.3.2 Local authority employment promotion for unemployed social assistance claimants**

The main targets of local authorities' employment and labour market policy strategies are unemployed social assistance claimants. A distinction must be made here between two groups:

- (1) The first group is entitled to claim (1) under SGB III and merely receives supplementary HLU. At the end of 1998, this group numbered 285 000 people, or 9% of all claimants of regular HLU. Their entitlements from unemployment insurance and the employment authorities include not only transfer payments but also active employment promotion measures under SGB III.
- (2) The second group has no such entitlements (now) and is solely dependent on HLU. In 1998, it comprised 424 000 people, or 15% of all those drawing HLU benefit. As a rule, this group has no access to the employment authorities' employment promotion schemes.

Although the *Hilfe zur Arbeit* measures under the BSHG are primarily aimed at all unemployed benefit claimants, in practice the main emphasis is on the second group, primary responsibility for the first lying with the employment offices (and/or SGB III). If we examine the objectives of existing or newly developed labour market integration schemes at local authority level, a number of different target aspects and success criteria can be identified:

- The regulatory policy aspect: the primary aim here is to limit or even reduce the number of cases. The justification for this objective is the principle of subordination and the duty of the

social assistance agencies to provide help to self-help. In other words, they are required to provide not a long-term benefit but a bridging benefit, while at the same time helping assistance claimants to escape their dependence on social assistance.

- The finance policy aspect: the main focus here is on the concern to limit the rise in social assistance spending or even reduce total expenditure. Although this objective is not fully compatible with the services offered under the BSHG, its significance in the practice of local authority activity should not be underestimated.
- The labour market policy aspect: the main focus of help to self-help is the maintenance or restoration of the ability to work, to be achieved by training and employment services aimed at integration into the labour market. The success of this objective can best be verified with reference to the success criterion of sustainable or permanent labour market integration. Also relevant is the subordinacy principle, which refers to the priority use of the individual's own labour.
- Finally, the sociopolitical aspect: the integration function of the BSHG cannot be confined to labour market integration alone, but comprises compensating for disadvantages of many different kinds and avoiding or eliminating processes of social marginalization. This function of social integration can be measured against criteria of maintaining or restoring social and cultural involvement.

There are, then, a very wide variety of objectives that can be pursued by local authority policy and the administrative authorities in the way of integration schemes under the BSHG. Trube (1997) refers to a "magic quadrilateral" of objectives, which are mutually compatible only to a limited extent. It must be assumed that in most local authority areas the emphasis will be on the first two aspects, in other words slowing the increase in the number of cases and in expenditure. Even if the integration objective is emphasized, it is usually subject to the proviso that it must be financially self-supporting. On the other hand, it is unclear how far such measures actually succeed in achieving long-term integration into work and society.

In this situation, local authorities have evolved a wide range of activities and concepts that are combined with one another in different ways and integrated to form a more or less consistent overall strategy tailored to local conditions. The main components of these integration and activation schemes are the following, though there is no space to consider them in detail here (cf., for example, Seligmann 1996 and 1998; Bundesministerium für Gesundheit 1995; Fuchs and Schulze-Böing 1999; Blanke, Lamping and Schridde 1999; Empter and Frick 1999; IAW 1999): advising social assistance claimants on integration, vocational guidance/career planning, qualification/training, fixed-term employment, direct placement, integration-oriented employee loans, and loans to set up new businesses. If we try to

reduce past experience to a common denominator, the effect of such programmes is primarily dependent upon their succeeding in:

- offering a wide spectrum of integration aids of all kinds for the various target groups and problem situations, and
- enabling flexible transitions between schemes, and especially into the primary employment market,
- while, finally, the cooperation and networking of the various actors and activities within an integrated overall concept are essential for the success of the integration objective.

If we consider the basic conceptual orientation of local authority employment promotion, we can see that the focus has shifted since the 1980s. Whereas at that time the primary emphasis was on the concept of the “secondary employment market”, by the 1990s the idea of the “transitional employment market” had become dominant. The issue here is not so much the creation of a substitute employment market offering fixed-term and publicly subsidized jobs, such as traditionally dominated the *Arbeit statt Sozialhilfe* (“Work not Social Assistance”) schemes. Instead, in many local authority areas today, the focus is on direct placement in the primary employment market, this direct placement approach being more or less integrated into a wide range of preparatory and flanking measures designed to improve the prospects of successful integration into the labour market. An important factor in making this reorientation possible was the relaxation of the BfA’s placement monopoly in the mid-1990s. In particular, the evidently encouraging experience of the Maatwerk concept in some local authority areas has helped to shift the focus in Germany more in the direction of direct placement.

More and more local authorities have come to adopt the concept of “work first”, where placement in the employment market takes absolute priority among the efforts made by social assistance agencies. In numerous local authority areas, payment of social assistance has been made conditional on willingness to participate in evaluation, advisory and placement schemes. In some cases, new applicants actually have to accept an “on-the-job traineeship”, without regular pay, before their applications are processed. This arrangement undoubtedly owes much to the 1996 American model of social assistance reform (cf. Hanesch 1997b). A positive aspect that should be emphasized is that this approach broke up the concentration of the social assistance authorities on the need to make social assistance pay its way, and shifted the emphasis (back) onto the integration aspect. Conversely, the risk is that, with this approach, integration into employment will be made an absolute condition, while the other functions laid down by the BSHG may take second place. The pressure to bring about employment is thus being increased, while the question of what kind of employment it is and what future prospects it offers those affected is often left unanswered. Where additional offers of assistance

are made, their primary purpose is usually to eliminate obstacles to integration into the employment market. On the other hand, the overall perspective of social integration is quite often obscured.

Initiatives that improve the integration of unemployed benefit claimants into the labour market are thus motivated by a variety of sociopolitical philosophies, but “activation” is interpreted in very different ways in political and administrative practice. First, it is cited as a justification for the state to withdraw from social benefit obligations through a policy of economies and benefit cuts. Activation, by contrast, can also be interpreted and applied as a policy of social control, in which the main emphasis is on penalties and deterrence. Ultimately, however, activation can also be understood as a policy that backs social advancement, in the sense of help to self-help. Whereas the neoliberal incentive model combines the elements of benefit reduction and social control in a form of “negative activation”, the “positive concept” of activation relies on active integration promotion, and increased social control in terms of advancement and requirements can certainly be compatible with this policy (cf. Leisering and Hilkert 2000).

The central focus of local authority employment promotion is *Hilfe zur Arbeit* under the BSHG. Admittedly, local authority social assistance agencies are required under Section 18 BSHG to offer their unemployed social assistance claimants help with (re-)integration into the labour market. Conversely, though, unemployed social assistance claimants who are capable of work are also obliged to use their own efforts to earn a living. Where this is impossible, they are obliged to accept integration assistance from the social services under Sections 18–20 BSHG. This allows social assistance agencies maximum possible freedom of action in planning forms of integration assistance, but conversely the protection of occupational status under the BSHG’s “reasonable employment” rules is drastically limited by comparison with SGB III.

In the provision of work opportunities, the BSHG distinguishes between the “remuneration” and “additional expenditure” variants:

- (1) Whereas the remuneration variant creates or offers opportunities for work on the basis of a regular contract of employment at the “customary working wage”,
- (2) in the case of the additional expenditure variant participants enter a public-law employment relationship in which they continue to draw regular HLU, topped up by compensation for additional expenditure.

As demonstrated by surveys conducted by the *Deutscher Städtetag* (Federation of German Towns) (most recently in 1999), the volume of *Hilfe zur Arbeit* schemes and the numbers assisted by them increased steadily throughout the 1990s. Whereas in 1993 the number of people accommodated in

such schemes was no more than about 120 000, by 1998 the number of social assistance claimants employed by schemes under Sections 19 and 20 BSHG alone had already risen to over 300 000. In addition, nearly 100 000 job creation schemes (compared with about 90 000 in 1993) were co-financed by the local authorities. If we assume—on the basis of the total number of beneficiaries at year-end 1998, 2.9 million people—a percentage of 29% for the net employment potential, the number of benefit claimants potentially available for the employment market was about 841 000. Even if this number is not fully comparable with the number of HzA participants for the period in question, the fact remains that a significant proportion of benefit claimants were involved in labour market integration schemes. Of course, only half of the HzA employment relationships were of the “remuneration” type, an equal number of people being employed under the “additional expenditure” version. The proportion of those employed in the remuneration type had actually fallen slightly since 1993 (53%). Thus, although the scope of local authority employment promotion is very considerable, there is a very wide gulf in integration prospects between the two measures.

If a claimant for assistance refuses to comply with his obligation to cooperate or to accept a reasonable offer of a job or work opportunity, his benefit entitlement may be reduced or even forfeited altogether. The penalty provided in such cases by Section 25 BSHG was made even harsher in the mid-1990s. In legal terms, however, the purpose of discontinuing benefit is not so much to punish the reluctant worker for his behaviour as to give the assistance provider a possible way of dealing with his reluctance to help himself, and make him independent of social assistance. The social assistance agency thus has to determine in each individual case which measure best suits the person concerned. Only if the conditions for the withdrawal of assistance exist do the reduction and exclusion rules of Section 25 BSHG apply. Assistance provided under Sections 18–20 BSHG is thus subject to the proviso that it can be used at any time as a form of control or penalty.

As the result of an intensive legal and political debate, there is a broad consensus today that a priority relationship exists between the contract of employment variant (Section 19(1) and (2) BSHG) and the additional expenditure variant of community service and additional work under Sections 19(2) and 20 BSHG:

- (1) In the case of the additional expenditure variant, the opportunity to live independently of social assistance does not exist even in the short term. The courts have admittedly ruled that the scope of the employment must be proportionate to remuneration from social assistance plus additional outlay. Nevertheless, topping-up of the HLU level is generally very limited (DM 120 at an hourly wage of DM 1.50 and an 80-hour working month). Since labour law and works constitution law are inapplicable to these working relationships, this form of employment is *de facto* labour without rights. As a rule, too, these measures offer no prospect of providing an opening into the

employment system in the medium term. Prospects of breaking free of dependence on social assistance and achieving work integration therefore generally exist only in negative form, as a deterrent from claiming social assistance benefit. Since the obligation to accept additional expenditure employment is perceived by many applicants as having a deterrent and discriminatory effect, a substantial proportion of them refrain from pursuing their claim to social assistance. The resulting unknown number of “non-claimants” has not yet been the subject of any investigation. Certainly, some of those who abandon the claim to social assistance eventually find gainful employment, but no one knows how large this proportion is. In their case, it is true that the additional needs variant can lead to work by a “negative process”. But there is a very much greater risk that this group will remain outside the labour market and live their lives below the social assistance threshold. If we bear in mind that, in numerous local authority areas, all new applicants are referred to fixed-term employment in the form of the additional needs variant, and that the volume of such employment exceeds that of contracted work, the restrictive nature of some local authority activation programmes becomes obvious. There is a strong argument that the main purpose here is to deter applicants across the board and subject them to a generalized second means test. A distinction must be made between the use of the additional needs variant in generalized form and its use in individual cases, where there are specific reasons for suspecting possible fraud or where work therapy schemes seem appropriate.

- (2) By comparison with the additional needs variant, the remuneration model basically offers a more hopeful prospect of integration into the labour market, since a regular employment relationship comes into being. Experience to date suggests that the more the following conditions are fulfilled, the greater the prospect of long-term entry into the labour market: (1) the employment should be a regular working relationship, with rates of pay in line with collective agreements or customary in the locality and full protection under employment and social law; (2) the employment relationship should take due account of existing vocational qualifications and/or occupational experience; (3) access should be subject to freedom of choice. Only if these conditions are met are there relatively favourable prospects of access to sustainable employment. To this extent, the legal obligation is offset by an opportunity for integration that is not merely formal but actually substantive. In practice, most programmes are notably ambivalent: they offer integration into the labour market under restrictive conditions, but they do also offer opportunities to escape unemployment, at least in the short term. Since many of these programmes have been introduced only in recent years, it is too early as yet for any final assessment or evaluation.

Of critical importance of answering the question of how such programmes should be assessed and evaluated is information on their effectiveness in terms of achieving the objectives referred to at the outset. If we consider the reports on results provided by most local authorities, however, we still have virtually no information on the results of evaluations of the effectiveness of activation and integration

measures (cf., for example, the surveys by Schulze-Böing and Johrend 1994; Böckmann-Schjewe and Röhrig 1997; IAWF 1999; Jacobs 2000). Summarizing the results of the existing studies, all that is really available as yet is data on changes in numbers of cases and the fiscal cost/benefit ratio. This suggests the conclusion that ultimately, after all, the aspect of regulatory and financial policy objectives is the prime factor in such schemes. Also available in most cases is information on direct moves into training or employment. By contrast, only a few local authorities have provided data on longer-term employment, still less social integration (much more difficult to define or delimit). The necessary follow-up studies (in the form of written or oral surveys) do of course cost time and money. This may serve to indicate that these target aspects have hitherto been of somewhat secondary significance. But it is not only data on the transition and eventual fate of those who complete/fail to complete activation/integration measures that are of interest, but also those on what happens to applicants who abandon the advisory and placement process at the very start or fail to pursue their applications for social assistance. These data too—in so far as they are available at all—are only rarely released to the public. Finally, HLU claimants who do not join activation schemes also find work. In order to calculate the net effect of activation and integration schemes, it is necessary to use a control group, without activation, to make it possible to ascertain the difference between the transition rates of the study group and the control group (cf. also Jacobs 2000). Finally, information on continued presence in the labour market—in accordance with the social assistance agency's terms of reference under social assistance law—should be supplemented by information on other aspects of the material and social position after the ending of the schemes (for example, income situations within a given period after the scheme has ended). Also of interest in this context would be longer-term follow-up studies with repeated surveys. An initial approach to follow-up could be based on the social assistance administrative data: to date, however, there is no computer software that is not primarily geared to making social assistance pay its way but allows longer-term monitoring of applicants' social assistance and employment careers.

Analyses of effectiveness in this sense are certainly not methodologically simple and require substantial effort. Until such results can be provided, however, it is hardly reasonable to claim, as is quite often the case, that the integration schemes are successful. In view of traditions and experience abroad, it seems very surprising how little use has so far been made in Germany of the machinery of evaluation research. The idea of “flying blind” in the application of social policy seems to be acceptable as long as analysis is confined to the target dimensions of regulatory and fiscal policy, since case numbers and expenditure figures are still most readily available. But if we take as our basis the more extensive list of tasks contained in the BSHG and the target aspects referred to initially, this kind of failure to act is unjustifiable, all the more so in view of the sensitive nature of the new activation approaches in terms of social and societal policy. If we call for a new balance between rights and obligations on the side of those in need of assistance and on the side of the social assistance

agencies, we have to answer the question of whether, and to what extent, the new obligations are actually reflected in new and improved prospects of integration.

### **3 Coordination of activation and integration programmes: tasks, problems, approaches to reform**

#### **3.1 Levels and aspects of coordination**

The current legal and political distribution of responsibilities in the field of employment promotion for the target group of unemployed social assistance claimants in Germany is characterized by:

- a dual structure of social insurance systems, comprising unemployment insurance and social assistance, and, in parallel with that structure,
- a dual structure of activation systems, consisting of active employment promotion by the BfA and the local authority social assistance agencies.

To date, there has been no systematic coordination, let alone interlocking, of these two legal areas and systems of action as far as employment promotion is concerned. In this chapter, we examine the field of employment promotion policy in an attempt to answer the question of what need for coordination these structures impose, the forms in which such coordination has hitherto been undertaken, and what results this has produced. And we will also consider the question of what form these structures might and should take in future in order to improve the effectiveness of activation and integration programmes.

The existing benefit and action systems define a relationship or network of interaction between various actors. On the one hand there are political actors, since it is they who are responsible for the planning and design of programmes and measures. They comprise, primarily, politicians and top administrators in the political bodies involved, but also representatives of the employers' associations, the trade unions, welfare associations, etc. On the other hand, there are those who provide the benefits or implement the programmes and measures. The main examples here are the managing directors of the agencies and the technical personnel in the participating offices, companies and associations. Finally, there is a third group involved in this actor network: the addressees or beneficiaries of the programmes.

This dual structure is, more precisely, a multilevel structure. After all, considering the political actors alone, those with a legal, political, fiscal or administrative involvement include not only the federal level (the federal government and the headquarters of the BfA) but also the *Länder* and the towns and rural districts at local level. Also involved at all three levels of activation activity are the other actors mentioned above: undertakings and business associations, trade unions, citizens' associations, the

(other) providers of activation schemes and, finally, unemployed assistance claimants. There is thus a complex network of actors whose interests and activities define this policy arena (cf., for example, Windhoff-Heritier 1987 and 1993).

In view of this complex structure, the question arises of how the activities of the various actors can be coordinated so as to produce and implement an integrated overall employment promotion concept adequate to the problem. To this extent, the element of “coordination” can be seen as a necessary precondition for the targeted functioning of employment promotion. When we refer below to coordination, we mean a process of reciprocal matching of activity. This study follows Mattessich and Monsey (1999) and Taylor-Powell, Rossing and Geran (1998) in adopting a concept of coordination in which several different steps or levels of intensity can be distinguished:

- (1) The first level of coordination involves the reciprocal exchange of information along the lines of a bilateral exchange or “round table”, an exchange that generally takes place in an informal context.
- (2) The second level of coordination also takes place in an informal context, though with a higher degree of consolidation, where joint *ad hoc* groups are formed to deal with specific, limited problems. This level thus involves a first type of cooperation, limited in both content and time.
- (3) At the third level, a joint planning and consultation process is agreed and implemented on the basis of formal working groups or network structures.
- (4) At the next level, cooperation has consolidated to form long-term, joint working structures based on common objectives and principles, made binding by law, articles of association or contract.
- (5) At the fifth level, institutions are set up on the basis of jointly formulated objectives and tasks which are jointly sponsored by the participating institutions (with financial and human resources, etc.) and within which partial fusion of the institutions participating in coordination takes place.

If we attempt to produce a systematic account of the employment promotion actor network, we can first distinguish the three levels mentioned above on which relevant actors function: the federal, *Land* and local authority levels. To these can be added a fourth, sublocal or urban district level, which is primarily significant for the activities of civil society. On the other hand, there are at least two significant dimensions in which the actors interrelate or interchange: the vertical and horizontal dimensions, depending on whether the processes of exchange and consultation take place on one particular level or between the various levels. As can be seen from Survey 6, this can be used to produce a two-dimensional matrix in which the various actors, their interrelationships and the various needs for coordination can be located. We will now move on, first, to a brief outline—based on this two-dimensional matrix—of the levels and dimensions of coordination and the coordination requirements resulting from them. We will then identify the specific actors and coordination tasks for two focal areas: first, vertical coordination between federal government, *Länder* and local authorities;

secondly, horizontal coordination at local authority level. So what are the coordination tasks arising against the background of the existing structures of social insurance and activation for unemployed social assistance claimants? These requirements will be explained below in the form of an overall outline.

#### **(A) Vertical coordination requirement**

(1) Coordination between federal government/federal legislator, *Länder* and local authorities

Between federal and local level, there is a complex coordination requirement in view of the reciprocal relationship between federal government, *Länder* and local authorities. Thus, at federal level, the Bundestag and Bundesrat (lower and upper houses of the German parliament) have the legislative power behind the Federal Social Assistance Act (BSHG) and Book Three of the Social Code (SGB III). The local authorities, as the bottom level of Germany's federal structure, are admittedly political subdivisions which are independent in law but, as local agencies, are required to use their own resources and their own administration machinery to implement the tasks laid down by the BSHG. The federal government, then, is in a position to allocate new tasks to the local authorities, for example by introducing benefit cuts in SGB III to exclude certain subgroups of the unemployed from the right to employment promotion or incorporating new requirements into the BSHG. Of course, laws which directly impinge upon the interests of the *Länder* and local authorities can be amended by the federal government only with the consent of the Bundesrat as the chamber of the *Länder*. Conversely, the local authorities have the option of providing employment for unemployed social assistance claimants without entitlements under SGB III, thus transferring them back into the jurisdiction of SGB III. To this extent, the federal government defines the scope and framework conditions of local authority activation policy, but on the other hand the local authorities are well able to act independently and—within certain limits—to defend themselves.

(2) Coordination between *Länder* and local authorities

A second level of vertical coordination relates to the interrelationships between *Länder* and local authorities. The need for coordination here results from the fact that the local authorities have only very limited financial resources of their own available for employment policy, whereas this field is becoming increasingly important for the local authorities. The *Länder* have the right and the resources to make additional funds available to the local authorities for their activation policy; they can do this *en bloc* as part of the *Gemeindefinanzausgleich* (local authority finance compensation) or in the form of *Land* labour market programmes. The design of the programmes enables the *Länder* to influence the scope and structure of local authority activation by linking the availability of the resources to certain requirements and conditions. Conversely, the local authorities are free to claim the *Land* resources and submit to the *Land*'s conditions, or to waive that right. Under the programme conditions, the *Land* in question can also influence the coordination of active employment promotion at local level, at least in so far as it involves *Land* resources.

(3) Coordination between local authorities and actors at urban district level

Especially in the major conurbations, coordination activities at city-wide level are inadequate to ensure the occupational and social integration of those targeted within their respective sociogeographical areas. Planning and consultation processes are therefore necessary between the *kreisfreie Stadt* or rural district on the one hand and the various actors at urban district or district municipality level on the other. While the respective local authorities have access to the planning and financial resources to implement activation and integration programmes, the civil society associations (welfare associations, local initiatives, etc.) have access to the specific network structures of the urban district, with which they can provide important aid to integration—extending beyond the vocational sector. Their willingness to participate actively, however, is conditional on acceptance of the concept and conditions of the local authority activation programme in question, and the best way to ensure that acceptance is to involve them in the planning and coordination of the programmes.

**(B) Horizontal coordination requirement**

(4) Coordination between social protection and activation at federal level

This coordination requirement is not a matter of interrelationships between various actors. Rather, the main emphasis is on the question of how far the level and conditions of social security contribute to ending the drawing of social benefits and the integration of the benefit claimants into the labour market. At present, for example, it is claimed that the amount of income support and the extent of the incentive to accept gainful employment in Germany is

not sufficient to motivate the unemployed to find work. Although transfer payments as a whole have a significant influence on the (assumed) choice between working and not working, particular reference is made here to the conditions governing the drawing of unemployment benefit and assistance on the one hand and HLU on the other. Ultimately, the issue here is the future relationship between the sociopolitical protective function and the economic pressure or incentive function in providing social cover for the risk of unemployment.

(5) Coordination at *Land* level

While the promotion of the local authority activation programmes is becoming increasingly important as a result of programmes run by the *Land* in question, the latter are traditionally extremely varied in nature. In the interests of consistent frameworks for local authority action, it would be desirable for the *Länder* to coordinate their promotional activities as regards the scope and structure of the programmes by means of which they supplement and support local authority programmes to encourage unemployed social assistance claimants to move into the employment system.

(6) Coordination at local authority level

At local authority level, the first requirement is that activation programmes should be coordinated across the whole of each city. The main issue here is the exchange of information on and agreement upon objectives and plans for activation measures between all relevant labour market actors with a view to developing an integrated overall concept at local level. Programmes and activities also need to be coordinated between the city authorities and the employment authorities, as the two main actors in local employment promotion. However, the question of the interplay between employment authorities and local authorities does not arise at local level only, because the employment offices are subject to the instructions given by their increasingly centralized federal authority, the BfA. Improving the cooperation structure thus requires the willingness to do so on the part of the employment authorities at federal as well as local level. Finally, coordination of activation and integration measures within the framework of *Hilfe zur Arbeit* is needed, since this is the core of local authority employment promotion for the group of unemployed social assistance claimants.

(7) Coordination at urban district level

The prospects of integrating unemployed social assistance claimants into the labour market and society are significantly dependent on whether the full assistance potential in the sociogeographical environment can be mobilized. This is easiest to do at urban district level or in the individual district municipalities. This presupposes the development of local network structures capable of making an active contribution to fulfilling this integration function. Activation and integration are thus reliant on the readiness of civil society actors at urban district level to participate in such network structures and make an active contribution to the integration of this target group.

In the context of the present report, it is impossible to undertake a differentiated study of all these levels and aspects of activation and their coordination. We have therefore selected two subject areas for more detailed study. One is vertical coordination between the federal government on the one hand and the *Länder* and local authorities on the other (Section 3.2). The other comprises the various aspects of horizontal coordination at local level (Section 3.3). The significance of the first subject area arises primarily from the fact that the statutory regulations in the BSHG and SGB III define the distribution of tasks between the various actors and levels from which the particular need for coordination arises. The importance of horizontal coordination is justified by the fact that activation takes place mainly at local authority level. The objectives, concepts and programmes of activation, and their effects, are thus decisively influenced by the interaction of the actors in the local political arena.

## **3.2 Vertical coordination between federal government, *Länder* and local authorities**

### **3.2.1 Problems of current work distribution and reform options**

In view of the dual structures outlined above in the field of social protection and the activation of the unemployed, the debate among specialists emphasizes the fact that the coexistence and partial overlapping of the two benefit systems, and especially of unemployment assistance and social assistance, entail negative effects.

Thus, the dual responsibility of federal government (unemployment assistance) and local authorities (social assistance) promotes strategies whereby each seeks to offload on the other the political and financial responsibility for social protection and for the labour market integration of the (long-term) unemployed. While the federal government, by repeated benefit cuts in SGB III, has steered more and

more unemployed people towards social assistance benefit, the local authorities try to reintegrate their unemployed benefit claimants into unemployment insurance by offering them fixed-term employment.

- The social authorities at local level have the overriding impression that the long-term unemployed in particular, who receive both unemployment assistance and social assistance, are given only inadequate placement and integration assistance by the employment offices. As a result, the employment offices and social services offices have in many cases developed dual structures at local level for the integration of the long-term unemployed, the placement and employment initiatives of the local authorities being perceived by many employment offices as irksome competition.
- Benefit claimants need to deal with two sets of benefit legislation and two sets of authorities. This can involve them in an almost impenetrable and far from citizen-friendly administrative procedure, so that many unemployed people abandon the idea of claiming their social assistance entitlements.

In the light of the problems outlined above and the shortcomings in the interplay between unemployment insurance and social assistance, between active employment promotion under SGB III and *Hilfe zur Arbeit* under the BSHG, and between federal government, *Länder* and local authorities, there has been a great deal of discussion of reform in Germany, and indeed practical initiatives towards reform have already been adopted. So what are the possible reform options for resolving this dual structure problem in a rational and purposeful way? The social policy debate in Germany has addressed various options.

(1) At present, two main reform options are under discussion for resolving the dual responsibility of unemployment insurance and social assistance:

- First, it is proposed that all unemployed people should be brought within the jurisdiction of unemployment insurance, because this benefit system—following the logic of the German welfare state model—is responsible for covering the general risk of unemployment. One way of doing this, for example, would be to ease the conditions for access to income support benefits, raise the level of those benefits and extend the period for which they may be drawn. As this solution would not only do little to meet present needs but also be very expensive fiscally, it has little present prospect of becoming reality. A more popular idea, therefore, is to introduce a basic or minimum level of unemployment insurance cover. This should be income-dependent, in other words be payable only to those with inadequate income and assets. It should also be geared to existing needs, in other words guarantee a sociocultural minimum in the same way as the present social assistance, and so prevent the need to claim social assistance as well. Since all unemployed people in need would be able to claim the

benefits of unemployment insurance determined by insurance law or needs, the problem of the need for social assistance resulting from unemployment would be elegantly disposed of and the logic of the German security system would be appropriately restored. These and similar reform proposals have been put forward in the last ten years by the German Social Democratic Party (SPD), by Alliance 90/the Greens, by the trade unions and welfare associations, and by academics (cf., for example, Hauser 1997). However, the present reform debate centres on a completely different kind of solution.

- What is favoured at present is an option that would mean the elimination of unemployment assistance and the transfer of all the long-term unemployed to social assistance. Employers in particular, but the Christian Democratic Union (CDU) party as well, argue that the coexistence of two welfare-oriented benefits with different benefit conditions is no longer justifiable today. Obviously, they say, unemployment assistance and social assistance should therefore be combined to provide a new, standardized form of cover. A specific proposal for reform is currently being drafted by the *Land* government of Saxony (cf. Sächsisches Staatsministerium für Wirtschaft und Arbeit 2000). This proposed reform would not only mean that many unemployed benefit claimants lose their entitlement, because unemployment assistance conditions are more favourable than those in social assistance. By losing entitlement to income support benefits under SGB III, the long-term unemployed would generally also lose the possibility of access to active employment promotion measures under SGB III. These would in future be concentrated exclusively on the short-term unemployed, while all the long-term unemployed would be referred to the local authority measures of *Hilfe zur Arbeit* under the BSHG. As the number of HLU claimants increased in the course of this reform, these measures would also have to be extended accordingly. For the local authorities, the massive increase in the numbers of potential benefit claimants would result in an abrupt rise in benefit obligations—whether in the form of monetary transfer payments, flanking advisory aid, or assistance with integration into the labour market. Whether, and if so to what extent, funds would be increased appropriately to deal with this increasing demand for benefit is unknown for the time being. Finally, the existing social insurance system would be radically called into question in connection with the risk of unemployment: the protective function of unemployment insurance would be retained exclusively for temporary or relatively short-lived unemployment. In the event of longer-lasting unemployment, with the particular material and psychosocial problems it raises, it would be lost, with no replacement, for all those who cannot claim social assistance. For the most needy group, it would be retained in the form of local authority social assistance alone.

The new social security arrangements in the event of unemployment would have serious consequences, too, for activation and integration policy in Germany.

- In the case of the first reform option mentioned, future activation would take place exclusively in the context of unemployment insurance or on the legal basis of SGB III. Since social assistance and the local authorities would no longer be involved in providing social security for the unemployed, the need for coordination between SGB III and the BSHG, and between federal government and local authorities, would lapse.
- In the case of the second option, by contrast, the existing dual structure would be retained in modified form. The local social services offices would not only have to strengthen their benefit departments greatly, because of the increase in the number of cases, but would also have to act, even more than they do today, as substitute employment offices. So what is superficially intended to create a simpler, leaner structure would actually consolidate the dual structure of unemployment insurance and social assistance. The need for coordination would remain, though it would be less pronounced for the group of dual claimants or toppers-up, who would hardly exist in future,<sup>3</sup> but would focus on the placement activities of the employment offices for the long-term unemployed.

(2) In parallel with the reform debate about social security in the event of unemployment, reform options for activation and integration policy are also being discussed and introduced at present. The main focus here is on the redefinition of the relationship between social services offices and employment offices:

- At present, for example, a bill presented by the governing parties is being discussed in the Bundestag, and will be approved shortly, to make legislative changes in SGB III and the BSHG. These will in future oblige employment offices and social services offices to conclude and implement cooperation agreements exhausting every possibility of improving work placement, increasing the efficacy of help with integration into gainful employment, and designing the administrative procedure in a simple, citizen-friendly way. At the same time, this legislation will create the legal framework to enable employment offices and social services offices, under a framework of fixed-term model measures, to transfer statutory duties to each other or to a third party jointly instructed by them. The model measures are to be the subject of an academic assessment such as to permit a

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<sup>3</sup> It would also be possible in future for those drawing unemployment benefit to apply for and receive supplementary social assistance.

nation-wide evaluation. The intention is that fixed-term experimental clauses should relax the legal framework, make the SGB III and BSHG instruments more flexible to handle, and implement cooperation in practice (Gesetzentwurf der Fraktionen SPD und Bündnis 90/Die Grünen 2000).

- In addition, the federal budget for 2000 includes an item entitled “Promotion of the trial and development of innovative measures for combating unemployment”, the aim of which is to encourage and evaluate regionally limited model projects of this kind—initially based on applicable law and subsequently taking advantage of the experimental clauses as well. The intention is to promote three basic variations of a service for those claiming unemployment assistance and social assistance, in which overall control—including advice, drafting of integration plans, preparation and organization of integration measures, and payment of benefits—is to be in the hands of one body (the one-stop-shop principle). In the first variation, the services will be provided by the employment office, in the second by the social services office, and in the third by a body formed or instructed jointly by the employment office and the social assistance agency. These model measures, too, will be the subject of an academic evaluation and assessed with a view to the possibility of transferring and generalizing them.

The text of the bill and the promotional conditions of the model projects indicate that the great importance of coordination between the two security and activation systems has been recognized by the federal government and will play a central part both in the models and in the proposed evaluations.

### **3.2.2 Vertical coordination of the reform initiatives at federal level**

At present, there are (at least) three forums at national level for the conduct of the debate on the reorganization of social security and the activation and/or integration of the unemployed. They represent approaches to coordinating ideas and initiatives for reform, primarily involving the federal government, the BfA and representatives of the *Länder* and local authorities. Specifically, this is an officially appointed federal/*Land* working party. In addition, this subject is also under discussion by *Bündnis für Arbeit* (“Alliance for Work”), set up by the federal government. Finally, the private-sector Bertelsmann Foundation has set up an informal working group that also deals with the same subjects.

#### **(1) Federal/*Land* working party**

The initial coalition agreement for the new legislative period already contained a statement of the new governing coalition’s intention of improving cooperation between social services and employment

offices in the long term. Excessive red tape would be eliminated and work placements facilitated. With this in mind, in February 2000, the federal government set up a joint federal/*Land* working party involving the *kommunale Spitzenverbände* (local government umbrella associations) and the BfA, and coordinated by the labour market policy department of the Federal Ministry for Labour and Social Affairs, which would review the conditions under which social and unemployment assistance were granted to consider how more could be done to bring about the effective integration of claimants into working relationships. The working party is also considering whether integration of unemployed unemployment and social assistance claimants can better be improved by greater approximation of the conditions applicable to the two benefit systems or by combining them in the longer term within a new, unitary welfare benefit. In an interview with the chairman of the federal/*Land* working party, the latter explained that this review would address numerous legal, political, fiscal and administrative issues, so that a definitive decision on whether to approximate or combine the two benefit systems would be possible only at the end of an extensive process of discussion, running over into the next legislative period. At the time, he emphasized that all involved in the discussions must adopt a trusting, problem-conscious and receptive approach. Even so, the interview showed that the first of the two reform options referred to above—the reassignment of social assistance claimants to unemployment insurance by introducing a basic minimum income floor—is not under consideration by the federal government at present. The only option being seriously considered is the combining of unemployment and social assistance. But if unemployment assistance were to be brought into line with HLU in terms of conditions and levels of benefit, this would in practice convert unemployment assistance to a minimum income floor in line with the social assistance model. In this variation, too, all the long-term unemployed would in future remain subject to SGB III and—other things being equal—be able to benefit from that system’s active employment promotion.

## **(2) *Bündnis für Arbeit***

In its initial coalition agreement, the new governing coalition also included the creation of an “alliance for employment, training and competitiveness”. This forum, abbreviated to *Bündnis für Arbeit*, was officially baptized in December 1998 (cf. *Die Bundesregierung ohne Jahr*; Neumann 2000). The alliance, conceived as a dialogue, encompasses first the “summit talks” between representatives of the federal government, industry and the unions, and secondly a steering group moderated by the Chancellery, with the assistance of a “benchmarking group”, together with a number of working parties and expert groups whose mandate is to develop reform proposals in connection with specific themes and questions and so help to prepare the summit talks. This alliance, conceived on the Dutch model, has tried to initiate the reorientation of economic and employment policy in connection with a number of subjects. A focal point has been the development of proposals to improve the employment prospects of the less qualified unemployed (*Bündnis für Arbeit* 1999), which has been reflected, *inter alia*, in a federal government programme for the promotion of model employment experiments for

unskilled and long-term unemployed people. The intention here is to improve the employment situation of this target group, which substantially overlaps the group of unemployed social assistance claimants, by subsidizing the social insurance contributions (cf. Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit, Arbeitsgruppe Benchmarking 1999). Ultimately, the benchmarking group which is essentially responsible for this reform initiative is endeavouring to provide greater incentives for reintegration into the labour market and improve the employment situation of the target group by expanding a low-waged sector in Germany—an approach that is not without its opponents (cf., for example, the articles in Schäfer 2000). With similar terms of reference, the Federal Ministry of Finance is currently sponsoring a study of the incentive effects of social assistance on the willingness to work of social assistance claimants who are capable of doing so, conducted by the Halle *Institut für Wirtschaftsforschung* (Institute for Economic Research—IWH) in conjunction with *Infratest Sozialforschung* (cf. IWH 2000).

### **(3) The Bertelsmann Foundation's working group**

In contrast to the two forums considered so far, which are established as formal committees, the third is more informal in nature. About two years ago, the independent Bertelsmann Foundation began to study and document local authority initiatives for gearing social assistance to employment (cf. Empter and Frick 1999). A working group was set up for the purpose, involving meetings several times a year between representatives of the Federal Ministry for Labour, the local authorities, the employers' associations, the trade unions, the BfA and selected experts. In addition to this, the Bertelsmann Foundation initiated "regional employment initiatives" and a "local authority employment promotion network", intended to initiate a wide-ranging exchange between the local authorities and the propagation of successful practical models. As its most recent contribution, the Foundation, in conjunction with the working group, has commissioned a study from con\_sens Consulting on cooperation between employment and social services offices at local authority level, the final report of which will be published shortly (Bertelsmann Stiftung 2000). The Foundation's main objective is to create transparency regarding innovative approaches and new avenues in local authority employment policy, while supporting a shift in political responsibility for the unemployment problem to local authority level. The other actors are using this informal group to sound out the pros and cons of the various reform options and the interests and negotiating positions of the participating actors "behind closed doors", away from public attention.

With the reform debate in full swing, it is all but impossible to predict the outcome of the reform process. Nevertheless, there is much to suggest that, in future, the local authorities will play a more important role in social protection for the unemployed and also in reintegrating the unemployed. The local authority umbrella organizations, which lobby for the interests of local authorities, are involved in the political and technical debate at federal level and take a somewhat sceptical view of plans to

transfer the functions of security and integration to the local authorities. In a programmatic article, the chief executive of the *Deutscher Städtetag* (Federation of German Towns) gave warning that the planned combination of unemployment assistance and social assistance would be exploited by the federal government as a way of freeing itself from its national responsibility for the long-term unemployed, and declared that the local government umbrella associations were resolutely opposed to any such development. Lack of financial compensation would not only have a detrimental effect on budgetary, social and employment market policies for all local authorities, but also, given regional concentrations of labour market and domestic problems in structurally weak regions, would do nothing to close the gap in living standards between regions in the Federal Republic. The local authorities expect that although a reform of this kind would transfer the burden of unemployment assistance to them, they would be left in the lurch financially and in terms of human resources, and so, in the long term, would find themselves bearing alone the burden of long-term unemployment (cf., for example, Artikus 2000). In interviews with representatives of the local authorities involved in the case studies, however, it was emphasized that the transfer of tasks to the local authorities might also be a source of opportunities. For example, some representatives, especially of those local authorities which are already more active than most in the promotion of employment, expect better legal and financial support for the policies they are already practising. However, studies of the role of the local authorities in German social assistance policy have shown that their potential for issuing and acting upon threats is somewhat restricted (cf., for example, Jaedicke u.a. 1991). There are therefore many arguments for taking a more sceptical view of the likely consequences of the reforms for the local authorities.

### **3.3 Horizontal coordination at local level**

#### **3.3.1 Local actor network and coordination function**

Local employment promotion policy normally involves a number of individual and group actors pursuing their own objectives and interests and acting more or less independently of one another. Although the actor network varies from one local authority to another, the following actor groups may be encountered in all of them:

- (1) The first main actor is the *kreisfreie Stadt* or rural district in question (and its district municipalities). These, as legally independent regional administrative bodies, form the lowest level of the German federal state structure. The cities and rural districts are politically responsible for ensuring the social balance of their citizens' living conditions and opportunities. In the area of employment promotion, the most important departments are those of social and economic affairs. While the social affairs department, with the social services and youth offices, is responsible for

sociopolitical functions in the broadest sense, economic and labour market policy are generally the preserve of the economic affairs department. Of course, the planning of departmental and office structures and the assignment of tasks to offices and departments is at the discretion of the local authority concerned, so that in practice virtually no two local authorities have the same administrative and organizational structure. Irrespective of this, the local authorities have a statutory duty to take action when their citizens are afflicted by unemployment and the need for social assistance. Local social assistance agencies under the BSHG are the *kreisfreie Städte* and rural districts, which set up social services offices to provide the necessary social assistance functions. Under these arrangements, the local social services offices are required to set up joint study groups with all social assistance agencies to discuss and ensure the uniform and joint implementation of the measures (Section 95 BSHG). In addition, they are supposed to cooperate with the employment offices, especially, and as appropriate with other bodies active in this field to provide and maintain employment opportunities (Section 19(4) BSHG). The *kreisfreie Städte* and rural districts are also the local providers of youth assistance and are required to set up youth offices and youth assistance committees to control and implement the provisions of the *Kinder- und Jugendhilfegesetz* (Child and Youth Assistance Act—KJHG). Under the vocational guidance scheme for young people, the youth offices are required to advise and assist young people with the transition from school to work. This applies particularly to groups whose conditions and prospects are particularly unfavourable. Thus the group of young people in need of social assistance and with no training or jobs forms one of the particular target groups of vocational guidance for young people. To this extent, then, the local social services and youth offices are under particular legal and political pressure to act in order to prevent their clients from becoming unemployed in the first place or solve the problem if it arises.

- (2) Another particularly important group of actors in this area of policy comprises companies, industry associations, the chambers of industry and commerce and the chambers of crafts. The chambers, as the self-administering bodies of manufacturing industry, represent the interests of undertakings in their own sectors of trade or industry, in the same way as the industry associations. Some areas of the economy, such as parts of the services sector, have hitherto been underrepresented by the chambers and associations. While the chambers regularly participate in employment promotion, the industry associations do so only with limitations. The undertakings themselves, with the exception of a few major ones, are even more rarely involved in this field. This indifference is all the more regrettable when one considers that, after all, it is they who are primarily responsible for the creation of new jobs. Manufacturing industry has long taken a somewhat sceptical and remote view of the local authorities' activities in the field of employment promotion. The main purpose of the collaboration of the chambers and industry associations has been to limit the spread of local authority activities in this area. Only with the move away from the

concept of the “secondary employment market” in favour of the ideas of “direct placement” and “work first” have undertakings become more prepared to participate.

- (3) The unions, especially the *Deutsche Gewerkschaftsbund* (German Federation of Trade Unions—DGB) and its member unions, are in most cases heavily involved in the planning and structuring of this field of activity, since, after all, they regard it as one of their primary functions to demand active promotion of employment and work at both federal and local level and to cooperate in it. In isolated instances, their efforts are backed by representatives of the churches, the welfare associations and local social initiatives which, as “social associations”, have signed up to the campaign against “poverty and marginalization”. This is particularly true where “poverty conferences” or “social summits” have been set up at local level as local forums for the campaign against poverty and marginalization. The trade unions have traditionally committed themselves especially to the extension of training and employment schemes forming part of the “secondary employment market”. Their interest here is directed at the fact that employment in the “second” and integration into the “primary employment market” take place under normal labour market conditions and do not undermine the conditions laid down by law and the collective agreements.
- (4) Another group of actors comprises the providers of training and employment schemes. In most cases, these are private non-profit and commercial agencies who have specialized in particular target groups and types of schemes and have long been active in this field—either as subdivisions of larger nation-wide associations and enterprises or as small-scale local initiatives. The non-profit agencies, in particular, generally play a dual role as spokesmen both for their own interests and for those of their target groups. Whereas the former are primarily concerned with bringing about stable and reliable promotion conditions for their activities, the latter’s objectives include calling for schemes that offer prospects of transition. The training and employment agencies generally contribute only very limited funds of their own—for example, if churches and welfare associations themselves become sponsors of such schemes—and are more likely to be instructed and financed by the local authorities and the employment authorities. This means that the various agencies are competing for the same budgets. Their role is thus subject to a high level of financial dependence and competition, and their influence is confined to the technical level. This situation can be improved only through alliances with other groups of actors.
- (5) Finally, another principal actor is the local employment office. After all, the primary function of this institution, as a local subdivision of the BfA, is defined by law as being the provision of active employment promotion and implementing the promotional measures whose volume and composition are determined centrally, along with the “discretionary” services. The volume of employment office activities—both as regards number of participants and as regards the level of

financial resources employed—considerably exceeds that of the local authority programmes. As mentioned previously, the introduction of SGB III greatly broadened the decision-taking powers of the employment offices to use the instruments of employment promotion in accordance with local conditions. The mix of measures thus varies more greatly between individual local authorities today than it did in earlier years. In principle, unemployed social assistance claimants have access to these schemes only if they themselves are entitled to income support benefits. However, even social assistance claimants without such entitlements can be aided, subject to a maximum limit, by SGB III schemes in the form of the “free assistance” referred to in Section 10 SGB III. This requires appropriate prioritization by the administrative committee of the employment office.

- (6) Finally, the last group comprises the addressees, clients or users of local employment promotion. Being unemployed, they have a strong interest in employment promotion conditions and content such as to improve their prospects of (returning to) a life independent of social assistance. In most cases, their ability and willingness to look after their own interests as unemployed people must be assessed as being on the low side. In some local authority areas, however, there are initiatives set up by unemployed people themselves who are perfectly able and willing to participate in the processes of coordination. Generally, though, forums for the coordination of local employment promotion make no provision for representatives of the unemployed to participate, so that they are not normally involved in the planning, discussion and further development of local activation and integration. At best, they may be able to exert this kind of influence through membership of the welfare associations or trade unions.

### **3.3.2 Coordination at local level—needs and reality**

In view of the wide spectrum of individual and group actors, it is probably obvious that the uncoordinated activities of these groups do little to enhance the effects of the various employment promotion schemes. An independent definition of employment promotion aims and strategies is provided in most cases by the local authorities and employment offices, the two principal actors in local employment promotion. The other actors—undertakings and business associations, trade unions and in some cases social associations such as the organizers of training and employment schemes—are generally significant only in a cooperative role. It may be, then, that local authority programmes, like the employment authorities’ programmes, fail to address and reach certain groups, or fail to do so adequately, or, conversely, the various promotional programmes may be targeted at the same groups but using different conditions and different strategies. It is only the interplay between the various groups of actors that can help to avoid this kind of inadequate or duplicated coverage. Coordination,

then, is a necessary condition for the efficacious—meaning both efficient and effective—deployment of the activation and integration programmes and initiatives in the local area. Of course, coordination alone cannot guarantee that the measures and instruments deployed are really suitable or appropriate. To this extent, the effectiveness of local activation comprises the combination of the effectiveness of the individual programmes and measures concerned and the effectiveness of the way in which they are bundled and adjusted to form an integrated overall strategy.

In these circumstances, there is a triple need for consultation and coordination at local level. Coordination should take place, first, at city-wide level, involving all the actors; secondly, coordination between the two main actors, the social services office and employment office, should be ensured; and thirdly, there is a sector-specific need for control and consultation regarding *Hilfe zur Arbeit*. The three aspects can complement and overlap each other, but not replace each other. We will now explain briefly the three coordination requirements.

### **(1) Coordination at city-wide level**

As federal government policy—apart from a few programmes for individual target groups developed via the BfA—is increasingly restricted to reliance on market forces, the local authorities have become increasingly active since the 1980s in the field of local employment and labour market policy. Activation and integration programmes for unemployed social assistance claimants—whether designed by the local social authorities or the employment authorities—are therefore merely one aspect of the complete package of employment and labour market policy measures in the local authority area concerned. The development of an integrated overall strategy of local employment and job promotion requires the creation or existence of a forum in which all relevant actors can participate in an appropriate decision process. This is the only way of ensuring that a joint consensus is achieved on the scope and prioritization of local employment promotion.

City-wide coordination cannot address matters of detail, as these lie within the responsibility of the various actors, especially the local authority and the employment authorities. However, a joint process of coordination is necessary if the programmes and measures are to be combined as building blocks in an integrated overall strategy. City-wide coordinating committees therefore serve primarily as an instrument of consultation and guidance. They are generally chaired by a representative of the local authority: the mayor or a head of department. The prioritization agreed upon in this kind of “consensus group” has to be prepared, at the working level, by appropriate planning documents produced by the various actors, especially the municipal and employment authorities. And it must then be approved or implemented by the competent decision-making bodies, especially the budgetary committees of the local council and the administrative committee of the employment office. A sensible approach therefore seems to be a dual structure, comprising a steering committee and one or more working

committees. Based on the model of the national *Bündnis für Arbeit*, the steering committee should be made up of the political representatives (heads of department, directors, executives, etc.) of the participating institutions, meet at relatively long intervals and make basic decisions on aims and programmes. By contrast, the working committee(s) would have the function of preparing the documents to be discussed and decided upon by the steering committee. In terms of the levels of cooperation referred to initially, city-wide cooperation is primarily restricted to the first levels. What would be desirable would be a form of institutionalization corresponding at least to the third level of coordination. However, a consensus group of this kind can also be underpinned by statutory or contractual conditions requiring fourth-level coordination, for example when required by *Land* legislation, as in the case in North Rhine-Westphalia with regard to the prioritization of the implementation of *Land* programmes. It is also conceivable, though, that such a structure might be laid down by the local bylaws or a contractual agreement between the participating institutions.

## **(2) Coordination between social services office and employment office**

The *kreisfreie Stadt* or rural area on the one hand and the local employment office on the other are two main local-level actors in active employment promotion whose terms of reference cannot be clearly separated. First, employment promotion is one of the local authorities' self-administrative functions, on which they decide in accordance with their own political priorities and for which they can use their own fiscal revenue. Secondly, the local employment office with its integration budget is generally able and willing to appropriate greater financial resources than the local authority to employment promotion. The employment office, as the local administrative unit of the BfA with the director as the senior administrator, had little independent freedom of decision or action until the former AFG was replaced by the new SGB III in 1998, because the volume and structure of the resources available for active employment promotion were dictated centrally on the basis of local indicators. Such freedom of action was only created by the introduction of the discretionary benefits of the integration budget and the *Arbeitsamt 2000* reform project.

One form of cooperation planned between employment office and local authority involves the participation of the local authorities in the employment office's self-administering bodies. In addition to the possibility of forming special committees for other tasks, each employment office has an administrative committee which cooperates in the work of the employment office. Its tasks include, in particular, deciding on the division of the resources appropriated in the integration heading for discretionary active employment promotion services (including free assistance). The administrative committee comprises equal representation of the employees, the employers and the public authority, the latter's places being taken up by representatives of the towns and rural districts within the employment office district concerned. To this extent, the local authorities can influence decisions taken by the local employment authorities through their participation in the administrative committee.

However, administrative committees to date have been largely dominated by the employers' and employees' representatives.

In addition, the employment offices are obliged under Section 9(3) SGB III, in the performance of their duties, to cooperate with those involved in the local labour market, especially the employers' and employees' representatives, the chambers and professional organizations, and the local authorities, administrative areas and districts. They are required to discuss their plans at an early stage with providers of employment promotion schemes. Finally, under Section 12b SGB III, the BfA and local employment offices are required to cooperate with the social assistance agencies to ensure that unemployed claimants can use their labour to earn a livelihood for themselves and their families. However, the practical effects of this paragraph have so far been very limited. In reality, the relationship between local authority employment promotion and that of the employment office is in most cases not free from tensions. Two points were emphasized in the case studies. At many employment offices, the increasing activities of the local authorities in the field of work placement are regarded as a threat to the office's own remit and its own jobs. At the same time, reference is made to the differences in human resources and the widely differing caseloads in local authority placement projects, by comparison with placement by the employment offices. From the standpoint of the employment offices, if they had the resources they would be perfectly capable of achieving equal or even better placement results. The local authorities' work opportunities under contracts of employment for their unemployed social assistance claimants, too, are viewed primarily as an attempt to transfer this group back to the responsibility of unemployment insurance and the employment authorities, while the effect on labour market policy is considered to be relatively minor. Conversely, the local authorities view the advisory and placement activities of the employment offices as ineffective, being too little focused on the specific requirements and problems of the disadvantaged groups in the labour market, so that it is these that benefit least from the services offered by the employment offices. The shortcomings are considered to be not only quantitative, relating to personnel deployment, but also conceptual, in that the employment offices have not yet applied an accurately targeted form of placement within the meaning of the Maatwerk strategy.

*De facto*, a dual structure of labour market policy actors in the field of employment promotion planning and development has grown up at local level, the two halves as yet being inadequately linked. Admittedly, the local authorities on the one hand and the employment offices on the other have hitherto been under a legal obligation to work together, and rely on doing so in the interests of success. In practice, however, this cooperation is still proving extremely difficult, since these two actors are committed to very different aims and activity rationales. In the future, the legal and administrative conditions of this relationship should without fail be reorganized by the federal government.

Against this background, a number of local authorities have developed valuable models of practical cooperation which could certainly serve as an example for other local authorities and be capable of transfer to them. The “guidelines for social assistance agencies and employment offices on the vocational integration of the unemployed”, jointly issued in early 1988 by the BfA and the *Bundesvereinigung der Kommunalen Spitzenverbände* (Federal Confederation of Local Government Umbrella Associations) has documented some of them and contributed to the further development of such approaches. This cooperation should be further improved by the “recommendations for the cooperation of the employment offices with the local authorities in the vocational and social integration of young people” drawn up by the two actors early in 2000. Since the BfA, by decree, has made implementation of the recommendations compulsory for its local offices, willingness to cooperate has increased in the local employment authorities. But for the change of course by the BfA, many of the new cooperation projects recently developed at local level would never have come about. Even so, the relationship between the two main actors in local labour market policy is still often fragile at present.

As regards the possible degree of consolidation and permanence of coordination between municipal and labour authorities, all the levels listed initially are conceivable and practicable in principle, as examples in the local authority areas studied have shown. After all, some local authorities have now begun to set up and test joint institutions based on the “one-stop-shop” principle, as a practical implementation of the highest level of coordinative consolidation. Experience, though, has also shown that a formal resolution on joint action is not the end of the story, but that a “new cooperative culture” will have to be developed and tested in practice in and by the activities of combined teams. This can only be achieved when employees no longer see themselves as representatives of their respective delegating authorities but as members of the joint institution.

### **(3) Coordination in the field of *Hilfe zur Arbeit***

There is a special need for control and coordination in the planning and implementation of the *Hilfe zur Arbeit* programmes of the local authorities as local social assistance agencies. This applies first to the interplay between the various actors within the local administration. It also applies, however, to cooperation with the other local actors, and reference has already been made to the necessity and substantive existence of cooperation with the employment office.

- *Hilfe zur Arbeit*, as an original function of the local social assistance agency, is generally based at the social services office and dealt with either by regular assistance case officers or by an independent department. The advantage of close links between social assistance provision on the one hand and the control of *Hilfe zur Arbeit* on the other is that the planning and application of the

schemes can, in the ideal case, be based on the specific problem situation and the individual client's special needs. The question does arise, of course, of whether these case officers, whose primary training and interest are traditionally in the fields of law and administration, are in any position to deal with the practical reorientation of social assistance towards (re-)integration into work. In general, then, an extensive training programme would probably be needed to ensure that the way in which cases are processed develops towards a form of case control geared to the needs of integration.

- For this reason, a number of local authorities have outsourced *Hilfe zur Arbeit* either within the social services office or, for example, to a department of the *Amt für Wirtschaftsförderung* (Economic Development Office) or a newly created office for employment or employment promotion. The advantage of this approach is that it tends to facilitate close links between *Hilfe zur Arbeit* on the one hand and local authority economic development and employment promotion on the other. There is a risk, however, that the planning of activities will take place primarily from the standpoint of labour market and structural policy functions and the corresponding programmes, while the specific problems and requirements of those in need of assistance tend to play a subordinate role. But even where *Hilfe zur Arbeit* remains with the social services office, it needs to be matched to and interlinked with the other programmes and activities of local employment policy.
- Next, young people are another target group where close coordination is needed between social assistance activities and vocational guidance for the young in order to prevent unplanned over- or underprovision in this area. As the youth offices have their own programmes of measures and their own agency and cooperation structures in the field of vocational guidance, the interlinking of the respective controlling and coordinating committees is a minimum requirement.
- After all, effective application of *Hilfe zur Arbeit* depends on functioning cooperation with those who provide these activities. Some of these agencies are undertakings which run training or practical courses alongside their regular business activities. Others are the training and employment agencies which specialize in implementing schemes of this kind. Cooperation is not confined merely to the joint planning and coordination of the conditions for such schemes, especially the financial conditions; the agencies have empirical knowledge of the participants and their problems which should be exploited to provide feedback for the updating of the programmes.

Thus, the controlling and coordinating function as far as *Hilfe zur Arbeit* is concerned is first to create an efficient planning and coordinating unit and secondly to integrate it into flexible, permanent local cooperation structures. To what this has so far been achieved in the individual local authority areas is a question that cannot be answered, since no nation-wide studies for Germany are available. One of the few studies on the academic monitoring of local authority programmes has been produced at least in

the form of an interim report for the *Land* of North Rhine-Westphalia (cf. Freyberg, Kinstler and Reis 2000).

## **4 Coordination of activation and integration programmes in local practice: four case studies**

### **4.1 Procedure**

In this section, we take a more detailed look at the practical coordination of the local activation of unemployed social assistance claimants with reference to four local case studies. As was explained in the previous chapter, employment promotion for unemployed social assistance claimants in Germany is a field of employment and social policy activity which is subject to little nation-wide regulation and therefore varies greatly in structure from one local authority to another. Although virtually the same groups of actors with comparable interests are to be found in all local authority areas, nevertheless they vary in their position, their forms of intervention and their specific interplay in the planning, implementation and updating of local integration and activation policy.

In these circumstances, the case study method seems highly suitable for reflecting the realities of local employment promotion. Admittedly, it is unacceptable to draw conclusions from a few local case studies about *the* local activation policy in Germany as a whole, because such studies can only reflect a small part of the wide spectrum of local activation policies. At the same time, however, this approach does make it possible to describe and evaluate cooperation between local actors on a comparatively differentiated basis with reference to selected examples of local authorities.

In the context of the project, case studies were undertaken in the cities of Cologne, Offenbach and Dresden and the rural district of Osnabrück. Several factors influenced the selection of these particular authorities for the case studies.

- One was the desirability of having different sizes of local authority represented; we wanted to include not only urban and metropolitan conurbations but also ruraly structured regions with their specific problems, together with *kreisfreie Städte* and at least one rural district.
- We also wanted to take due account of the particular regional features of both the old *Länder* and the new *Länder* with their labour market policy problems.
- Finally, these local authorities were selected because they each offered examples of specific, model approaches to the coordination of activation schemes.

The way in which each of the case studies is presented is based on a series of “expert” interviews with local politicians, with those who provide or offer integration and activation schemes, and with the addressees or “users” of such schemes. The presentation also draws on existing reports by institutions,

statistics and other documents. The annex lists the various people interviewed (anonymously, in terms of their institutional positions) and identifies various important sources and documents.

The presentation of the case studies is concentrated, first, on a brief presentation of the specific local set of actors. It outlines the local conception and spectrum of activation schemes, describes the local cooperation and coordination structures, and finally attempts an evaluation of the approach in each locality.

## **4.2 Case study: city of Cologne**

### **4.2.1 Economic and social situation**

The city of Cologne lies in the *Land* of North Rhine-Westphalia and, with a population of 1 015 000 people, is the fourth largest city in Germany. Cologne is divided into nine city districts, each of which contains about 110 000 inhabitants and is thus equivalent to a medium-sized city. Characteristic features of Cologne are the strong identification of the population with their own part of the city, their *Veedel* (*Viertel* or quarter), and their deep involvement in church, association and community activities.

According to a study by the BfA, the Cologne employment office district is one with a high density of population and an above-average level of employment in the services sector. Also characteristic of the Cologne employment office district is high and relatively long-term unemployment. However, the employment trend is favourable and the placement rate is high, the latter factor being associated with the considerable intensity of turnover in the miscellaneous services sector (cf. Hirschenauer 1999). In terms of economic development, Cologne underwent a substantial structural change during the 1990s: over the period 1990–8, the number of jobs in manufacturing industry declined by 26%, while in the services sector it increased by 11%. The number of people in contributory employment in the city of Cologne in June 1999 was 440 569, of whom 76% worked in the services sector, 23% in manufacturing industry and 1% in the agriculture and energy sector.

Unemployment is traditionally higher in Cologne than in comparable major cities of western Germany. The record level of 14.4% unemployed was recorded in 1997. Averaged over the year 1999, there were 57 263 people unemployed in the employment office district, representing a rate of 13.7%, and the first fall in unemployment for eight years. Between the *Veedel*, there are substantial differences in the labour market and employment situation. In the Mühlheim quarter, for example, located in north-eastern Cologne which has been and still is dominated by the manufacturing sector,

one job in four was lost during the 1990s, while in Porz the number of people in employment rose by 46%. Unemployment has fallen particularly sharply among the young: the yearly average of 6068 in 1998 fell by 10.5% to 5 430 in the following year.

As in Germany as a whole, so too in Cologne city the number of HLU claimants rose continuously during the 1990s. In the period from the end of 1995 to the end of 1998 alone, the number of social assistance claimants in Cologne rose from 44 346 to 57 493.<sup>4</sup> The social assistance rate, in other words the percentage of all inhabitants receiving HLU, rose in this period from 4.6 to 6.0. This was not only a higher level than the average for all *kreisfreie Städte* in the *Land* of North Rhine-Westphalia (5.0% in 1998) but was also rising more sharply.

**Table 6: Changes in unemployment and social assistance rates in Cologne**

	1992	1993	1994	1995	1996	1997	1998	1999
Number of unemployed in the employment office district	42 303	49 436	55 228	55 906	55 904	58 846	59 272	57 263
Unemployment rate as percent of civil wage-earners	10.2	11.7	13.1	13.4	13.5	14.4	14.4	13.7
Number of claimants of regular HLU in Cologne city	-	-	-	44 346	44 164	54 010	57 493	—
Social assistance rate as percent of resident population	-	-	-	4.6	4.6	5.6	6.0	

Source: Information supplied by the Cologne employment office and the *Land* Office for Data Processing and Statistics of North Rhine-Westphalia<sup>5</sup>

#### **4.2.2 Local employment promotion actor network**

The local politics of employment promotion have certain special features in the city of Cologne. This applies especially to the distribution of tasks and responsibilities within the local authority, and also to contractual cooperation between the city and the employment office.

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<sup>4</sup> As in all other local authority areas, the social assistance figures produced by the city of Cologne differ from those of the *Land* statistics office. In the interests of better comparability, all these case studies take the figures provided by the *Land* statistics office in question for the local authority area studied.

Particular note should be taken of the role of the social services office, which comes under the city's social affairs and health department. The central control of labour market integration for unemployed social assistance claimants lies with the "social office" of the social services office, while day-to-day processing of social assistance is the responsibility of the district offices of the nine city districts. The social office, which came into existence a few years ago as part of a model project by the land of North Rhine-Westphalia for improving the advisory service provided by the social services offices (cf. MASSKS 1998), has now developed into a facility which not only handles the planning and control of *Hilfe zur Arbeit* but has become the driving force behind the modernization of social assistance administration in Cologne. The social services office and the social services sections of the local district offices have in the course of an administrative reform—initially tested as a model project and continued as a city-wide model in 1999—been broken down into the sectors of "security assistance" and "activating assistance". While the "security assistance" sector addresses the problem of applicants/assistance claimants who are not capable of working and, as well as providing advisory services, is primarily responsible for handling social assistance benefits in cash and kind, the employees selected for the "activating assistance" sector undergo an extensive two-year retraining programme as case managers, provided by Dutch instructors (cf. Sozialamt der Stadt Köln 1998; Stadt Köln 1999).

The youth office, which advises and assists young people with the transition to work as part of the vocational guidance scheme, is in the case of Cologne not part of the social affairs department but allocated to a department for children, youth and family. This structure has made cooperation between the social services and youth offices more difficult. This separation is shortly to be reversed as part of a restructuring of departments and offices.

The department for economic affairs and urban development, including the office for economic development and employment promotion, has the function of planning and implementing the employment and labour market policy of the city of Cologne. In this context, particular importance attaches to the "regional secretariat for labour market policy", a department attached to the office for economic development and employment promotion. The regional secretariat is a facility set up to coordinate *Land* and local labour market policies. It acts as a contact and advisor for initiatives, project agencies and undertakings, develops target-group-oriented training and employment strategies, participates in the planning and evaluation of projects and acts as an information office for the region. A further essential function of the regional secretariat is the management of the local consensus talks, where all those involved in labour market policy are represented. This function is closely linked to

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<sup>5</sup> Because of a change in the statistical method used, figures before 1994 are not comparable with those for

implementation of the labour market policy programmes of the European Union and the *Land* of North Rhine-Westphalia (cf. Stadt Köln 1999; cf. also Chapter 4).

In Cologne, the employment office plays a particularly important part in local employment promotion. One reason for this is the comparatively large volume of the integration budget in the Cologne employment office district. Another is that the Cologne employment office, together with the social services office, has developed an intensive form of cooperation at planning and budgetary levels, reflected especially in the joint institution of the *JobBörse Junges Köln* (Cologne young people's job exchange) and is now referred to as the "Cologne model" and considered exemplary for other regions. Another point to be emphasized is that the Cologne employment office fully exploits the 10% limit of the experimental fund referred to in Section 10 SGB III and uses these resources for the financial support of municipal employment promotion.

### **4.2.3 Concepts and levels of activation**

#### *4.2.3.1 Aims of activation*

According to the representatives of the local authority, the relatively high social assistance figures and associated high social assistance expenditure were mainly responsible for prompting the city of Cologne to undertake an expansion of the *Hilfe zur Arbeit* scheme; it was therefore primarily driven by fiscal objectives. Confronted by what was regarded as a serious budget situation, the city council of Cologne unanimously resolved in November 1996, on the basis of a framework concept entitled "Budgetary consolidation by improving social assistance", to instruct the authority to broaden the work placement schemes under the *Hilfe zur Arbeit* programme jointly with the employment agencies. The aim of the programme was supposed to be the more effective integration of benefit claimants into the labour market and a reduction of the period for which social assistance was payable. In May 1997, the council adopted a programme envisaging the establishment of, initially, nine district job exchanges, 13 "pro *Veedel*" (urban district) job exchanges and job exchanges for special target groups. The function of these job exchanges is to advise unemployed social assistance claimants and integrate them into the labour market, some of them currently still being at the planning and preparatory stage. The central requirement was that this broadening of integration activity should make a contribution to budgetary consolidation in the form of social assistance savings amounting to DM 30 million within the period from 1997 to 2000 (net social assistance expenditure in 1995 totalling DM 447 million). There was no intention of adversely affecting the legal entitlements of those in need of assistance; the

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subsequent years. No figures were published in 1994 because of the changeover.

aim was to make assistance more effective (cf. Stadt Köln 1999). All initiatives and measures since developed for the purposes of labour market integration under *Hilfe zur Arbeit* have therefore been primarily aimed at saving on social assistance benefits. This also meant that no additional funds were used: all measures that might entail additional costs had to be financed out of the savings already achieved.

In addition, the city's representatives have stressed the labour market policy aim of permanent integration into the labour market for the long-term unemployed, young people, people returning to work and those at risk of unemployment. The intention here was to work closely with undertakings and training agencies to develop internal and external qualification and employment schemes. In addition, a preventive labour market policy was to be evolved in order to improve the employment situation for problem groups in the labour market. The main social integration objectives were identified as being improving the social integration of young people along with vocational integration, and helping to develop their personalities, personal willingness being one of the basic conditions for the provision of personal assistance. Despite scant resources in the youth vocational guidance sector, the aim is to achieve more efficient cooperation enabling the existing quality standard to be maintained.

The objective of labour market policy has been and is, in principle, to gear the integration of unemployed social assistance claimants to the primary employment market, since the social services authorities say that more than sufficient jobs are available to integrate all assistance claimants capable of work. Cologne has deliberately refrained from using the additional needs variant of *Hilfe zur Arbeit*, except in certain cases. Instead, integration into the labour market is to be subject to the normal conditions of employment contracts. The aim here is gradually to develop labour market integration in the city of Cologne into "integrated assistance from a single source", on the "one-stop-shop" principle. The management of the local employment office basically welcomes and shares the local authority's aims. Many of the conceptual elements and building blocks of Cologne's integration concept have been developed in close cooperation between social services and employment office.

#### 4.2.3.2 *From social assistance benefit application to work placement*

The Cologne social services office, in close consultation with the employment office, has evolved an integrated overall concept for *Hilfe zur Arbeit*, whereby unemployed applicants and benefit claimants are to be integrated into the labour market. A critical part here is played by the job exchanges, first set up in 1996. As in the past, the social services sections of the individual district offices, as decentralized branches of the social services office, are the first point of contact for those in need of assistance. They examine whether applicants are entitled to social assistance under the BSHG and

whether they are capable of work. Those in need of assistance who are unsuitable for the labour market remain the responsibility of “security assistance” at the social services office, while those capable of work undergo a graded activation plan.

**Level one: “activation assistance” from the social services sections of the local district offices**

At the first level of activation, the case managers responsible for “activating assistance” have the task of providing comprehensive advice to all new applicants in the unemployed and single-parent causal groups. Gradually, this advisory service is to be extended to the whole “backlog”. After a brief initial advisory session, those in need of assistance who are capable of work, including single parents, undergo detailed “integration counselling”, during which an assistance plan is drawn up by the case managers in consultation with the claimant. The case managers take over control and ongoing processing of the case for this group of claimants. In order to allow intensive counselling and control of the integration process, the caseload for case managers is set at 60 clients each, whereas the “security assistance” case officers, where the input per case is generally lower, have more than twice as many cases to supervise.

**Level two: counselling and placement by the job exchanges**

Provided that unemployed claimants who are capable of work are suitable for integration into the labour market, they are referred by the case managers of the district social services offices to the job exchanges. Their function is to assist the district offices by placing claimants in a suitable job that will enable them to escape dependency on social assistance and so reduce social assistance costs. Since 1998, the Cologne employment authority has been involved in placement work under the job exchange programme, and the city’s youth office has also been involved in the *Junges Köln* job exchange since 1999.

Overall, there are now 19 job exchanges in the city of Cologne, of which nine are district exchanges, seven are “pro-*Veedel*” exchanges and three are city-wide exchanges for selected target groups (young adults, the mentally ill and single parents). The various job exchanges differ in terms of access and target group focus. The district exchanges deal with claimants referred to them by the social services sections of the district offices. The “pro-*Veedel*” exchanges, by contrast, have open access and a remit to support those quarters of the city where social assistance demand is particularly high by means of placement, qualification and employment schemes (including schemes connected with the living environment). The job exchanges for special target groups are multi-district facilities to which claimants with specific integration problems or special access requirements are referred by the district offices. Youth office staff are attached to three of the “pro-*Veedel*” exchanges with a view to providing vocational guidance to prevent young people from needing to claim social assistance.

The job exchanges are sponsored by Cologne employment agencies with which the social services office has already been working for a considerable period and which, after consultation with the employment authorities and the welfare associations working party, have been instructed by the social services authority to set up a job exchange. A standardized remit has been arranged with each agency, as part of a contractual agreement. Each employee placement body is required to provide 25 placements per year, the agency receiving a one-off fee of DM 4 000 for each placement in the general labour market under a contract of employment for at least one year. In addition, 100 assistance plan proposals are required, the sponsor receiving DM 250 for each assistance plan proposal/final report. The human resources allocation varies between one and three placement officers to each job exchange. The job exchanges are linked by a computer network, form a combined job pool and have access to the employment authorities' job information service.

The first step at the job exchanges is to ascertain the potentials and shortcomings of the claimant, as a basis for a benefit and placement profile, which on average takes five or six interviews. On this basis, and following the idea of appropriate placement, an attempt is made to integrate the claimant into the labour market. This normally needs up to ten placement interviews with different employers. In addition, assistance plan proposals are drawn up for assistance claimants whose lack of occupational qualifications and/or state of health means they cannot immediately be placed in the labour market. The assistance plan proposals contain agreements on the first steps that must be taken to make the claimant suitable for placement, such as training measures or therapy. These serve as a basis for the assistance plan agreements between case managers and assistance claimants.

The first results, reported for the period June 1997 to November 1999, identify three different target groups for the job exchange programme. (1) A first group comprises claimants who are exclusively in receipt of benefits under the BSHG. (2) A second group consists of the "toppers-up" or combined benefit claimants who are drawing benefits both under the BSHG and under SGB III. (3) A third group is made up of claimants from the *Veedel* who are drawing neither BSHG nor SGB III benefits. The results for the job exchanges—excluding the "*Junges Köln*" exchange—were as follows:

(1) In the period under review, 3 221 claimants in the first group were accepted by the job exchange programme. Overall, 765 unemployed assistance claimants were found contributory placements in the general labour market. In 586 cases, open-ended contracts of employment were concluded, about 24% of all employment relationships having ended after less than 1 year for company or personal reasons. In 179 cases, fixed-term contracts of employment were concluded, the average term being 3.5 months. Overall, wage cost subsidies averaging DM 1 000 per month were granted in 219 cases for a maximum period of 12 months. This corresponds to about 20% of all cases placed in the general labour market. Assistance plan proposals were drawn up for 1 052 people. Of the total of 265 persons

who left the scheme in the course of the advisory process, 81 assistance claimants were placed with non-municipal benefit agencies (ABM or rehabilitation), while in 184 cases the assistance provided by the district offices was discontinued or the applicants withdrew any claim for further assistance.

(2) On the basis of the federal government's special programme entitled "Involvement of third parties in the placement of unemployed assistance benefit claimants", the Cologne employment office has concluded an agreement with every job exchange regulating placement activity on behalf of unemployed assistance claimants. These include, among others, those who at the same time draw benefits under SGB III, the "combination benefit claimants". The placement activity has been extended, too, to include those drawing unemployment benefit, although in this case no fee is paid to the job exchanges. The job exchanges receive a premium of from DM 2 000 to DM 4 000 for each successful placement in a job not yet notified to the employment office or a job that has not been filled by the employment office after three months. The size of the premium is determined by the severity of the obstacles to placement and the period for which unemployment assistance has been drawn. A successful placement is defined as one in which a contributory working relationship lasts for at least six months. Within the reporting period, 176 unemployment assistance or combination benefit claimants were placed in the general labour market.

(3) In addition, the job exchanges are open to all citizens who need help in finding jobs and approach the exchanges of their own initiative and without drawing social assistance. The advisory and placement services offered by the job exchanges do not qualify for premiums in such cases, which are thus independent services provided by the agencies involved. In the reporting period, the job exchanges actively assisted the finding of new jobs by a total of 16 people who were not receiving social assistance benefits but were, or were likely to become, unemployed.

Thus, a total of 957 placements in the general labour market were achieved. In addition, 983 people were placed with qualification schemes. In order to assist the efforts of the job exchanges, the social services office and employment office drew up a jointly planned and equally financed programme in 1998 whose purpose was to reintegrate 700 long-term unemployed "toppers-up"—people topping up their unemployment assistance with social assistance—into gainful employment. This scheme included an offer of one year's complete financing of wage costs, the criterion of additionality being disregarded for the purposes of job selection. This programme provided another 650 people with opportunities to find work.

#### **Advice and placement by the *Junges Köln* job exchange**

For the target group of people under the age of 25 and in need of social assistance, the city of Cologne has introduced a special procedure. This group, too, initially applies to the social services sections of the nine district offices where a rapid review system is used to determine whether the young person concerned is entitled to social assistance. If so, he is referred by the district offices to the *Junges Köln*

job exchange, responsible for this specific target group. The *Junges Köln* exchange, founded in 1999, is a joint cooperative project between the social services office, the employment authorities and the youth office, whose aim is to provide young people in need of assistance with activating rather than financial social assistance and place them in training schemes or primary employment market employment. If no such placement can be found, efforts are made to integrate them into qualification and employment schemes in the secondary employment market (especially *Sprungbrett*—”Springboard”). Attached to the *Junges Köln* job exchange are case managers from the social services office, work placement officers from the employment office and a youth vocational guidance worker; a total of about 18–19 people work at this job exchange.

For the target group of young people and young adults up to the age of 24, the city of Cologne has developed a model known as *Arbeit sofort*—instant work. Under this scheme, people in this age group in need of social assistance can only receive social assistance benefit in Cologne if they are ill or handicapped. All others basically receive no financial benefits from the social services office; instead the job exchange will find them a job within 24 hours which offers them the opportunity to earn a living by their own efforts. As a result of this arrangement, young people are enabled to escape from unemployment as soon as they make an application, so that this form of activation “safeguards” them against becoming social assistance claimants. At the first interview, the case manager responsible draws up a case history, recording the interests and strengths of the young person concerned but also any problems he faces—excessive debt, housing difficulties or health problems. This is followed by the initial contact with the employment office’s vocational guidance counsellor, and efforts are made to arrange joint case management. The first objective is to learn whether the young person concerned is suitable for training and how he can be prepared for a training course. The alternative is job placement in the primary employment market. If the young person cannot immediately be found a training place or job, he is initially referred to the *Sprungbrett* scheme.

### ***Sprungbrett***

The *Sprungbrett* scheme, initially tried out in the Kalk quarter of the city in the period from November 1998 to November 1999 as a model “instant work” project, was broadened in 1999, in cooperation with the employment office, to encompass the whole city of Cologne. It is jointly and equally financed to a tune of a total of DM 20 million per year by the social services office (on the basis of Section 18 BSHG) and the employment authorities (under Section 86 SGB III), the social services office paying for the on-the-job training and any accommodation costs and the employment office funding the cost of the scheme. The target group comprises young people who are not yet suitable for training and cannot be placed either in the primary employment market or elsewhere in the range of SGB III projects. The aims of the scheme are to avoid dependence on social assistance and prepare the applicant for an apprenticeship or semi-skilled employment in the general labour market, or for other

forms of assistance that can be financed under SGB III. *Sprungbrett* is implemented by seven training and employment agencies, working on the same contractual basis. In addition, the youth office offers a general training course in the city's youth workshops. As of mid-2000, *Sprungbrett* is offering some 500 places, which is to be increased by stages to a capacity of 1 000 places.

The *Sprungbrett* scheme encompasses the aspects of qualification and on-the-job training, together with education on social matters provided in the training agencies' workshops. In addition, young people have the opportunity to learn about working requirements and conditions through on-the-job training courses. The on-the-job training contract concluded between the young person/adult and the training agency involves a contributory contract of employment and a monthly payment of about DM 850 net for a working week comprising at least 15 hours' work and/or learning, and an on-the-job training course lasting up to 12 months. Depending on individual requirements, on-the-job training courses comprise a mix of employment, vocational training and catch-up work to improve school leaving qualifications, the young people being paid only for the hours for which they were actually present under the *Sprungbrett* scheme. Hours that can be counted include not only those worked but also participation in advisory schemes, visits to doctors and the job interview. The weekly pay is thus solely dependent on the number of hours of work and/or attendance; no supplementary financial benefits are paid. In addition, there is no standard programme or regular duration for these schemes, which are—at least in theory—arranged individually for each young person. The integration of young adults into the labour market is controlled by the job exchanges' case managers, who receive regular feedback from the *Sprungbrett* agencies and update their assistance plans on this basis. The case managers are in continuous contact with the agencies and, where necessary, conduct case conferences with the agencies' specialists at which the individual cases are discussed.

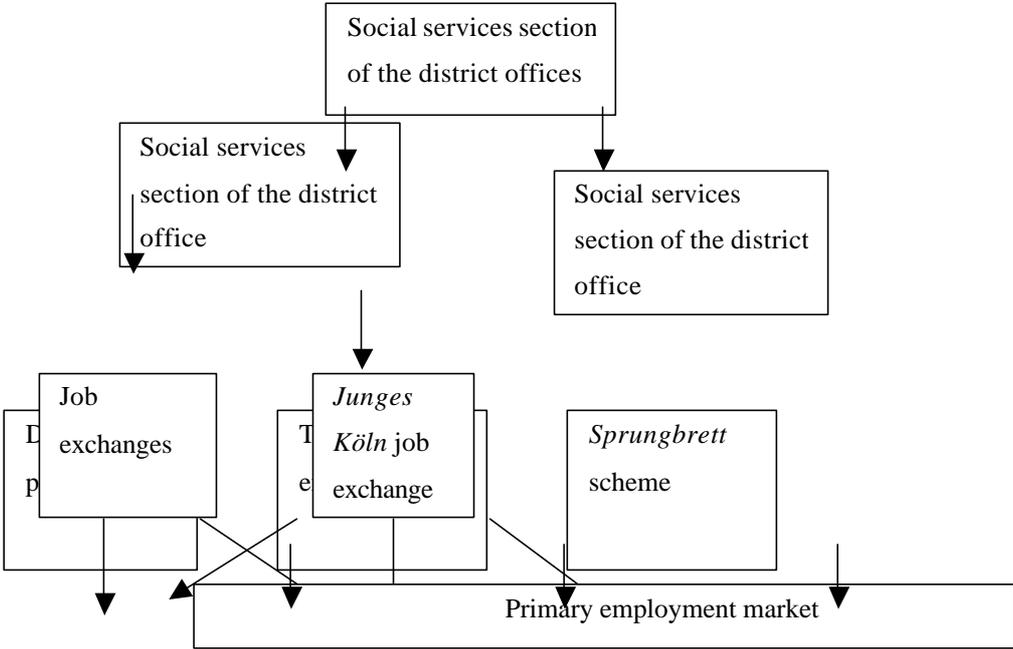
Overall, since June 1999, 2300 young people have been advised by the job exchange, of whom 30% (686) were found placements in training or the primary employment market and 18% referred to *Sprungbrett*, while 14% were referred back to the district offices because of addiction problems or illness and 38% declined to join the scheme or abandoned it.

### **Additional labour market policy programmes in Cologne**

The integration measures provided by the social services authorities under Sections 18 onwards BSHG are merely one example of a wide range of labour market policy activities in Cologne (cf., for example, Konsensrunde 2000). In 1999 alone, for example, the Cologne employment office spent DM 275.6 million on active employment promotion in Cologne, of which DM 26 million was used to supplement and support the work of the social services office in the form of free assistance under Section 10 SGB III. Municipal employment promotion at the office for economic development and employment promotion controls programmes of labour market and employment policy in Cologne,

such as programmes for the embellishment of the city and the setting-up of new businesses which are only partially linked to the *Hilfe zur Arbeit* programmes. The city embellishment programme alone provides training and employment for 650 young people each year. In addition, the municipal employment promotion programme of the office for economic development and employment promotion controls applications for and implementation of EU and *Land* programmes whereby nearly DM 30 million per year are channelled into the city. They include programmes such as “Work and qualifications”, “Reintegration of women into working life”, “Target-group-oriented training”, “Youth in work”, etc. The youth office, too, plays an active part with vocational guidance in supporting and assisting young people with the transition to working life. Youth vocational guidance offers a dense network of vocational preparation, qualification and employment schemes involving another 30 agencies in addition to the youth office. As well as advisory services of many different kinds, this range includes the “youth workshops” as an alternative for young people with no school leaving certificates and particularly bad educational backgrounds. The workshops offer a total of 192 places, the service including development instruction and social educational advice in addition to practical vocational work.

**Chart 1 *Hilfe zur Arbeit* in the city of Cologne**



4.2.3.3 *Follow-up and analysis of effects*

In order to analyse how far municipal labour market policy achieves its objectives, it is necessary to have access to information on the effects of the labour market programmes and schemes. In Cologne, this information can be obtained at various levels. It can be found in the labour market policy

framework concept for the city of Cologne, which was evolved in the course of the consensus talks on the implementation of the labour market policy programmes for the *Land* of North Rhine-Westphalia, jointly financed by the EU: “An important approach to action in future will be a soundly based evaluation of labour market policy measures, making it possible to review the objectives aimed at an early date. In future, it must be possible to ascertain and verify the identification of factors which assist or obstruct the implementation of measures, and to form a sound assessment of the whether the objectives sought are being achieved. Only this approach will allow appropriate reaction at short notice” (Konsensrunde 2000: 62). It is difficult, however, to evaluate past implementation of follow-up and examinations of effectiveness in Cologne. Many measures have been running only for a short time, so that the results of longer-term follow-up cannot yet be available. To what extent any systematic study of results at all is being undertaken, however, is not clearly apparent. Evaluations and results are so far available only for individual schemes.

Taking as the starting point the primary objective of *Hilfe zur Arbeit*, which is to make a contribution to the consolidation of the budget, the results are unclear. The job exchange programme brought in net earnings of DM 5.0 million in the period from June 1997 to November 1999, this figure representing the balance of gross earnings of DM 14.3 million and expenditure of DM 9.3 million. The gross earnings came from social assistance savings resulting from 586 open-ended and 179 fixed-term job placements and other reductions in the number of claimants caused by 81 placements in other benefit agencies’ schemes and 184 cases in which the district offices ceased to provide assistance. Even though the programme was therefore financially successful in arithmetical terms, it did not succeed, over that period, in slowing—let alone reversing—the rise in social assistance expenditure, which rose from DM 497.5 million in 1997 to DM 540.9 million in 1999. Thus, the planned savings of DM 30 million by the year 2000 can only be achieved—if at all—in comparison with what would have happened in the absence of the job exchange programme. To enable the 350 or so case officers in “open assistance” to obtain direct feedback on the financial effectiveness of their work, they receive monthly computerized performance balance sheets. These give them an up-to-date overview of the causative and cost structure of the cases on which they work. The intention is to provide a rapid indication of cases added to and removed from their workload and of the types of assistance provided and their effects. As far as integration into the labour market goes, the job exchange programme has access only to figures on direct rates of transition to the labour market and assistance plan proposals for training and employment schemes (see Section 5.1.2.3.). Also available is the number of people leaving the programme, though no information is published on the various reasons for doing so. No results of follow-up studies have yet been produced for the job exchange programme.

As far as the *Junges Köln* job exchange is concerned, the only information available at present relates to the acceptance of the programme by those at whom it is aimed. On the basis of the information that

21% of the young people<sup>6</sup> have abandoned the programme in the course of the advisory process, efforts are made within the programme to get in touch with them. There is no information on how long this takes, whether the young people concerned are still in need of assistance or—if so—how successful efforts are to recruit them to the scheme. Of course, results such as these could only provide some information on acceptance of the *Arbeit sofort* approach among young people and the question of which young people reject the schemes—whether those who have better resources and prospects in any case or those whose labour market conditions and prospects are particularly unfavourable. They would not, however, be very helpful for the purposes of assessing the labour market success of the scheme. The *Junges Köln* job exchange had not been in existence sufficiently long for any studies of results to be available. In the case of the *Arbeit sofort* pilot project in Kalk, this certainly would have been possible. At least figures on acceptance and direct transition to work were available here. According to information from the “consensus group” (2000), the Kalk programme referred 120 young people to the scheme agency in the period from November 1998 to November 1999. Of these, 25 were found work or training places, 46 were still working within the project at the time of the survey, and the remainder failed to appear at the project or left it again for various reasons. In view of the dramatic nature of the *Arbeit sofort* model, however, it is impossible not to be surprised at how little it has been studied and how unclear its effects have been so far.

#### **4.2.4 Coordination requirement and coordination practice**

##### *4.2.4.1 Coordination at city-wide level*

The need for a city-wide coordinating body to bring about constructive cooperation between all the relevant actors in labour market policy has been met in Cologne by the *Konsensrunde* (consensus group) for the Cologne employment office district. The group is run by the regional secretariat of the office for economic and employment policy, referred to earlier. The chairman and moderator of the group is the head of the economic affairs and urban development department, the other members representing all the relevant labour market actors in Cologne: the city council, represented by the SPD, CDU, Alliance 90/Greens and FDP (Free Democrat Party), the city administration, represented by the human resources, social services, youth and women’s offices and the intercultural department, the employment authorities, the employers’ associations, the trade unions, the employment agencies represented by *Zug um Zug*, and the Cologne unemployment centres. The consensus group, which meets quarterly and when necessary, was founded in the early 1990s and acts in formal terms as an advisory body to the regional secretariat. Its remit is “to bring together participants in labour market policy, to harmonize the debate on linking active labour market policy to local conditions of structural policy, and to advise upon and evaluate proposed projects and bring about a regional consensus” (Stadt Köln/Amt für Wirtschafts- und Beschäftigungsförderung 2000: 3). In other words, its function is more than providing a central forum for arriving at a city-wide consensus on municipal employment and labour market policy. It also serves as the link to the multiregional programmes run by the EU and

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<sup>6</sup> The 17% of the overall disappearance rate of 38% who never arrive at the job exchange in the first place are disregarded here.

the *Land* of North Rhine-Westphalia, since applications for these resources are conditional on the consent of the forum. To this extent, the consensus group is a regional instrument of control and consultation within the framework of the *Land* employment policy of North Rhine-Westphalia.

Although the consensus group plays a decisive part in arriving at a city-wide consensus, the topic of the integration of unemployed social assistance claimants has hitherto been of minor importance in the work of this body. Part of the reason for this is that economic development and employment promotion agencies think and plan in terms of structures and programmes, while the social assistance authorities tend more to base their integration aid on the problems and requirement profiles of individuals in need of assistance. In addition, the part played by competition between departments and offices, and by territorial thinking, should probably not be underestimated.

#### 4.2.4.2 *Coordination between social services office and employment office*

Particularly characteristic of the “Cologne model” is the close coordination and cooperation between the city social services authorities and the employment office. The way in which the need for coordination between these two main actors in local employment promotion has been handled in Cologne is exemplary in every sense. As early as the beginning of 1998, the Cologne employment office and the social services and health department of the city of Cologne concluded a “cooperation agreement to promote the employment of young unemployed and long-term unemployed people” which has aroused nation-wide respect. This agreement provided a new contractual basis for the existing cooperation, and at the same time intensified it. Cooperation is based on a joint philosophy embodying the principles of responsibility, obligation, sustainability, success orientation, lifestyle relevance, flexibility and pragmatism. In line with this pragmatic orientation towards success, the social services and employment authorities have agreed on principles such as joint year planning, bundling of resources, joint financing, joint instruction of agencies, and joint case control. A central aspect of the agreement is the joint planning and control of vocational integration programmes. This requires joint annual planning, in particular, of jointly financed projects, an improved flow of information between social services and employment authorities with joint retraining schemes and exchanges of observers, and joint planning conferences with the agencies. Each year, a joint working programme with specific priorities is developed. The planning and control of the cooperation is in the hands of a steering committee comprising the heads of the employment office, the social services department and the social services office. At the working level, two committees have been set up to implement the plan: the action conference is convened as necessary for consultation with the agencies, while the regional conference, involving the responsible offices and agencies, is responsible for implementation and cooperation in the various districts and quarters of the city.

Under the agreement, three yearly working programmes have so far been agreed upon in which the activation and integration programmes described earlier have been developed and coordinated. Focal points of the 1998 programme were the job exchange and *pro-Veedel* programme, the reintegration programme for 700 toppers-up, and a reduction in unemployment among young people, the city having launched the job exchange and *pro-Veedel* programmes even before the cooperation agreement had been concluded. The key issues of cooperation during 1999 were the *Junges Köln* job exchange and the programme for combating unemployment among young adults, where the cooperation between the social services and employment authorities was most intensively reflected. Employees of the social services office, the youth office and the employment authorities work together at the *Junges Köln* job exchange. It is equally financed by the employment authorities and the social services authorities, there is a joint annual plan, joint instruction of agencies and joint case control as aspects of cooperation. As the close cooperation between two offices created anxiety and prejudice among the case managers of the social services office and the work placement officers of the employment authorities, a great deal of trouble was taken to allay these fears in advance, for example by arranging a three-day team selection seminar and formulating joint procedural principles (e.g. due allowance for the different spheres of influence within which the two authorities act, etc.).

Finally, coordination between the labour market and social services authorities takes place in the context of an administrative committee with equal three-way representation on which the city of Cologne, representing the public authority, cooperates through the human resources and social services offices. This central decision-taking body of the local employment office decides, among other things, on the use of the resources provided by the experimental fund set up under Section 10 SGB III. This can in principle also be used to provide supplementary assistance for municipal projects, which takes place extensively in Cologne on the basis of the framework agreement described earlier.

#### 4.2.4.3 *Coordination of Hilfe zur Arbeit*

The third level of coordination of local employment promotion comprises the control and coordination of *Hilfe zur Arbeit* in the narrower sense. In the city of Cologne, responsibility for this lies with the social office of the social services office. Within the administration, *Hilfe zur Arbeit* is chiefly coordinated through informal contacts, which causes no problems among the employees of the social services office but has, for example, made cooperation with the youth office more difficult because the latter comes under a different department. In addition, since the contractual agreement was concluded between the social services and employment offices, the steering committee provides a formal body where the social services office and employment authorities—recently joined by the youth office—work together to prepare a joint annual plan. This committee works on the further development of

existing schemes (for example, the expansion of the *Sprungbrett* scheme to 1 000 places) and discusses new project ideas.

Finally, Cologne has a dense network of working parties and working groups—for example, the debt assistance working group—in which the social assistance authorities are involved, using them as a way of reacting flexibly when new problems arise and involving other actors. Coordination between the social services office and the agencies responsible for the job exchanges or for training and employment schemes takes place primarily through “project coordinators”, who are financed by the social services office and whose function is to ensure a permanent interchange between the various actors. The interplay between the social services authorities and agencies has not been highly formalized, apart from the rare meetings of the action conference. The training and employment agencies coordinate among themselves in their own lobby association, *Köln Arbeit*, which acts as a negotiating partner with the social services authorities, the employment authorities, the trade unions and the political parties. Overall, then, the coordination of *Hilfe zur Arbeit* has become somewhat more formalized as a result of the framework agreement between the social services and employment authorities, but control remains primarily with the social office of the social services office.

#### **4.2.5            Activation and coordination from the standpoint of those affected**

In the city of Cologne, three group interviews were held with young adults between the ages of 18 and 24 who had been placed, via the *Junges Köln* job exchange, in the *Sprungbrett* scheme of the employment agency *Zug um Zug* to enable them to earn their living there by their own efforts. The group interviews were conducted with participants in a computer science course, a textile workshop and a woodworking shop.

In all three groups, the participants had a basically positive attitude to earning their living independently under the *Sprungbrett* scheme instead of “sitting around at home drawing social assistance”. An important aspect of the scheme from the young people’s viewpoint is the opportunity to obtain qualifications so as to have better prospects of being placed in the labour market or an apprenticeship after their attendance ceases. However, the computer group criticized the way the scheme was specifically implemented, because the turnover rate among participants was very high and a joint group learning process was virtually impossible. In addition, the computers were obsolete, and the coursework was not very demanding and insufficiently tailored to the participants. Those working in the textile sector took a very favourable view of their scheme. Many of them said that on-the-job training had given them prospects of a traineeship or job. They also praised the social counselling provided by the scheme. The young people working in the woodworking shop also took a favourable

view of the scheme, considering that they had opportunities to gain qualifications and progress into the working world. Here again, there was a positive emphasis on the social counselling. So while members of the latter two groups had easily made the connection between *Sprungbrett* activities and future occupational activities, those in the first group had difficulty in taking a positive view of the occupational opportunities and prospects offered by their *Sprungbrett* activity.

Coordination between the job exchange and the employment agency *Zug um Zug* has been described by participants as working very well: for example, the job exchange staff attend the scheme to look at the work the young people are doing. In addition, each young person has a permanent contact person at the job exchange. However, coordination and communication between employment office and social services office was described as ineffective, with people constantly being referred backwards and forwards between the two facilities; there was no apparent coordination between them. These comments related especially to experience dating from the time before the *Junges Köln* job exchange was set up.

#### **4.2.6 Results: positive approaches, problems and transposability**

The coordinating committee imposed by the *Land*, the consensus group, also provides Cologne with a forum which brings together all actors relevant to the labour market and offers a basis for achieving a consensus in local labour market and employment policy. This applies not only to the programmes sponsored by the EU and the *Land* of North Rhine-Westphalia, but also to local programmes and initiatives. Thus, the city-wide coordinating committee sets priorities and framework data that are binding on all parties, but at the same time seems sufficiently flexible to accept new actors and react appropriately to new problem situations.

Most of all, however, the specific form of cooperation between the social services office and the employment office, which Cologne was one of the first German cities to practise, must be viewed favourably. The contractual framework and regular planning and approval of joint programmes have resulted in a climate of cooperation that made the establishment of the joint job centre, *Junges Köln*, possible in the first place. As a result, the highest level of possible coordination has been achieved, with joint planning, joint financing and joint personnel from three institutions, all aiming at joint case management. Experience in future years will show how far it proves possible in practice to overcome the teething troubles of this kind of “one-stop shop”, sponsored by three different offices, and implement in practice the idea of integrated casework involving all three actors.

With the job exchanges, the city of Cologne has developed an instrument of labour market policy designed on a city-wide basis to integrate unemployed social assistance claimants into the working

world by providing advisory and placement services. This instrument seems to be highly flexible, since the range of services it provides can not only be quantitatively enlarged, as required, but also qualitatively geared to particular target groups. In addition, the job exchanges must be favourably assessed because they enable the advisory and placement functions to be moved away from the social services office and therefore, in all probability, to become more acceptable to the clients. Also, they are decentralized, being provided locally in the various parts of the city and so closer to their clients' problems and living conditions. Since, however, the restrictive and somewhat inflexible financial conditions take no account of the specific circumstances prevailing in the district, qualified and motivated long-term advisory and placement activity is made difficult if not impossible. Although the *Junges Köln* job exchange has not been hived off to an independent or industrial agent, the joint sponsorship by the social services, youth and employment offices does offer an opportunity to develop new and more effective forms of counselling and placement.

However positive this evaluation of approaches to coordination in Cologne, there is no escaping the problems affecting some of the activation concepts that have been developed. This applies particularly to the Cologne idea of offering young people and young adults who are capable of work the exclusive option of paid work rather than social assistance. Although it seems plausible to prevent young people becoming habituated to drawing social assistance, the strict, "no exceptions" approach to this principle does seem exaggerated. Apart from the legal issue of whether this form of aid is compatible with the principles of social assistance, the explosive issue from the aspect of social policy is that young people have no alternative but to accept or reject the work offered by the *Junges Köln* job exchange or the *Sprungbrett* scheme. The dropout rate of 38% referred to earlier means that a substantial proportion of these young people do not accept the scheme in the form in which it is applied. The question of what happens to those young people who reject the scheme or withdraw from it must be left unanswered.

The favourable—in some cases almost euphoric—evaluation of the success of the activation measures expressed by most participants is not, to date, supported by the results of a sound study of their effects. Even though many of the Cologne schemes were introduced only recently, so that no results of longer-term effectiveness studies can yet be available, there is no indication that any such studies have been undertaken with the necessary consistency. Especially when—as in the case of young people and young adults—a new relationship between assistance and demands is being propagated and increased pressure is being exerted on claimants/recipients, some valid demonstration of the effectiveness of this scheme is absolutely essential. It is not sufficient, then, to demonstrate fiscal success—undoubtedly a priority from Cologne's standpoint—and point to the direct transitions to training and work that have been achieved; instead, if the propagated claim is to be taken seriously, a demonstration that the placement success is sustainable must be provided.

## 4.3 Case study: city of Offenbach

### 4.3.1 Economic and social situation

The *kreisfreie Stadt* of Offenbach is a medium-sized town with some 116 000 inhabitants, lying at the centre of the Rhine-Main area of the *Land* of Hesse. Despite its favourable situation in one of the fastest-growing regions of Germany, Offenbach has been struggling for thirty years now against continuous economic and social structural problems. This industrial town, traditionally dominated by the leather goods and metal industries in particular, has had to cope with numerous business closures and crises in various sectors (such as the leather goods industry) since the early 1970s, resulting in about one quarter of jobs being lost in several different waves.

The employment office district of Offenbach is one of the densest, with an average degree of tertiarization. It is characterized by a weak labour market and longer than average periods of unemployment (cf. Hirschenauer 1999). By comparison with the employment office district, the city of Offenbach is less well placed. As the employment office district extends far beyond the boundaries of the city, the information given in this chapter relates to the city, or the corresponding departmental district of the employment office, rather than to the employment office district as a whole. The number of employed people liable to social insurance in the city of Offenbach by the end of the 1990s was just under 44 000, of whom 61.3% were employed in the services sector, 33.3% in manufacturing industry, 3.8% in construction and 1.7% in the primary sector (agriculture and energy). The unemployment rate in the city has traditionally been below the federal and *Land* average, and still is. As Table 1 shows, the unemployment rate in 1998, with 6 270 people out of work, was 13.9%, the first time for many years that it had been lower than in the previous year; 37% of those unemployed had been out of work for more than a year.

Because of its traditionally highly industrialized character, a high level of unemployment among manual workers in particular resulting from structural change and business closures, and a very high proportion of foreigners (over 30%), Offenbach had for a long period one of the highest rates of social assistance claimants in Germany—with predictable consequences for the municipal budget situation and the city's indebtedness. The number of those drawing regular HLU at the end of 1998 was 10 885, which—as in the Federal Republic as a whole—represented a slight fall by comparison with the previous year, for the first time for many years. As a result, the social assistance rate fell to 9.4%, a figure still exceeded by only a few municipalities in German (average for *kreisfreie Städte* in Hesse: 7.3%).

**Table 7: Changes in unemployment and social assistance rates in Offenbach**

	1992	1993	1994	1995	1996	1997	1998	1999
Number of unemployed in the city district (end of June each year)	3 200	3 970	5 068	5 228	5 975	6 474	6 513	6 270
Unemployment rate as percent of civil wage-earners	5.9	7.4	9.5	10.0	12.7	14.0	14.2	13.9
Number of recipients of regular HLU in Offenbach city (end of each year)	-	-	10 015	9 143	10 796	11 230	10 885	-
Social assistance rate as percent of resident population	-	-	8.6	7.8	9.3	9.6	9.4	-

Source: information supplied by the Offenbach employment office and statistical office for the *Land* of Hesse

This set of problems prompted a programme of restructuring, led by the municipality, which has been pursued since the early 1990s and is based on an integrated urban development plan and consistent administrative reforms with a view to changing the direction of economic and social trends in the city (cf. Schulze-Böing 1999). A comprehensive municipal training and employment programme has been developed and implemented within the framework of this general strategy. In view of the large number of unemployed social assistance claimants, the idea was to reintegrate this group, in particular, into the employment system by means of a wide range of integration schemes. At the same time, the administrative structures in the sector of municipal employment promotion have been restructured.

#### **4.3.2 Local employment promotion actor network**

In the city of Offenbach, the arena of local politics is particularly notable for the somewhat unusual organization of *Hilfe zur Arbeit*, which can be regarded as specific to the city.

Whereas *Hilfe zur Arbeit* is stated in Sections 18–20 BSHG to be a function of social services, and its administration is also customarily handled there, as it is for example in Cologne, the administrative

reforms undertaken by the city of Offenbach in 1995 included the setting-up of a *Hilfe zur Arbeit* section at the office for employment promotion and statistics, which was entrusted with controlling *Hilfe zur Arbeit* under contracts of employment. By removing *Hilfe zur Arbeit* from the sphere of social services and transferring this function to the office for employment promotion, the intention was to ensure that the integration function was implemented in the form of direct placement in the primary employment market and close linking with the municipal economic and employment policies. The function of the *Hilfe zur Arbeit* section is the coordination of *Hilfe zur Arbeit*—especially in collaboration with the non-administration actors—and the planning and approval of the necessary programmes and measures. The employment promotion office comes under the department of economic affairs, the mayor also acting as head of that department. The fact that the mayor has made the whole project his personal concern has greatly assisted acceptance of the project among business representatives, in particular. The terms of reference of the employment promotion office encompass the whole field of municipal employment and labour market policy; to this extent, the office sees itself as the overall coordinating body for municipal employment promotion and has the function of a control centre.

All other tasks assigned to the local agency by the BSHG have remained with the social services office, which comes under the social affairs department. In particular, for example, the function of individualized case control of all social assistance claimants capable of working is undertaken by the social services case officers. A special feature of the social services office is *Fallmanagement im Sozialamt* (case management in the social services office—FAMS), which, initially tried out as a model project under the administrative reorganization of 1996–9—has now become a permanent part of social services. Case management consists of a team made up of two social workers and two case officers, who are jointly responsible for claimants with substantial impediments to placement. Claimants are referred to case management by the individual case officers, the aim being to enable recipients of assistance to live independently of social assistance by means of a work placement within a period of 18 months to two years. Community service, in the additional needs variant, has been left as a function of social services and is handled by the community service section. In addition to the social services office, the youth office in Offenbach also comes under the social services department.

In 1997, the office for employment promotion commissioned GOAB mbH, a legally independent, municipal employment and training company, to implement *Hilfe zur Arbeit*. GOAB was founded as long ago as 1985 by the city of Offenbach as a non-profit GmbH (private limited company) with the symbolic participation of the joint welfare association and was one of the first employment companies in Germany. Acting on the instructions of the city of Offenbach, GOAB provides advisory and placement services for unemployed social assistance claimants, but is at the same time the employment activities agent for the same target group. In addition, however, it works for other clients

such as the Offenbach employment office, the rural district of Offenbach, etc. For young social assistance claimants, the Offenbach city youth office has set up “Club 32”, which also offers advisory and placement services on the basis of a youth-specific advisory approach.

Another central actor in the Offenbach city political arena is the Offenbach employment office. Even though the Offenbach employment office district extends far beyond the city, substantial financial resources are allocated to employment promotion within the Offenbach city area. At the same time, the employment authorities are an important cooperation partner for the city of Offenbach. This applies especially to the target group of socially disadvantaged young people, for whom an advisory and placement institution supported jointly by the city and the employment authorities is currently at the planning stage.

### **4.3.3 Concepts and levels of activation**

#### *4.3.3.1 Aims of activation*

The local employment authorities base their employment policy activities on SGB III, the centrally imposed budget and the BfA guidelines, but the administrative committee concerned is quite free to make independent decisions based on the discretionary services of the integration budget. In view of the low level of legal standardization of *Hilfe zur Arbeit* in the BSHG, the municipalities enjoy extensive freedom in their objectives and conceptual basic decisions relating to the activation of unemployed social assistance claimants, as they act within the framework of municipal self-administration. In Offenbach, the activation policy is geared to the transitional labour market model. At the same time, however, it is particularly dominated by the concept of the Offenbach “funnel”.

Representatives of the city of Offenbach have identified integration into the primary employment market as the first main aim of activation, the actors regarding a two-year period of integration as a success, and the activation objective thus including a fixed-term involvement in the labour market. Another central objective is social integration through participation in work which—from the standpoint of the Offenbach actors—represents the social integration aspect of our society that gives purpose to it. Personal stabilization here is defined by the actors through work. A third main objective is the active contribution made by employment promotion to budgetary consolidation, in order to acquire financial resources and political acceptance for the integration schemes. Finally, a fourth main aim has been identified as economic integration, meaning that employment promotion schemes are supposed to make an active contribution to net output in the region. The objective is real net output, which presupposes that work is market-oriented rather than taking the form of a “craft studio”.

GOAB's "recycling centre" project is an example of this kind of ecologically and economically purposeful addition to the range of medium-sized enterprises in the city of Offenbach.

The guiding principle of employment promotion in the city of Offenbach is to strike a new balance between assistance and requirements: the city perceives itself as having a duty to offer its social assistance claimants the opportunity to escape from social assistance via a wide variety of integration services. Conversely, it makes it a condition that they are willing actually to take advantage of the assistance offered. "Requirements" means, in real terms, that anyone who is not prepared to cooperate must expect penalties.

#### 4.3.3.2 *From social assistance benefit application to work placement*

On the basis of the objectives of municipal employment promotion, activation of unemployed social assistance claimants is mainly dominated by the concept of the "Offenbach funnel", which refers to an activation, advisory and job placement strategy which reaches about two thirds of all unemployed recipients of assistance. At individual level, the case management method is used to try to determine the best route back to work for each individual assistance claimant. On this basis, then, assistance plans are developed, the aim of which is to assist implementation through the coordinated collaboration of all bodies involved (from social services through the employment office to employment companies and businesses) (cf. Schulze-Böing 1999). The Offenbach funnel, as a comprehensive activation strategy, has four levels of placement whose purpose is to find a short route into the primary employment market and a sustainable placement. These placement levels, however, only begin downstream of the advisory institutions.

The first contact point for HLU claimants is the *Zentrale Anlaufstelle* (central contact point—ZAS) of the social services office, which was set up in 1998 as part of the administrative reform of the Offenbach city administration. The functions of the ZAS are the provision of general information, jurisdictional checks under Section 120(5) BSHG, entitlement checks, the issuing of printed information and forms, checks on whether property rents are reasonable, acceptance of applications for one-off benefits and inquiries regarding social services letters/decisions, and arranging interviews with the case officers concerned. If it transpires that the applicant is basically entitled to claim, he is referred on to a case officer in social services responsible for processing and approving the application. At the same time, all new applicants capable of working are referred on by the ZAS to GOAB's advisory and placement centre or the youth office's Club 32. Here they begin to receive advice on escaping from unemployment even before a decision has been made on the HLU application. A precondition for approving the benefit is feedback to the effect that advice has been given or a start has been made on a longer-term advisory process.

### **First level of activation: GOAB advisory service**

Within the overall activation concept, central importance attaches to comprehensive counselling, assessment and selection of claimants capable of work. This function has mainly been outsourced to an independent agency, GOAB GmbH, which acts on the instructions of the employment promotion office. All claimants capable of work, with the exception of young people and young adults, must pass through GOAB's advisory and placement centre, younger people being in some cases advised and supervised by the youth office's Club 32. GOAB's advisors and placement officers have been specially trained by the advisory and placement department under the "matchwork" project entitled "Continuing training as target group placement officers". GOAB provides placement and advisory services not only for social assistance claimants on the instructions of the Offenbach city employment promotion office, but also for unemployed social assistance claimants on the instructions of the employment office and employees/participants at GOAB. GOAB's advisory and placement centre employs 5.5 consultants and one administrative worker for a 25-hour week. The wage and materials bill for the advisory and placement service is entirely paid by the city of Offenbach on the basis of a contractual agreement. Under the agreement on objectives, the performance parameters defined were that advice should be provided during 1999 to 1000 new applicants and 600 existing social assistance claimants and that 200 clients should be integrated into the general labour market by direct placement, of whom only 5% would require additional wage cost subsidies from the municipality. In addition, personnel proposals would be issued for about 180 jobs in the wage-subsidized labour market, with various agents, and places in on-the-job training schemes and BfA schemes. The agreements on objectives were fulfilled in 1998 and 1999. Of a total of 1 558 advisory schemes initiated for new applicants and benefit claimants from the "backlog", 1 440 consultations were provided by GOAB; another 71 took place at the *Gesellschaft für Wirtschaftskunde* (economics association—GfW) on the instructions of GOAB, and a further 47 were undertaken by Club 32.

Within three days, applicants are given a date for a first interview, at which an initial diagnosis is prepared, following which the results are notified to social services as a necessary precondition for approval of the benefit claim. In the course of the advisory process, which generally lasts no longer than three months, agreement is reached in consultation with the claimant on the steps designed to result in his integration into the primary employment market. Four groups are distinguished here, which can be assigned to the various placement stages of the Offenbach funnel. The system of graded intervention is intended to result in accurately targeted use of the funds available for work and employment promotion, complex and therefore costly measures being concentrated on those cases that are least able to help themselves and, conversely, "simple cases" being referred quickly and directly to the possible self-help options (cf. Stadt Offenbach, Sachgebiet "Hilfe zur Arbeit" 1999). If GOAB's advisory and placement centre has not completed a case within three months, an interim report goes to

the social services office which decides whether the case should remain with GOAB or be re-allocated. If it is ascertained that the social assistance claimant is capable of working but unwilling to do so, social assistance is generally cut, or completely withdrawn, under Section 25 BSHG. An on-the-job training course lasting four weeks, in the form of the additional needs variant of *Hilfe zur Arbeit*, is used to verify willingness to work.

### **Club 32**

To supplement GOAB's advisory and placement service, the youth office has set up a facility of its own designed to meet the special needs of youth-specific advice. The provision of advice to young social assistance claimants generally takes up considerably more time per case than the adult advisory service. A work placement generally has to be preceded by a fundamental vocational guidance and advice session. For this reason, social assistance claimants in the 18–23 age group who have already been living off social assistance for a considerable period are referred to Club 32, the youth office's "work and training" advisory centre. At this youth vocational guidance facility, too, the advisory service is geared to placements in the first training and employment market. The functions of the advisory centre, which operates in accordance with the principles of the Maatwerk strategy, are to advise and place young people, and to provide a supervisory service both for young people and for the training and employment undertakings. In 1998, a total of 253 people were referred to Club 32 by social services for advice on work. Of these, 140 young adults (55%) completed the advisory process while 113 (45%) dropped out. Of the 140, 73 were placed in basic training courses, jobs or retraining schemes, 4 were accepted for further education, 34 could not immediately be placed for personal reasons, and 29 were still undergoing the advisory process at the end of the year. No information for 1999 was available at the time of the survey.

### **Joint training agency run by city and employment authorities**

A further measure planned for the future in the advisory and placement sector is a training agency sponsored jointly by the employment, social services and youth offices. The idea here is to expand and intensify coordination between the employment authorities on the one hand and the social services and youth authorities of the city of Offenbach on the other. At this training agency, employees of vocational guidance and the youth office, and of the agency's sponsor, will in future work together as a multiprofessional team with equal rights. The target group will be socially disadvantaged and individually impaired young people up to the age of 25 who have been unable to find training places and are not, or no longer, in the catchment area of the other vocational training schemes. The political target is to offer a traineeship, a place in a pre-training scheme or a job to all young people in this age group before they have been unemployed for more than six months. The advisory and placement process will take special account of personal circumstances and of the interests and capabilities of the young people. To emphasize that young people are themselves responsible for their integration into

training or employment, they will have to accept cuts in their social benefits if they refuse traineeships or jobs offered to them. In the event of special problems and needs, such as health or financial difficulties, the training agency will apply back-up assistance schemes. The responsibility of the training agency for an individual case ends when the young person concerned is placed in a training scheme or one designed to lead to training (cf. Stadt Offenbach und Arbeitsamt Offenbach 2000).

### **Second level of activation: GOAB placement service**

After the GOAB advisory and placement service has produced a job profile, and a joint decision has been made on which route to work is to be followed, claimants are placed by the consultants—who also act as placement officers—in the labour market or other schemes in the context of the placement levels of the Offenbach funnel. A choice of the following possibilities exists here:

(1) The first level of the Offenbach funnel is the “short route” to the primary employment market for benefit claimants who can be placed directly without requiring further assistance. In accordance with the principle of help to self-help, any person capable of being placed is placed. In individual cases, back-up services such as application training are offered.

(2) The second level is the “short detour”, for those who need a preliminary guidance scheme, on-the-job training course or selective vocational or language qualification before subsequently being placed in the primary employment market.

(3) The third level is the “long detour” into the secondary employment market for benefit claimants who, for various reasons, do not meet the requirements of the primary employment market and are initially offered an employment scheme lasting from one year to 18 months for orientation and/or qualification purposes. Participants have contracts of employment and are covered by social insurance. Here again, the aim is subsequent transition to the primary employment market.

(4) The fourth level comprises offers of community service under the additional needs variant. This is intended to offer participants with particularly serious problems the opportunity to become (re-)accustomed to work and learn employment virtues such as punctuality, persistence and social skills. A four-week on-the-job training course is offered on the same basis to check out the claimants’ willingness to work. In both variations, additional needs compensation of DM 1.50 per hour is paid in addition to regular HLU.

Over the year 1999, the GOAB advisory and placement centre, Club 32 and the GfW finished processing 1 608 advisory cases with the following results: 247 people were placed in the general labour market, 8 began a training course, 83 underwent retraining or further training, 19 joined a work creation scheme, and 122 accepted work provided by *Hilfe zur Arbeit*. In addition, 147 people failed to follow up their social assistance applications and 982 were initially referred to social services as they were unsuitable for work or placement in the short term.

In addition to direct placement, the “Offenbach funnel” also offers the following services:

### **Guidance schemes**

In the guidance schemes, participants have the opportunity to familiarize themselves with and try out various forms of practical experience before deciding on an occupation. Under this scheme, intensive group discussions are held to provide guidance on individual situations and prospects, and forms of work experience and, where necessary, mobility training and application training are offered. The primary aim is that participants should subsequently be directly integrated into the primary employment market. An alternative option, however, is to join a *Hilfe zur Arbeit* employment scheme.

### **The contract of employment variant of *Hilfe zur Arbeit***

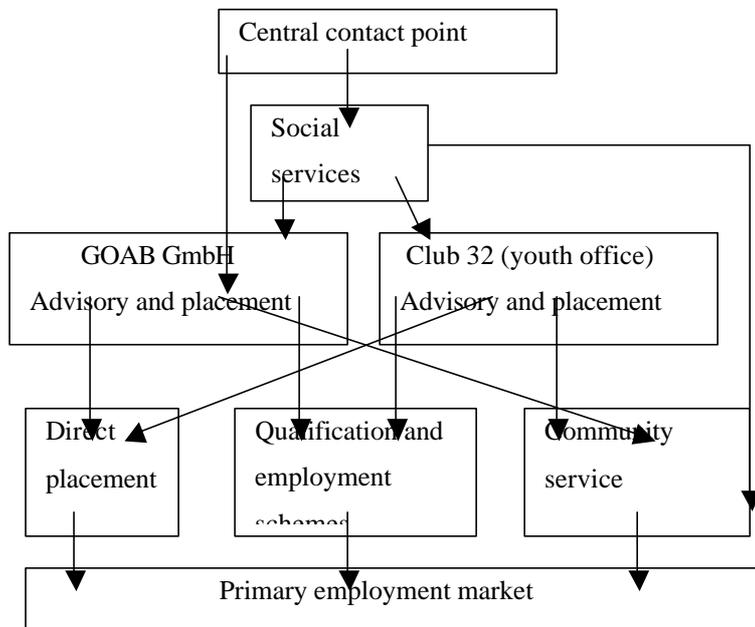
The planning of qualification and employment schemes is undertaken by the *Hilfe zur Arbeit* section of the employment promotion office. The range of schemes is being continuously expanded. Claimants of assistance are referred to the various schemes by GOAB in consultation with social services. The qualification and employment schemes are provided by eight types of training and employment agency. The agencies have an incentive to arrange early placements in the primary employment market, and in addition participation enables claimants to move up the levels of the Offenbach funnel. The majority of agencies are geared to the primary employment market, agents here paying wage cost subsidies for placements. The placement premium is DM 6 000 for a long-term placement in employment for a minimum period of one year. In 1999, 355 people obtained contributory jobs under the *Hilfe zur Arbeit* programme. Over the year, 142 new applicants were accepted and 199 people left the scheme. Of the latter, 37.2% were placed in the primary employment market immediately after participating in the scheme, 5.5% accepted places in basic or continuing training, 19.1% were no longer available to the labour market, 35.7% became unemployed again, and no information is available on 2.5%.

### **Community service in the additional needs variant**

The scope of the “community service” section was increased in 1998 to top it up to 60 work opportunities. This was largely achieved by the end of the year, and in fact significantly exceeded during the subsequent year, 1999. At the start of 1998 about 30 community service jobs were available at the municipal gardens office, the Offenbach city municipal public utility, the cemeteries department and the municipal hospitals. Over the year, the number of places was increased by a further 20 jobs with GOAB mbH. The primary purpose of community service is to provide entry into work, with the aim of laying the foundations of further steps towards integration by way of gradual habituation to work, on-the-job learning and personal stabilization; examples of possible further steps include assisted employment with *Hilfe zur Arbeit* or transfer to a job becoming vacant at the facility where the work opportunity is based. The community service system also offers an opportunity to verify

claimants' actual willingness to work. Over the year 1999, 320 people were proposed by the GOAB advisory and placement centre for placement in community service, of whom 178 actually accepted the position.

**Chart 2** *Hilfe zur Arbeit in the city of Offenbach*



#### 4.2.3.3 *Follow-up and analysis of effects*

A critical factor for evaluating integration and activation policy in the city of Offenbach is the availability of information on the effects of that policy and of the individual programmes and measures.

Particularly for the type of approach to activation pursued in Offenbach, it is very important to obtain an answer to the question of how many people drop out from the advisory and placement scheme or participation in activation and integration measures. This can occur at various phases of the activation process: the phase between first contact with the ZAS through social services to referral to the advisory and placement centre, and the phase between the advisory and placement centre and acceptance of employment or participation in a scheme. The employment promotion office regularly studies, with the aid of random sample analyses of the social assistance file, what effects dropping out of the advisory service has on claimants' social assistance biographies. For example, an evaluation of those who dropped out in the second half of 1998, carried out in September 1999, produced the following picture: 53% were no longer receiving social assistance from the city of Offenbach; 9% had received no social assistance for a period but were now drawing it again; 15% had to accept cuts in social assistance, with 2% subsequently returning to the advisory service; 9% did not have their

benefit cut; 8% found employment/retraining/basic training places, of whom 2% received supplementary HLU; 2% had to participate in community service, 4% could not be placed at the time and a further 1% were referred back to social services case management. Despite this detailed breakdown of evaluation criteria, these findings leave many questions unanswered. The *Hilfe zur Arbeit* section of the employment promotion office is currently trying to implement a follow-up study in the form of a written survey to ascertain the reasons for and consequences of dropping out from the advisory service. In view of the low feedback rate, however, it is doubtful whether the follow-up survey will provide any reliable results. The most unknown quantity of all is the number of those who dropped out before they even arrived at the advisory centre or right at the beginning of the advisory service, as no files were opened for these, so that they are not included in the above figures. Estimates suggest that a not insignificant proportion of new applicants drop out during this very first phase, nothing being known about the reasons or consequences.

A second problem area concerns the question of how successful these measures are in achieving temporary or even permanent (re-)integration into the labour market and improving the social integration of those affected. The significance of this question is recognized by the Offenbach city administration and also by the agencies responsible. In order for it to be possible to ascertain the effectiveness of the Offenbach integration programme in terms of employment and income situations, data on claimants would have to be recorded and followed up from the time of their first contact with the social services authority (central contact point) up to some point in time after they cease drawing social assistance. This would have to include the recording and following up of information on previous involvement in the labour market and employment schemes. Although GOAB does record data on claimants' training and earning biographies in Offenbach, on the instructions of the employment promotion office, these data are not systematically updated. In order to investigate the effects of activation measures, a follow-up study is carried out regularly, after six and twelve months, on behalf of the employment promotion office. The intention is to ascertain how many people are still, or again, drawing benefit from the employment or social services office. The results of this survey of those who ceased to receive benefit in 1998 and 1999, carried out six months after they did so, was that 59.8% were not drawing either social assistance or unemployment assistance, 20.7% were receiving social assistance and 19.6% were topping up employment office benefits with social services benefits. The study after twelve months, for those leaving the benefit system in the same years, showed that 59.9% were receiving no benefits at all, 32.4% were drawing benefits from both the employment office and social services, and 7.7% were again exclusively drawing social assistance. These figures indicate that, after all, some 60% had been prevented from returning to dependence on unemployment or social assistance at the dates of the follow-up studies. That, of course, need not necessarily mean that these people have actually entered gainful employment. Their return to dependence on social assistance provided by the city of Offenbach could also have been avoided or

concealed by a change of name, relocation, a change of domestic circumstances or access to other social services. This could only be established by questioning the participants themselves. In addition, there is no information on how many of them would in any case have found work in the course of “normal fluctuation”, in other words how great the “net effect” of the measures was. In order to determine this, a comparable control group who did not participate in such schemes would have to be studied. At present, the employment promotion office is trying out the experiment of comparing data with the employment office with a view to ascertaining the employment situations of those who have passed through the scheme. This comparison, however, is proving very difficult technically and has still not yet been completed.

In the upshot, it can be said that the city of Offenbach is not, as yet, undertaking any studies to determine the CVs of (former) social assistance claimants after they complete or drop out of the advisory scheme or complete attendance at it. Nor are any such studies planned at present, since, according to representatives of the office for employment promotion, they cannot be undertaken for technical reasons or are impractical given the present facilities and human resources. Information on those progressing to and remaining in gainful employment or other schemes is being evaluated on a scheme-related rather than individual basis and is therefore of only limited significance.

#### **4.3.4 Coordination requirement and coordination practice**

In the context of the main groups of actors named initially, the question of the need for coordination and the extent to which it is practised in reality will be concentrated on coordination between those groups of actors.

##### *4.3.4.1 Coordination at city-wide level*

In the other municipalities studied, the need for coordination at city-wide level was met by a special coordinating committee including all relevant labour market actors, but no comparable formal body exists in Offenbach. The Offenbach city representatives questioned emphasized that there was no need for such a committee in a city with a limited population and an uncomplicated political arena. One important specific feature of the Offenbach model is that the mayor, the central figure in the local political arena, has taken a particular interest in economic development and work promotion. Through his personal and political authority, he has been and is able to secure the necessary acceptance of this model among the political institutions and the local public. Its implementation, however, is the responsibility of the heads of the economic development and employment promotion offices, the latter being the central planning and controlling authority for functions relating to the integration of

unemployed social assistance claimants. This kind of individualistic approach to achieving a city-wide consensus on local employment promotion may have its attractions, and justifications, for small to medium-sized municipalities. However, it does involve a highly centralized and hierarchical communication and coordination structure and is very susceptible to the effects of changes in personnel or policy.

To support the coordinating activities of the mayor, two somewhat informal discussion groups have been set up at city level in Offenbach, and are convened by the mayor at six-monthly intervals. Those invited by the mayor and the head of the employment promotion office to attend the first discussion group are the members of works councils in Offenbach; the purpose here is to exchange information on the economic situation of the town and the progress of the individual undertakings. The primary purpose of this group is to serve as an early warning system, so that the city can take prompt action, for example, if a works closure is pending. The second discussion group, to which the managements of Offenbach's business undertakings are invited, is chaired by the mayor jointly with the head of the economic development office. Subjects dealt with here include the future training and job requirements of Offenbach's businesses and ways of meeting them—for example, through municipal employment promotion schemes.

#### *4.3.4.2 Coordination between social services office and employment office*

The broader scope for decision allowed to the local employment office since the introduction of SGB III has increased both the need for cooperation at local level between the city administration and the employment authorities and opportunities for it. Three forums are used for this purpose in Offenbach.

(1) First, the need for coordination between the city and the employment authorities is covered by the administrative committee of the employment office. The purpose of the administrative committee is to provide a regular exchange of views and taking of decisions on the financial resources that can be employed, under the integration heading of the budget, for local employment promotion. The public authorities' contribution to the three-way joint committee comprises representatives of the city (the mayor and the head of the employment promotion office) and rural district of Offenbach. The committee thus looks beyond the boundaries of the city to offer an opportunity for consultation between city and rural district, though neither side has yet taken any advantage of this opportunity.

(2) In view of the increasing importance of cooperation between the city administration and the employment office, another formal coordinating committee has been set up by the city administration and the employment authorities. For 18 months, regular exchanges have been taking place between the

heads of the employment promotion and employment offices at quarterly intervals. The working meetings are utilized to agree on a plan of action with the employment office in the sector of municipal employment promotion, to clarify the conditions of joint financing, to organize the exchange of data and to sound out possibilities for new projects.

(3) An idea on the threshold of implementation is the jointly sponsored training agency, a cooperative project between the city administration and employment authorities (cf. Section 4.3.3.2). This new institution is aimed at the target group of socially disadvantaged young people, and works on the basis of the “one-stop shop” principle. The intention here is to provide the highest level of coordination, by bringing together two different institutions to form a joint advisory and placement agency, the coordination being based on the formulation of joint aims and working principles and the deployment of joint financial resources and joint personnel. Implementation is to be under the overall control of a joint steering committee, comprising the heads of the employment promotion office, the youth office and the employment office. During talks with representatives of the participating institutions, it became apparent that joint planning is welcomed and supported by all sides in principle, but that there are still many reservations and anxieties—especially on the part of the employment authorities and at employee level. Ultimately, it was only the “joint recommendations” of the local authority umbrella associations and the BfA, and the latter’s decree, making it mandatory for the local employment offices to implement the recommendations, that paved the way for setting up this kind of project. The intention is that the employees’ reservations will be gradually dispelled by, in particular, joint training courses and team meetings.

#### 4.3.4.3 *Coordination of Hilfe zur Arbeit*

As already described, municipal labour market policy in the city of Offenbach has been transferred to the employment promotion office of the economic affairs department. In view of the specific division of tasks within *Hilfe zur Arbeit*, there is a particular need for coordination, within the administration, between the employment promotion office, social services and the youth office. While social services are responsible for all benefits in cash and kind and all services, *Hilfe zur Arbeit*, in the contract of employment variant, has been assigned to the employment promotion office. The youth office is responsible for vocational guidance for the specific target group of young people and young adults under the KJHG. This configuration requires a regular exchange between the participating actors which, in the case of Offenbach, is moderated by the employment promotion office. No formal coordinating committee has been set up for this purpose, ongoing coordination being undertaken by the head of the *Hilfe zur Arbeit* section of the employment promotion office in consultation with the other units as necessary.

The coordination of the “secondary employment market”, comprising publicly assisted training and employment schemes, within *Hilfe zur Arbeit* is handled by the head of the *Hilfe zur Arbeit* section of the employment promotion office. For this purpose, an agency conference is held every six months between the city administration and the training and employment agencies. Its purpose is to enable them to coordinate their plans of action, to exchange experience on action to date, to define the financial conditions for assistance and reach agreement on substantive objectives. Thus, for example, the placement rates in the various schemes for the subsequent year are the subject of joint discussion and decision. The agencies in Offenbach have not yet combined to form their own agency association.

In summary, it can be said that the city of Offenbach certainly does have formal committees for planning and coordination between the city administration, the employment office and the agencies. Where necessary, these are supplemented by *ad hoc* working groups set up to deal with specific subject areas. The most intensive level of coordination, at least at the planning stage, is represented by the joint training agency sponsored by the city authorities and employment office. In addition to these official bodies, lively exchanges take place in the form of personal discussions and by direct contact, since the information channels in a city the size of Offenbach are relatively short. According to the actors, a paucity of official committees is a feature of the Offenbach city administration. Even so, in the view of all actors questioned, this network was regarded as adequate in size and substantively functional.

#### **4.3.5 Activation and coordination from the standpoint of those affected**

Activation and coordination from the standpoint of those affected has to be viewed on a differentiated basis, because the interviews in the city of Offenbach were conducted with two very different target groups. One group interview was arranged with unemployed young people, approximately in the 18-25 age group, who were participating in a GOAB qualification and employment scheme in the administration sector. The second group comprised adults in their early to mid forties who had been unemployed for a long period before the scheme was launched, had in several cases participated in measures arranged by the employment and social services offices, and were currently employed by GOAB’s recycling centre employment project. In view of their different circumstances and problems, activation and coordination were perceived very differently by the two groups.

The recycling centre group basically took a very positive attitude towards the employment scheme. The fact that its duration was limited, in most cases to one year, was however perceived as a serious problem, participants fearing that they would be unemployed again after the scheme ended. Even if

they do find jobs, however, they will have little money available because wages for unskilled labour in the primary employment market are very low. The administration group was linked to the primary employment market to the extent that participants spent half their time working for the administrative authority of the city or district. As a result, even before the scheme ended, some of them had promises of being accepted for training or work. However, the high proportion of the scheme devoted to qualification also gave participants hope of better prospects of finding a training place or job after the scheme had ended.

Both groups gave negative accounts of their experience with the employment office's work placement activities. The general impression was that they were treated demeaningly by the office, and that too much pressure was exerted to bring about a very rapid suspension or cancellation of their unemployment assistance. The large scale of the operation left little time for individual advisory and placement services geared to personal needs. On the other hand, GOAB's advisory and placement service was well regarded, because clients felt that it took them seriously and there was no time pressure in the advisory situation. The procedure and structures, and opportunities to obtain qualifications, were also described in positive terms. The administration group took a particularly positive view of the group spirit and cohesion, and the fact that creative projects were implemented alongside the obligatory programme. Improvements suggested by the participants included vocational guidance and work experience projects, and the availability of short courses (for example in driving). The recycling group proposed that a discussion group should be set up for exchanging experiences and that more emphasis should be placed on social support. Follow-up to the advisory and placement services would also be desirable.

Coordination between social services and GOAB was described by the participants as working well. The same applied to coordination between the employment office and GOAB. The need for coordination between the employment office and social services was emphasized, because people were constantly shuttling backwards and forwards between these two offices to produce formal certificates. It would be better, in the view of the participants, to have to deal with only one of the two.

#### **4.3.6 Results: positive approaches, problems and transposability**

The "Offenbach funnel" model has enabled the city of Offenbach to develop an overall concept of municipal employment promotion which, according to representatives of the city, reaches about 1/3 of all social assistance claimants able to work. A characteristic feature is the new balance between assistance and requirements: claimants find themselves facing more obligations, but in return they theoretically have better opportunities of long-term integration into the labour market, the cornerstones

of the Offenbach funnel model being direct placement and a transitional labour market based on work provided by *Hilfe zur Arbeit* under contracts of employment. Even so, there are no empirical findings available as yet to suggest how far such long-term integration has actually been achieved. Similarly, the view of city representatives that the primary objective of activation is labour market and social integration contrasts with the fact that no valid information on the achievement of objectives is available. If these statements amount to anything more than political rhetoric, greater efforts to study effects and subsequent career paths are essential. Also dubious in this context is the unknown number of people who drop out between social services and the GOAB advisory and placement scheme, and on whom no information is available. Detailed information would also be desirable on the additional one-third of people who drop out of the GOAB advisory and placement scheme, of whom nearly half are no longer receiving social assistance between six and twelve months later.

As in other local authority areas, the social services office's computer software is an instrument geared solely to enabling social assistance to be paid; to date, neither the planning of assistance nor statistics, let alone a study of effectiveness, can make any use of this instrument. The social services software should be designed not only to handle financial transfers but also to allow and record a progress study and complex case management with joint agreements on objectives. A software package allowing a comparison and, possibly, a combination of the data sets of various institutions (social services, youth office, employment authorities and GOAB) would also be needed.

Another peculiarity of the Offenbach model is that *Hilfe zur Arbeit* has been outsourced to an employment promotion office whose function is not only to control *Hilfe zur Arbeit* but also the overall coordination of municipal employment promotion, and under the close control of the mayor as the head of the economic affairs department. As a result of the link between *Hilfe zur Arbeit* and municipal economic and employment policy, the integration of unemployed social assistance claimants enjoys a high priority and widespread acceptance. The involvement of GOAB in the implementation of the advisory and placement scheme and in the provision of *Hilfe zur Arbeit* training and employment services seems to be working well in Offenbach. In contrast to other local authority areas, GOAB has not gone independent; control remains with the employment promotion office. However, the dual role of GOAB as the authority that allocates participants to various schemes and as an agent competing with other agencies for participants and funding does cause problems. Tensions that regularly arise between employees of social services, the employment office and GOAB's advisory and placement scheme could be resolved by an expert working group from *Hilfe zur Arbeit* and reciprocal exchanges of observers, and cooperation could be improved.

Even though there is no city-wide coordinating committee in Offenbach, the coordination structure seems appropriate to a medium-sized town and generally seems to be proving its worth. The attempts

to intensity coordination and cooperation between the social and employment authorities and to set up a joint training agency with joint objectives, finance and human resources and an integrated approach to activation should be emphasized and welcomed. However, the joint training agency is still at the planning stage, and no practical successes have yet been recorded. There are many arguments in favour of expanding this kind of structure to include the adult sector as well. Thus, a joint team comprising employees of social services, the employment office and, for example, GOAB's advisory and placement centre could be set up to develop a "one-stop shop" agency for all unemployed social assistance claimants.

#### **4.4 Case study: city of Dresden**

##### **4.4.1 Economic and social situation**

Dresden, the capital of the *Land* and Free State of Saxony, lies in the eastern part of Germany and qualifies as a major city with a population of some 520 000. After reunification, Dresden was able to establish itself during the 1990s as a centre of industry and learning and—with its rich cultural heritage and impressive surrounding countryside—as a centre for tourism and congresses. Admittedly, Dresden too suffered from severe job losses after reunification, but the rapid arrival of new business and the blossoming tourist industry have succeeded in creating a substantial number of new jobs and at least partially compensating for the collapse in employment.

The employment office district of Dresden is one of the high-density districts notable for satisfactory underemployment rates but very poor employment growth figures. The duration of unemployment and the hiring rate are also indicative of a below-average labour market dynamic. The number of people in employment and liable to social insurance contributions at the end of 1998 was 212 000, of whom 74.8% worked in the services sector (including the retail trade, communications and transport and the civil service), 14.5% in manufacturing industry, 8.3% in construction and 2.4% in agriculture, forestry, energy and mining. In 1998, therefore, Dresden had a relatively high level of employment by comparison with other major cities in eastern Germany, though even here the number employed was about 25% lower than in 1992, when there were 285 000 in contributory employment. Despite the varied economic structure and successes in coming to terms with economic structural change, both the number of people unemployed and the unemployment rate have soared in recent years. Thus, in 1998 the number of people registered as unemployed in the Dresden employment office district rose to 41 707, averaged over the year. The unemployment rate was as high as 15.8%.

**Table 8: Changes in unemployment and social assistance rates in Dresden**

	1992	1993	1994	1995	1996	1997	1998	1999
Number of unemployed in the employment office district	31 291	30 615	32 537	29 993	32 634	38 904	41 707	42 479
Unemployment rate as percent of civil wage-earners	9.4	11.1	12.1	11.3	12.3	14.7	15.8	16.0
Number of claimants of regular HLU in Dresden city	—	—	-	6 446	6 520	7 334	11 298	-
Social assistance rate as percent of resident population	—	—	-	1.4	1.4	1.6	2.5	-

Source: Information supplied by the Dresden employment office and the *Land* statistics office of the Free State of Saxony

The number of social assistance claimants—or, more accurately, recipients of regular HLU—after reunification and the introduction of West German social assistance law was initially very low throughout the new *Länder*. This was partly attributable to the fact that, because of the high employment level in the former GDR, many people were able to claim social insurance benefits in their own right. In addition, relying upon and claiming social assistance was very much looked down upon among former East German citizens because of the highly stigmatizing nature of the social assistance system there. Even so, in Dresden as in other cities of eastern Germany, the number and percentage of social assistance claimants rose almost continuously in the course of the 1990s. By the end of 1998, the number of HLU claimants in the city of Dresden stood at 11 575, a record at that time, as was the social assistance rate of 2.5% among the resident population.<sup>7</sup> This figure, however, was still considerably lower than the overall 3.0% average for all *kreisfreie Städte* in Saxony, and was also still far below the comparable figure for western German cities. Nevertheless, the rising numbers of social assistance claimants were a major factor in prompting the city of Dresden to decide that the

<sup>7</sup> According to information supplied by the city, the numbers of social assistance claimants are in all cases lower than the figures provided by the *Land* statistics office, though the trend is comparable (1995: 5 750, 1996: 5 938, 1997: 6 726, 1998: 10 766, 1999: 12 801). No explanation could be found for this difference.

primary objective of granting social assistance should be to offer opportunities to work to all social assistance claimants capable of doing it.

#### **4.4.2 Local employment promotion actor network**

In principle, the main municipal employment promotion actors in the city of Dresden are the same as in local authority areas. Significant differences are to be found in the organizational structure and distribution of tasks within the municipal authority. Also significant, however, is the still comparatively low level of cooperation between the two main actors in local employment promotion.

The social services office in Dresden comes under the health and social affairs department. Overall control of labour market integration for unemployed social assistance claimants here—as in the city of Cologne—lies with the social services office or the *Hilfe zur Arbeit* section of that office. Within the framework of overall control, the *Hilfe zur Arbeit* section has the primary task of planning activation and integration measures and coordinating the agencies responsible. Case control of “individual cases” among social assistance claimants is provided by the social services case officers.

In addition, the city of Dresden has since reunification collaborated with the *Gewerkschaft Öffentliche Dienste, Transport und Verkehr* (Public Services, Transport and Communications Union—ÖTV) to set up a non-profit *Qualifizierungs- and Arbeitsförderungsgesellschaft Dresden mbH* (Dresden Qualification and Employment Promotion Association—QAD). This was intended to provide a cushion to absorb personnel laid off by the public authority, was initially charged mainly with implementing job creation schemes, and now not only applies the measures devised by the employment office and youth office but is also critically involved in implementing *Hilfe zur Arbeit* in the city of Dresden. The main focus of QAD’s activities is advisory and placement services for unemployed social assistance claimants on behalf of the Dresden city social services office, but it also undertakes coordinating tasks and acts as an employment agency for the same target group (cf. QAD 1999).

Employment and labour market policy in the broader sense are the function of the office for economic development, assigned to the Dresden city department for economic affairs and transport. The employment policy section of the office for economic development is primarily responsible for employment policy services for the target group of the long-term unemployed. These include the planning, co-financing and implementation of work creation schemes. In addition, this section—in collaboration with the *Hilfe zur Arbeit* section of the social services office—also plans and finances qualification and employment schemes under *Hilfe zur Arbeit*. The youth office in Dresden does not

form part of the social services department but is assigned to another department, the department for cultural and youth affairs.

In Dresden as well, the employment office ranks alongside the local authority as the second main actor in local employment promotion. A contractual agreement exists between the city of Dresden and the employment office relating to the integration of unemployed social assistance claimants into the labour market. However, more intensive cooperation between these two actors is overdue.

### **4.4.3 Concepts and levels of activation**

#### *4.4.3.1 Aims of activation*

In the city of Dresden, the main actors in municipal employment promotion have adopted different objectives since the last municipal elections. The present situation, as far as the political assessment and evaluation of municipal employment promotion programmes are concerned, is characterized by the political tensions between the Christian Democrat majority on the city council, including the mayor, on one side and the Social Democrat deputy mayors in the department of health and social affairs and the department of economic affairs and transport on the other. While the majority group and the mayor favour a combination of increased pressure and more market, the two heads of department—who were elected at the time of a grand coalition between CDU and SPD—prefer an active city employment and labour market policy. These political tensions influence both the actors' objectives and practical schemes for the labour market integration of unemployed social assistance claimants.

The two departments with primary responsibility for employment promotion at local authority level have stressed that the first main aim of activation is to keep the number of social assistance claimants in Dresden as low as possible. Other targets include reducing the duration of dependence on social assistance and placing claimants as quickly as possible in gainful employment or employment schemes in order to encourage “help to self-help” and reinforce the benefit claimants' sense of their own worth. Supplementary aspects that have been mentioned include the guarantee of social support during work integration and the possibility of obtaining qualifications, which were to be integrated into all municipal employment promotion projects. The second main objective has been stressed as being integration into the primary employment market. This—in so far as it cannot be achieved by direct placement immediately after an additional consultation—is to be initiated by way of schemes always oriented towards the primary employment market. A further aim of activation has been identified as the production creation of value for the city of Dresden, which to date is estimated as running into millions, for example by the construction of cycle tracks and the maintenance of

cemeteries. However, value creation through municipal employment promotion is difficult to convert into money, which in turn is regarded as causing problems for municipal policy and acceptance of the employment schemes. A fourth aim has been singled out as contributing to the reorganization of the city's budget, which according to statements made by the municipal employment promotion actors in the public debate is the top priority. This aim is particularly dominant in the thinking of the conservative majority on the council. At the same time, it has been emphasized that these aims can only be achieved if it proves possible to bring about a broad consensus between all actors in the city and the careful balancing and coordination of activities in this field.

#### 4.4.3.2 *From social assistance benefit application to work placement*

The city of Dresden has developed an overall concept of *Hilfe zur Arbeit* whose ultimate purpose is to offer a job opportunity to every social assistance claimant capable of working. Under this scheme, new applicants—and, at intervals, those who have already been drawing benefit for a considerable time—go through the following graded activation procedure.

The first contact point for those in need of assistance is the city of Dresden's social services office, which is decentralized and spread over ten "local offices". These district social services offices check whether applicants are entitled to claim under the BSHG. At the same time an initial, very rough test is applied to determine whether they are capable of working. According to figures published in the 1999 annual report of the Dresden city social services office, 7 931 out of 12 801 social assistance claimants were of working age—15 to 65. Of these, 2 408 claimants were classified as capable of working by the local offices' case officers. Of these again, about 800 were only temporarily drawing social assistance and were therefore exempted from the further stages of the scheme.

##### **First level of activation: QAD clearing centre**

Recipients of assistance who were entitled to claim and at the same time capable of working, about 1 600 of them according to the social services office, were referred by the district social services offices to the "clearing centre" of QAD. In 1994, under contract, QAD took over from the social services office the task of advising unemployed recipients of social benefit, providing them with guidance and placing them in work. However, according to statements by the actors involved, the interplay between the social services office and QAD gives rise to conflict with regard to this first level of activation, because QAD is of the opinion that the social services office fails to refer to it all social assistance claimants who are capable of working, and it does seem to be unclear which applicants are supposed to be referred to QAD under what conditions. Jobseekers are referred to this QAD clearing centre not only by the social services office but also by the employment office and the youth office. Independent applications may also be made.

At QAD, the claimants pass through the first stage of the overall activation concept, the clearing centre, where QAD staff conduct an introductory interview with them lasting a maximum of 30 minutes. The purpose of this interview is to gather information on occupational experience and skills, and on the applicant's current circumstances. At the same time, it is made clear to claimants what the consequences will be, in terms of possible penalties, if they refuse reasonable employment or fail to comply with their duty of cooperation under the BSHG. On the basis of this information, a joint decision is made with each individual claimant on the path to work he will follow. There are two options here: direct placement through "matchwork- und massarbeit-dresden" and the "secondary employment market" route through the *Hilfe zur Arbeit* advisory and guidance centre. In 1999, 867 people were referred back to the social services office after the first interview because, for various reasons, they were unsuitable for placement through QAD. Of these, 331 people, about 1/3, had declined a job offer, 162 suffered from health problems, 55 had since entered training, a job creation scheme or retraining, 88 people had found work for themselves, and 231 had dropped out for other reasons.

**Second level of activation: direct placement in the primary employment market  
matchwork-dresden**

Claimants who are unrestrictedly fit to work and require no further assistance in the way of advice, guidance, qualifications or work experience, are given the opportunity for placement through matchwork-dresden in jobs in the primary employment market with private and public undertakings. In 1991, 271 people were referred by the clearing centre to matchwork-dresden, a service agency of QAD which carries out its duties on the basis of the Maatwerk method. On the basis of the individual claimant's strengths and weaknesses, QAD finds jobs and places the right people in them. The matchwork-dresden target group includes people exclusively dependent on HLU and also people who are entitled to claim under SGB III and are receiving supplementary social assistance—from a minimum sum of DM 800. At the time of the survey, the scheme employed five work placement officers who work with the claimants to produce a placement-oriented personality profile and develop a plan of action on that basis. Suitable claimants are added to an employee pool. On the other hand, the placement officers work together with local companies, try to acquire new jobs, and clarify job requirements, working conditions and job descriptions with individual employers. The work placement officer forms a bridge between employee and employer, and in the event of a placement is available to advise both parties for a further six months. For each social assistance claimant placed in a working relationship with a continuous duration of at least six months, QAD is paid a commission of DM 4 000 by the *Land* capital of Dresden. Of the 271 claimants accepted into the matchwork employee pool, 110 were able to cease claiming social assistance in the course of the year. Of these, 72 were placed in fixed-term employment and 23 in "open-ended" jobs (meaning for at least six

months). Another nine people were placed on training schemes and six “toppers-up” integrated into long-term employment<sup>8</sup> (cf. QAD ohne Jahr; Landeshauptstadt Dresden, Sozialamt, Abt. Sozialplanung 2000).

### **massarbeit-dresden**

massarbeit-dresden is an industrial employee transfer scheme with therapeutic aims, founded by QAD in 1996. It offers employment under regular contracts of employment to, in particular, jobseekers who are difficult to place. Interviews are used to ascertain the claimants’ knowledge and skills in order to decide upon possible areas of work. The employee receives a gross hourly wage of between DM 10 and DM 15, and is liable for social insurance contributions. massarbeit-dresden hires out its labour primarily to the construction-related trades, often supplying locksmiths, electricians, auxiliary workers and production assistants. massarbeit-dresden employs one head of section and two clerical workers. In 1998, four of twelve social assistance claimants were found long-term placements with client companies; no information is available for 1999 (cf. Ebersbach 1999).

### **Third level of activation: *Hilfe zur Arbeit*—advisory, guidance and placement service**

Claimants who have not been referred to matchwork- or massarbeit-dresden finish up at QAD’s advisory and guidance centre. Here they are advised by one of the four staff, together with claimants who have been unsuccessful with matchwork- or massarbeit-dresden. The function of the advisory and guidance centre is to provide claimants with advice, motivation and guidance and to propose suitable activation and integration schemes for them. The purpose of the consultations is to draw up a differentiated, employment-related personality profile, recording the claimant’s knowledge, skills and strengths, but also his weaknesses and shortcomings, in order to reach a joint decision on a suitable path to work. On this basis, recommendations are made to the social services office that the claimant should be placed in a suitable form of work opportunity or an introductory course. The available selection comprises work opportunities with wage cost subsidies, work opportunities with contracts of employment, work opportunities with compensation for additional expenditure, work opportunities for voluntary employment, introductory courses and training schemes. Claimants who fail to attend the advisory sessions, or drop out of them, without explanation are offered work by social services, in response to a proposal by QAD, on the basis of the additional needs variant, to verify their willingness to work. If the claimant refuses the offer of work, his social assistance benefit is generally cut or completely withdrawn under Section 25 BSHG. In the event that claimants repeatedly report in sick, they are referred to an office physician for a check on their state of health. In the period from April to August 1999, 117 people declined the work opportunity offered them, social assistance benefit being cut or withdrawn in 76 cases.

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<sup>8</sup> Unfortunately, QAD’s figures do not coincide with those supplied by social services; the differences could not be explained. The figures quoted are taken from QAD’s Annual Report.

### **Work opportunities and guidance schemes**

In Dresden, there is a range of five types of work opportunity or guidance scheme to which participants are referred by the social services office, as follows:

(1) Work opportunities with wage cost subsidies: the purpose of granting wage cost subsidies is to assist integration into open-ended employment relationships in the primary employment market. In 1999, this instrument was used in only three individual cases, the wage cost subsidy granted under Section 18(4) BSHG amounting to an average of DM 500 per month for a 12-month period.

(2) Work opportunities with contracts of employment: community service and additional work opportunities with contracts of employment are for the most part promoted under non-profit agencies. Work opportunities in the free market are financed under what is known as the “Chemnitz model”, where the employer provides 30–40% of the financing, social services also provides 30–40% and the remainder is financed by the European Social Fund. Contracts of employment for contributory jobs are limited to 12 months; the wage paid is between DM 1 800 and DM 1 999 and includes, in addition to qualification aspects, social welfare support that must be provided by the agency. Over the period from 1993 to 1999, the *Land* capital of Dresden expanded this scheme from two assisted jobs to 475. In the year 1999, 505 people were employed in such jobs. After the scheme ends, the agencies try to arrange a permanent work placement. In 1999, 28% of all participants were offered permanent work following the employment scheme, 4% moved on to continuing training programmes or ABM run by the employment office, and 55% received unemployment benefit. Of the other 13%, 7% returned to drawing social benefit. Overall, the placement result was slightly better than in the previous year, although the number of people unemployed and the unemployment rate in Dresden had risen.

(3) Work opportunities with compensation for additional expenditure: these are provided entirely by non-profit agencies. The intention is that the activities should comprise important work for the local authority that would not otherwise be done, or would not be done immediately, or provide support for additional tasks. These work opportunities, intended to test participants’ willingness to work and accustom them to working, are limited to six months and represent a preliminary to work opportunities with contracts of employment. In general, claimants work for up to 100 hours a month with compensation for additional expenditure of DM 2.50 per hour. Here again, the agency is required to ensure social welfare guidance. In 1999, a total of 395 people participated in these schemes, and the trend is upward.

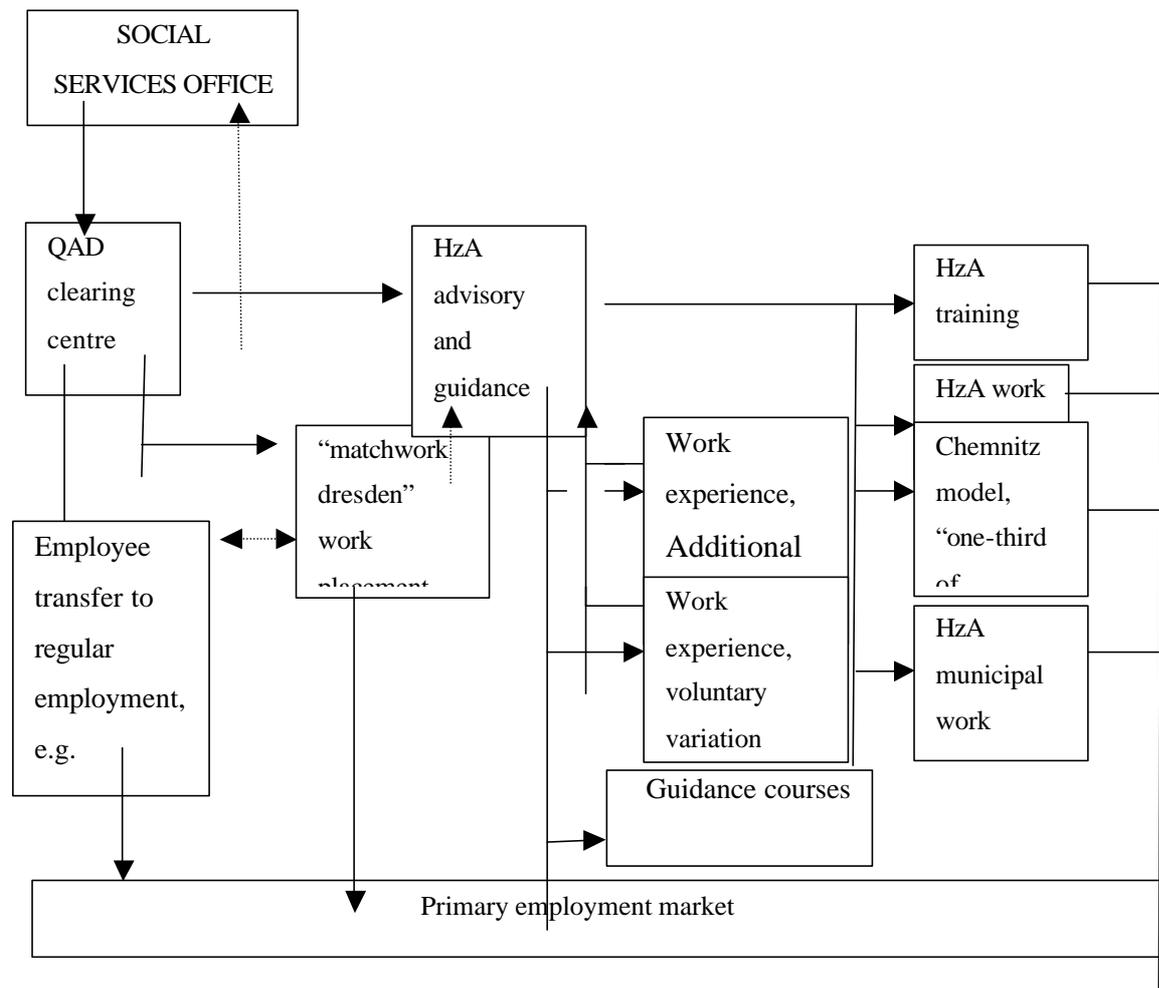
(4) Work opportunities for voluntary work: work opportunities for voluntary work are offered in the municipal administration or non-profit associations. These work opportunities are subject to the same

conditions as work opportunities with compensation for additional expenditure: no one is assigned to these jobs, but they can be done on a voluntary basis if no other *Hilfe zur Arbeit* scheme can be offered. In these positions, too, claimants can become accustomed to working and their aptitude for it tested. If social welfare support is needed, it is provided by the welfare section of the social services office. In 1999, about 20 jobs of this kind were filled.

(5) Guidance courses and training schemes: these measures are designed for claimants who cannot be placed in work without preparation and in many cases have significant psychosocial disadvantages. QAD offers 5 guidance courses with 20 places each and another 4 training schemes with 60 places each are offered by the *Akademie für Führungskräftefortbildung* (executive retraining academy). The aims of these courses are to develop participants' strong points, motivate them to work and alleviate individual problems such as debt. On the guidance courses, in general, a social worker and a psychologist work for up to five hours a day with a maximum of 20 participants, using group working methods but also individual assistance. The courses include six weeks of theoretical instruction on basic principles and educational material designed to make it easier to begin work, together with two weeks' work experience. During these eight weeks, the participants receive compensation for additional expenditure of DM 2 per hour in addition to social assistance benefit. At the end, participants are told the most suitable scheme for them to attend next, and the *Hilfe zur Arbeit* advisory centre then takes further responsibility for them. In 1999, 80 claimants participated in guidance courses and training schemes.

The range of activities provided by *Hilfe zur Arbeit* is generally financed by a hybrid system including substantial contributions from the aid programmes of the Free State of Saxony (e.g. the *Land* programme entitled *Arbeit statt Sozialhilfe*—work not welfare), European Union Structural Fund (ESF) resources (vocational basic and continuing training schemes), and resources provided by the BfA (measures for the “toppers-up”). The social services office generally contributes the amount saved in social assistance benefits and pays participants' wage costs. The agencies' personnel overheads and materials costs are financed—where no other resources are available—from additional local authority resources provided through the economic development office. These public resources are supplemented by the agencies' own funds (cf. Ebersbach 1999).

**Chart 3: *Hilfe zur Arbeit* in the city of Dresden**



#### 4.4.3.3 *Follow-up and analysis of effects*

The city of Dresden social services office records and monitors claimants' passage through the various stages described above up to the point of work placement. Apart from evaluations of direct placement activity and the transition from employment schemes into the labour market, the social services authorities undertake no further study of the effects of the schemes or what happens to the claimants. After they have been placed in work, or have completed or dropped out from the schemes, recording and monitoring ends. If claimants who have dropped out of or completed an employment scheme or job again return to drawing social assistance benefit, the old file is not reopened but a new one is created. As a result, claimants cannot be traced by their social assistance files with a view, for example, to compiling and analysing social assistance or employment biographies in the context of career studies.

Even though the need for such studies is recognized by the social services authorities, their implementation ultimately breaks down, according to the actors, because of the lack of finance; such

surveys and analyses are costly in terms of human resources and time. The fact that the effects of the individual schemes are not studied and no knowledge is thus available of how successful the *Hilfe zur Arbeit* concept is with regard to integration into the labour market suggests that, contrary to the stated claim, only limited importance is attached to this objective. Nor is it possible to evaluate how successfully the aim of reducing the duration of benefit payments is being met, because the progress of claimants' social assistance biographies is not recorded. The only statistics that are recorded and published are the change in the number of cases and in social assistance expenditure, an indication of the high level of importance attached to these aspects in the priority scale of municipal employment promotion.

#### **4.4.4 Coordination requirement and coordination practice**

##### *4.4.4.1 Coordination at city-wide level*

In response to the need for coordination of labour market policy at city-wide level, the city of Dresden set up the “municipal forum for economic affairs and employment” in 1996. The municipal forum is designed as an instrument to provide overall control of labour market policy at city level, intended to allow the planning, control and further development of labour market policy in the city of Dresden with the involvement of all relevant labour market actors. The municipal forum was set up, and is now headed, by the heads of the economic affairs and transport department with the cooperation of the head of the social affairs and health department.

The municipal forum comprises, first, a steering committee made up of the head of the economic affairs and transport department, the head of the health and social affairs department, representatives of the Dresden branch of the Saxon innovation and employment foundation, the chamber of industry and commerce, the crafts chamber, the Sächsische Aufbaubank, the trade unions, the employment office, the agency association, RKW Sachsen GmbH, the economic development office and the heads of the six teams. This steering committee meets two or three times a year, its main task being to guide and supervise the overall process of the planning and coordination of local labour market policy. At the working level, six working groups—known as teams—have been set up to take responsibility for specific planning and consultation activities in individual areas. Team 1 deals with assistance for at-risk or insolvent enterprises, team 2 is responsible for employment promotion and *Hilfe zur Arbeit*, team 3 deals with new businesses and business successions, team 4 handles the placing of (public) contracts and orders, team 5 is concerned mainly with technology transfer in small and medium-sized enterprises, and team 6 is responsible for training issues in Dresden. Each team comprises representatives of the actors relevant to its own area, so that size and composition vary from team to

team; additional actors can be coopted as necessary. The teams generally meet every two months, more frequently if necessary. Employment promotion for unemployed social assistance claimants is primarily the responsibility of team 2, “employment promotion and *Hilfe zur Arbeit*” (cf. also Section 5.4.4.2 below).

The municipal forum has a remit to initiate a city-wide planning and consultation process involved all the relevant actors, and to react swiftly and flexibly, under this plan, to new problems arising in the city of Dresden. This model involves the transposition of the *Bündnis für Arbeit* to local level; the structure is similar to the federal *Bündnis für Arbeit* structure. However, this local *Bündnis für Arbeit* was actually initiated before the federal alliance.

All actors interviewed emphasized the great importance of the municipal forum as a “consensus group”, the involvement of business representatives being emphasized as particularly important. One of the reasons why the municipal forum is so important in Dresden is that the economic affairs and social services department has so far been able to use this instrument to enforce its strategy of local employment promotion against the changed council majority resulting from the municipal elections. On the one hand, the consensus resulting from the municipal forum among all participating actors has hitherto made it possible for local labour market policy to be continued. On the other, the non-involvement of representatives of the council means that the specific sector of local politics is not represented in this forum. This is a problem, partly because the plans drawn up by the municipal forum ultimately have to be ratified and implemented by the council—for example, by its budgetary resolutions. The close ties between the municipal forum and the two departments named also involves the risk that the municipal forum—in the event of a change of heads of department—will not be continued.

#### 4.4.4.2 *Coordination between social services office and employment office*

The need for coordination between the social services office and the employment authorities in the city of Dresden is well served in formal terms, though actual cooperation has not yet reached the level of intensity encountered in the other local authority areas studied. However, a change in management at the employment office that has just taken place seems to have improved the prospects for closer cooperation in future. Four forums of cooperation can be identified:

- (1) The first forum for coordination between local authority and employment authorities in the city of Dresden, as in the other local authority areas, is the administrative committee of the local employment office, the boundaries of the city and of the employment office district being virtually identical because of the large geographical size of Dresden. The city is represented on the

administrative committee by the heads of the social affairs and economic affairs departments—in other words, the two critical representatives of municipal employment promotion. However, the actors interviewed in the city of Dresden were of the opinion that not enough has so far been done to exploit the opportunity for closer coordination within the administrative committee, especially between the social services and employment authorities.

- (2) A second forum for cooperation between the social services and employment authorities is the previously mentioned team 2 of the municipal forum for economic affairs and employment, which is headed by the employment office director and responsible for the areas of employment promotion and *Hilfe zur Arbeit*. The specific functions of team 2 include the development of employment and qualification strategies, agreements on the fields of work to be covered by job creation schemes, determining the key areas for the municipal joint financing of ABM, developing qualified services for long-term unemployed claimants of social and unemployment assistance in the areas of work experience, qualification, employment and integration into the labour market, and planning the deployment of QAD's matchwork and massarbeit. In team 2, therefore, the main emphasis is on the long-term unemployed (whether or not in receipt of social assistance) and on the planning and coordination of employment office and city programmes to assist them. Team 2 is supported by representatives of the city authority (office for economic development and social services office) and the employment authorities, representatives of manufacturing industry, the association of agencies, QAD and the trade unions.
- (3) A third forum is the *Hilfe zur Arbeit* working party at the Dresden city social services office, on which the employment office among others is represented (cf. also Section 4.4.4.3 below).
- (4) To supplement these bodies, a formal agreement was concluded in 1998 between the employment office and the *Land* capital of Dresden to cooperate in the field of work placement and employment advice in accordance with Chapter 3 of SGB III. This cooperation covers, in particular, the placement of jobseekers in working relationships, the joint utilization of the instruments of labour market policy, and a comprehensive exchange of information between the employment authorities and social services authorities. The exchange of information between the employment office and social services office of the *Land* capital of Dresden takes place in the context of a joint working group which meets regularly and/or when requested by one of the two sides. Members of this group—the fourth forum for coordination between the labour market and social services authorities—include, from the employment office, a section head, an employment consultant, a job placement officer and a case officer, and from the social services a head of department, the coordinator of *Hilfe zur Arbeit*, a representative of QAD, the head of the *Hilfe zur Arbeit* advisory centre and a head of section. Specific areas of cooperation include assisting unemployed social assistance claimants without SGB III entitlements by means of job creation schemes run by the employment office up to the top limit of 5% of the ABM resources. In the case of ABM assistance, the social services office pays the material costs of scheme. In addition, an

exchange of data is to be used to combat benefit fraud and improve the possibility of placing HLU claimants in work.

#### 4.4.4.3 *Coordination of Hilfe zur Arbeit*

*Hilfe zur Arbeit* is coordinated by the *Hilfe zur Arbeit* working party, which was set up by the social services office in 1993 under Section 95 BSHG to control *Hilfe zur Arbeit* in the city of Dresden. At the same time, the working party ensures that measures are consistently implemented. The working party, which meets regularly once a month and works on a practical basis, is convened and chaired by QAD. Members of the working party, in addition to the social services office and QAD, are the economic development office, the youth office, the participating agencies, a representative of the free welfare associations and the employment office. Although there are overlaps with team 2 as regards terms of reference and participants, the main focus here is on the target group of unemployed social assistance claimants. This working party regularly exchanges information on the planning and coordination of integration activities. In addition, experiences of past activities is discussed, new initiatives are considered and necessary steps worked out to ensure an integrated concept and standard practice of activation and integration. Overall, the working party has proved its value as a coordinating body from the standpoint of the participating actors, only the role of QAD being regarded as a problem.

In addition to this working party, QAD has a particularly important controlling function in *Hilfe zur Arbeit*. First, this company was founded by the city as an external, independent agent to provide an advisory and placement service on behalf of the Dresden city social services office. For this purpose, a formal agreement was concluded between the city of Dresden and QAD, under which all social assistance claimants capable of working are referred by the social services office's case officers to QAD's advisory and placement centre, this advisory and placement work being financed by a flat-rate payment from the city. However, QAD also sponsors its own activities in Dresden, which results in friction and clashes with other agents who accuse QAD of an "unfair" reference practice, in that it allocates the "best" clients to its own schemes, whereas clients with major placement difficulties are referred to their "secondary employment market" measures. Although this kind of practice seems to be justified by the fact that matchwork and massarbeit specialize in direct placement, whereas the other schemes are more designed to prepare and qualify clients for integration into the labour market, the dual function of QAD as an allocator and agency does prove in practice to be an unfortunate arrangement. However, the relationship between social services and QAD is also problematical. In the interviews with the participating actors, for example, differing views were expressed regarding how far the control of *Hilfe zur Arbeit* has been transferred to QAD and how far it has been left with social services. In addition, there is disagreement between social services and QAD over which and how

many claimants should be referred to QAD and how the latter's services should be remunerated. Furthermore, it is at least doubtful how QAD's visions of itself as a market-oriented agency can be reconciled with its function of controlling labour market and social policy under *Hilfe zur Arbeit*.

Finally, mention must be made of the coordinating and lobbying committee of the "agency federation", which was set up by the agencies to reinforce their own role relative to that of social services and the employment office and improve consultation and coordination between them. The stated aim of the federation was to improve conditions for the implementation of the measures, create greater transparency in the allocation procedure and evolve sensible work sharing procedures. In addition, however, the agency federation sees itself as a lobby for those participating in the schemes. The federation is supplemented by the "Saxony poverty conference", representing a multiregional confederation of associations, agencies and claimants' initiatives but also intervening in policy on poverty and social assistance at local level and, recently, sending a representative to team 2 of the municipal forum.

#### **4.4.5            Activation and coordination from the standpoint of those affected**

In the city of Dresden, a group interview was conducted with ten individuals who, at the time of the survey, were working on the basis of fixed-term contracts of employment in an agricultural and horticultural scheme forming part of *Hilfe zur Arbeit* and organized by the agency "Arbeit und Lernen Dresden e.V.". The participants were aged between 30 and 50; most of them were long-term unemployed, and almost all had previously participated in several schemes run by the employment or social services office.

From one standpoint, the activation scheme was viewed very positively by participants. They were glad to have been offered the opportunity to participate in it. The organization of the scheme, the technical guidance and the social counselling were consistently perceived as good. Negative aspects were that they were offered no options and had been assigned to the scheme without any comprehensible criteria or reasons. During the scheme, participants were concerned by their uncertainty regarding what would happen to them later. Prospects of finding a job in the labour market during the year are not particularly good, so that it is highly probable that they will find themselves dependent on state assistance once again after the scheme ends. In view of the lack of prospects after the scheme finishes, they argued in favour of extending the period of the scheme as a way of overcoming their existing, often multiple problems and having better prospects of integration into the labour market afterwards. It would be desirable for the scheme to be extended to at least two years, to give them more time to look for jobs in the labour market. Similarly they expressed the desire for additional qualification opportunities within the scheme, such as being able to take driving tests to

improve their chances of a labour market placement. They also felt that more attention should be paid to the problems and wishes of individuals, especially in the selection of and/or assignment to schemes. Finally, they felt that QAD should present itself more clearly and unambiguously to claimants, because no one had any precise idea of what QAD was and what it did.

Coordination between social services and QAD was rated by participants as very effective, as most of them had been placed on a scheme within a relatively short period of about two weeks after being interviewed by social services and referred to QAD. By that time, they had had to keep two or three appointments with QAD. Some participants had found that social assistance benefits were rapidly cut if appointments with QAD were not kept. The additional needs variant of the social services *Hilfe zur Arbeit* was also criticized by those participants who had already participated in such a scheme, because no alternatives were offered but they had to accept the arrangement unless they were prepared to lose their social assistance entitlement. In contrast to social services and QAD, participants felt that the employment office's work placement scheme allocated insufficient time to them and made very little effort to place them in the labour market. In addition, they said, they were treated in a very unfriendly way by the employees of the employment office's work placement scheme. They were unaware of any coordination between social services and the employment office.

#### **4.4.6 Results: positive approaches, problems and transposability**

The city of Dresden is undoubtedly one of the most innovative in Germany when it comes to labour market integration schemes for unemployed social assistance claimants. The overall concept of *Hilfe zur Arbeit*, with a wide range of measures, appears to be appropriate to claimants' needs and abilities. What is striking, however, is the large number of participants in the additional needs variant of *Hilfe zur Arbeit*, who generally have no prospects of entering the labour market.

Although social integration objectives dominate the package of aims pursued by Dresden, no valid information is available on the success of the *Hilfe zur Arbeit* programme in terms of the employment market. There is no follow-up procedure based on the social assistance data, nor are any subsequent surveys carried out to verify the sustainability of the successful record of integration. To that extent, it must be said that considerable advances are needed in the field of effect studies.

Another point that must be critically viewed is the role of QAD within the overall *Hilfe zur Arbeit* concept. The definition of its tasks, by comparison with those of the social services office, seems to have been insufficiently clarified. In addition, while QAD controls the *Hilfe zur Arbeit* working group, it also has social services as a client. Another point that seems to be a potent source of tension is

QAD's dual role as a controlling and allocating body on the one hand and a project agency on the other. While QAD selects and allocates people to the various integration schemes, it is also a project agent itself, competing with the other agencies for participants and finance.

In principle, the Dresden political arena of "local employment promotion for unemployed social assistance claimants" has an adequate number of coordinating bodies. In particular, the "municipal forum for economic affairs and employment" is a specifically Dresden version of a local *Bündnis für Arbeit* as an overall instrument of control which, with the aid of the dual structure of control and working levels, has the necessary capacity and flexibility to develop and implement a rational overall concept of labour market policy at local level. The teams, now six in number, have hitherto met the demand for planning and consultation necessary to solve current problems. In addition, this structure can be modified and expanded as desired. The "municipal forum for economic affairs and employment" can in principle be transposed to other cities as well. However, it is difficult to assess the practical implementation of this municipal forum in the context of the case study—as regards, for example, the mode of operation of the various teams and the results they have achieved. Also open to criticism is the fact that the municipal forum does not involve either the political groups at the city hall or the mayor, even though, since the last municipal elections, the specific function of the municipal forum has been to represent the policies of the heads of department in dealings with a council majority that takes a different view of labour market policy.

Although there is a dense network of coordinating bodies linking the city of Dresden and the employment office, and the coordinative intent has also been documented in the form of an agreement, practical cooperation on reciprocal information, data exchange, joint planning and limited cooperative projects (integration of social assistance claimants without unemployment assistance into work creation schemes) has not resulted. In the future, both sides need to establish clear priorities and areas of concentration with a view to the further expansion and strengthening of cooperation.

## **4.5 Case study: Osnabrück rural district**

### **4.5.1 Economic and social situation**

The rural district of Osnabrück, with an area of 2 121 square kilometres, is one of the largest in Germany, located in the north of the country in the federal Land of Lower Saxony. The population of the rural district is 350 133, living in 17 towns and local authority areas and four *Samtgemeinden*, which are extensive local authority areas each with a number of member areas. The rural district is

divided into three administrative units, the north, south and east districts. The north district is highly agricultural and regarded as a structurally weak region. It is also densely populated—a fact largely attributable to the arrival of some 25 000 immigrants of German origin from Russia who settled here permanently at the end of the 1980s. Conversely, the structurally strong south district has relatively few inhabitants. The result of this configuration is that unemployment and the number of social assistance claimants are far higher in the north district than in the south. Because of its large surface area and the gap between population density and job density, the structure of the rural district calls for a high degree of mobility on the part of its inhabitants. The rural district and city of Osnabrück are closely interwoven as living spaces and economic areas, even though the city, as a *kreisfreie Stadt* and thus an administrative area in its own right, does not form part of Osnabrück rural district.

The employment office district of Osnabrück is—according to a classification by Hirschenauer (1999)—one of those with a below-average population density and a moderate degree of tertiarization. It is characterized by a weak labour market dynamic, with declining unemployment and low hiring rates, and a slightly above-average duration of unemployment. According to figures supplied by the Osnabrück employment office, the number of people in contributory employment in Osnabrück rural district in 1998 was 90 593. Of these, 43.2% worked in manufacturing industry, 8.8% in construction, 2.3% in agriculture and energy and 45.6% in the services sector. The number of people unemployed in the Osnabrück employment office district in 1999 was 18 504, and the unemployment rate was 8.8% of the total workforce. Both the total and the rate have been falling since 1998. The regional distribution of unemployment is very uneven: among the towns in the district, for example, Quakenbrück in the north district had 11.5% unemployment whereas at Georgsmarienhütte in the south district the rate was 6.6%. According to information supplied by the Lower Saxony *Land* statistics office, 12 828 people in Osnabrück rural district were receiving regular HLU as at 31 December 1998. The social assistance rate (as a percentage of the resident population) was 3.7%. This was a lower rate than the average for the *Land* of Lower Saxony, comparable with the average for the former territory of West Germany. Both the number of claimants and the rate have remained virtually unchanged within the rural district by comparison with previous years.<sup>9</sup>

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<sup>9</sup> These figures supplied by the Land office for statistics do not match the information provided by the social services section of Osnabrück rural district, according to which the number of claimants and the amount of expenditure on HLU have been reduced since 1996. No explanation could be found for these differences. Thus, according to the section, the number of HLU recipients at the end of 1998 was 10 679. However, the section could not supply any comparable figures for earlier years.

**Table 9: Changes in unemployment and social assistance rates in the rural district of Osnabrück**

	1992	1993	1994	1995	1996	1997	1998	1999
Number of unemployed in the employment office district	14 109	17 584	19 559	19 942	21 317	21 872	19 358	18 504
Unemployment rate as percent of civil wage-earners	7.3	8.8	9.6	9.8	10.3	10.6	9.3	8.8
Number of recipients of regular HLU in the rural district of Osnabrück	-	-	-	12 811	12 234	12 733	12 828	-
Social assistance rate as percent of resident population	-	-	-	37	36	37	37	-

Source: Osnabrück employment office 2000; information supplied by the Lower Saxony *Land* office for statistics

#### **4.5.2 Local employment promotion actor network**

The group of actors involved in local employment promotion in Osnabrück rural district comprises, first, the typical actors to be found in all the local authority areas studied: the employment office, the training and employment agencies, and the undertakings and business associations in the primary employment market. In the Osnabrück region, too, the employment authorities are the second main actor in local employment promotion, the employment office district including the city of Osnabrück as well as the rural district. By contrast, the municipal side—because of the structure of the rural district—consists of two levels or actors: the department of social and youth affairs, with the social services section and the youth section on the one hand, and the local social services offices on the

other. The provider of social assistance under the BSHG is Osnabrück rural district. As is customary in other rural districts as well, the district has delegated the implementation of certain tasks under the BSHG, by means of bylaws, to the local authorities within the district including the *Samtgemeinden* in the rural district. Legal, financial and technical responsibility here lie with the social services section of the rural district. The function of *Hilfe zur Arbeit* under the BSHG was initially delegated entirely to the local authorities, but has for some years now also been partly the responsibility of the district. While responsibility for the additional needs variant of *Hilfe zur Arbeit* has remained with the local authorities' social services offices, the social services section of the rural district is responsible for the contract of employment version, implementation of this task being outsourced to *Maßarbeit gGmbH*. Overall administration of the rural district is based in the city of Osnabrück, which is not itself part of the rural district.

In addition to the two municipal actors, therefore, there is one additional actor: *Massarbeit gGmbH*. The *Hilfe zur Arbeit* project launched in 1993 by the social services section was converted in 1996 into a non-profit GmbH which—having been established independently of the authority—was entrusted with the planning, coordination and implementation of *Hilfe zur Arbeit*. The central functions of *Massarbeit* are the tactical planning and control of *Hilfe zur Arbeit* and case control for all social assistance claimants capable of working. In addition to undertaking controlling tasks in the *Hilfe zur Arbeit* sector, the functions of *Massarbeit* also comprise advising and placing all social assistance claimants in the rural district who are capable of working. By contrast, the arranging of qualification and employment schemes is delegated to independent agents. *Massarbeit* has the rural district as its sole shareholder, the district committee forming the shareholders' meeting. Its management comprises a full-time managing director and two part-time managing directors, the latter functions being performed by the head of the social services section and the head of the financial authority of the rural district. In setting up *Massarbeit*, the rural district's objective was to acquire a flexible instrument for employment promotion outside the regular administrative structure. The purpose of the personnel overlaps between rural district authority and *Massarbeit* was to ensure close links between this independent unit and the social services section. *Massarbeit*'s human resources and material expenditures are paid for by the rural district in the form of a flat-rate grant.

### **4.5.3 Concepts and levels of activation**

#### *4.5.3.1 Aims of activation*

The wave of immigrants of German origin from Russia from the end of the 1980s and the increase in unemployment during the early 1990s caused a rise in the number of social assistance claimants and

the rural district's expenditure on social assistance. This trend triggered a reorientation of *Hilfe zur Arbeit*. Following on from various earlier model projects for labour market integration of unemployed social assistance claimants that had been tried out in various local authority areas within the rural district, Massarbeit gGmbH was founded in 1993 to provide a flexible overall concept for integrating claimants into work. Whereas in the early years the main function of Massarbeit's activities was to integrate the immigrants from Russia, the emphasis has increasingly shifted to other groups of benefit claimants.

As far as its overall strategy is concerned, Osnabrück rural district pursues a triple objective. The main aim is to offer work to all social assistance claimants capable of doing it, top priority being placement in the primary employment market—in other words, undertakings in the private and public sectors. The second of the three aims is to improve living conditions for those who are unable immediately to achieve the main objective of integration into the primary employment market. Apart from material aid, the intention is to provide this group with forms of personal assistance to help them escape dependence on social assistance. The third aim is to reduce the rural district's social assistance expenditure. According to estimates by the actors involved, the aim of placing all potential workers in the primary employment market is impossible to achieve. Although rapid successes were achieved in the earlier years by integrating groups with relatively few placement problems (such as returning immigrants, for example), the “backlog” now includes those groups who can be placed only with the greatest difficulty.

In determining the objectives for 1999, particular attention was paid to the group of young social assistance claimants between the ages of 18 and 25. The aim here was to provide these young people with individual advice to help them in their quest for training places and to place them on training courses. As the problem of youth unemployment has become more acute, especially in the north district of Osnabrück rural district, local youth advisors have been appointed with a remit to work closely with the employment authorities, schools, enterprises, agencies and other institutions on a networking basis to ensure that optimum use is made of all schemes offered to young people.

#### 4.5.3.2 *From social assistance benefit application to work placement*

With a view to achieving its objective of integrating all possible social assistance claimants into work, Osnabrück rural district in cooperation with Massarbeit evolved an overall *Hilfe zur Arbeit* strategy composed of various building blocks. These included, in particular, advice on integration, work placement, the Osnabrücker Land service agency and community service. Close cooperation with the local district municipalities is necessary to ensure that the individual measures and projects mesh effectively.

### **First level of activation: community service**

On the first level, individuals and families in need of assistance make an application for HLU to the local social services offices in the district's towns, local authority areas and *Samtgemeinden*. When processing applications, the case officers at the social services offices check whether the claimant is entitled to social assistance and whether he is capable of working. If the case officer judges that the applicant can work, he is offered a community service job by the social services office. According to information supplied by representatives of the rural district and of one district municipality within it, the purpose of making it compulsory for any applicant capable of working to perform community service is to check out the applicant's willingness to work and prevent fraudulent social assistance claims. At the same time, community service is supposed to help reaccustom clients to working, improve their language skills, reinforce their self-help potential and restore their self confidence. Community service is in the form of public law employment with compensation for additional expenditure of approximately DM 2 per hour worked, in addition to HLU, and generally continues for at least 12 working weeks of 20 hours each. It may also be extended on a voluntary basis or where there is reasonable doubt about an applicant's willingness to work. The offer of community service extends to a wide and extremely varied spectrum of jobs that differ from one local authority area to another.

In Osnabrück rural district at present, there are 400–500 social assistance claimants doing community service work every month on the basis of the additional needs variant.<sup>10</sup> Since the mid 1990s, the rural district has greatly increased its use of the additional needs variant. Whereas the number of man-hours' community service performed in the rural district during the year 1995 was only 130 000, this figure had nearly tripled by 1999 to 341 000. In addition to compensation for additional expenditure for social assistance claimants, the rural district pays material costs and overheads of DM 2 for every hour's community service work in order to increase the incentive for the local authorities. According to information supplied by the social services section, it appears that about 55% of claimants accept the offer of community service, about 25% have their social assistance benefit cut under Section 25 BSHG, and a further 5% withdraw their applications for social assistance. The remaining 15% are (temporarily) exempted from community service on health or other grounds. Overall, the number of those who decide not to pursue their application or whose benefits are discontinued by the social services authorities is from 10 to 15%. Without further investigation, it is impossible to say whether these are successfully thwarted fraudulent claims or whether the claimants in question have become

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<sup>10</sup> The total numbers of hours' community service done in Osnabrück rural district in 1999 was 340 566. With an average duration of 12 20-hour weeks, in other words, about 1 500 social assistance claimants did community service in the year in question.

part of the unknown poverty statistics. Despite the difficult conditions, community service is accepted by so many claimants because it offers them at least a temporary escape from unemployment.

## **Second level: integration advice provided by Massarbeit and the Osnabrücker Land service agency**

### **The Massarbeit integration advance service**

In addition to the offer of community service, all applicants between the ages of 18 and 60 who are capable of working receive written invitations from the integration advisory service within one month to attend a first interview. The advisory service is the first building block of the Massarbeit *Hilfe zur Arbeit* concept; initially tested as a model project in two local authority areas, it was extended to cover the whole of Osnabrück rural district in 1997. In total, there are five integration consultants distributed over the north, south and east districts and each holding local surgeries in between two and seven local authority areas. In addition to advising unemployed social assistance claimants, the integration consultants also have the job of placing them in work, if possible in the primary employment market. In addition, there is a coordinator for each of the three districts who coordinates the integration advisory service in the district in question. Both the coordinators and the integration consultants provide a local advisory and placement service for claimants, the main function of the coordinators' work being contacts with employers while the consultants are mainly responsible for local contact with claimants. This structure calls for close cooperation between consultants and coordinators.

The integration advisory service is basically aimed at all claimants who are capable of working but are unemployed or not gainfully employed and are exclusively claiming or drawing social assistance. It includes all new applicants and—at regular intervals—the “backlog cases”. It particularly targets claimants who are difficult to place in the primary employment market. At an initial interview, which generally lasts half an hour, staff trained in social sciences draw up a profile of each claimant's specific problems: this serves as a basis for a joint effort to find a way out of dependence on social assistance. In the course of the interview, an attempt is made to identify the client's specific strengths and weaknesses and—on that basis—to identify possible options for (re-)integration into gainful employment. As a rule, however, no assistance plan is drawn up and no formal contract is concluded with the client, because of fears that this might deter claimants. Integration into the primary employment market is often only the second stage, following an initial one in which obstacles to placement are eliminated and, for example, steps are taken to solve personal problems such as addiction or excessive debt. Those who fail to respond to the initial invitation are sent a reminder, followed by a final reminder pointing out the duty of cooperation under BSHG. Anyone who is still not prepared to attend an interview at this stage can expect the local social services office to cut or discontinue benefit payments. Another central function of the integration advisory service is claimant

case control, under which details of each claimant's social assistance biography are recorded on computer and regularly updated.

Each month, the five integration consultants conduct initial interviews with about 100 new applicants or benefit claimants forming part of the backlog. In 1992, 422 initial interviews with claimants were conducted. This continued the trend whereby—because of the reduction in the number of social assistance claimants in the rural district—fewer people than in the previous year made use of the advisory service. Because of the greater obstacles to placement existing among the remaining “backlog” cases, however, a higher caseload was necessary than in earlier years. This is the only way in which the majority of these people can be placed with projects or, by active participation in integration counselling, placed in a position to become independent of social assistance by their own efforts.

### **Osnabrücker Land service agency advisory service**

Since 1998, the advisory and placement service offered by the rural district has been supplemented by the Osnabrücker Land service agency. This is a model project, sponsored for three years by the BfA, which is supported jointly by the rural district and city of Osnabrück and implemented by Massarbeit gGmbH. The service agency's target group comprises unemployed “combination benefit claimants” who are drawing both social assistance and income support benefits from the employment office (unemployment benefit, unemployment assistance). Under the model project, an attempt is made to provide integration advice for this group of individuals as well and to reintegrate them into gainful employment by way of selective placement. The aim here is to combine the forms of benefit and assistance offered by the various social benefit systems and make them easily accessible to the unemployed people concerned. The staff of the Osnabrücker Land service agency work on the same principles as Massarbeit's integration consultants: the service agency receives clients' names and addresses from the local social services offices, checks out the data with the Osnabrück employment office, and then writes to claimants.

### **Level three: work placement by the Massarbeit integration advisory service and the Osnabrücker Land service agency**

As described earlier, Massarbeit's integration consultants and the service agency's staff have the dual function of advisors and work placement officers. The aim of the placement activity is to place applicants or benefit claimants in the labour market (again). Because of the increasing obstacles, however, the majority of placements achieved by Massarbeit are now in the secondary employment market. Massarbeit (including the service agency) thus acts as a municipal placement agency for work and qualification schemes, even the latter constituting contributory employment. In principle, Massarbeit's placement activities are geared to the Maatwerk model, in other words the appropriate

placement of clients in the kind of the working relationships which best suit their skills and possibilities. This requires close contact between the integration consultants and the business world, especially medium-sized enterprises, to ensure that an adequate supply of jobs is available.

In implementing its placement remit, Massarbeit has sometimes also worked with private placement agencies (pepp GmbH), who offer placement services in return for a fee. In addition, however, Massarbeit has also been actively involved in job creation on the instructions of the rural district. As jobs in the services sector are a special priority in the Osnabrück area, Massarbeit combined in 1997 with a private-sector services group to set up Integratio GmbH, in which unemployed social assistance claimants are employed at the collectively agreed wage and subsidized by social assistance funds. However, this service agency was closed down again in 1999 because of practical problems (problems with the organization of work deployment, lack of mobility on the part of employees, high administrative expense, etc.). Nevertheless, this approach is to be further developed and implemented in a somewhat different form, as a “services network”, within the Osnabrück district regional network.

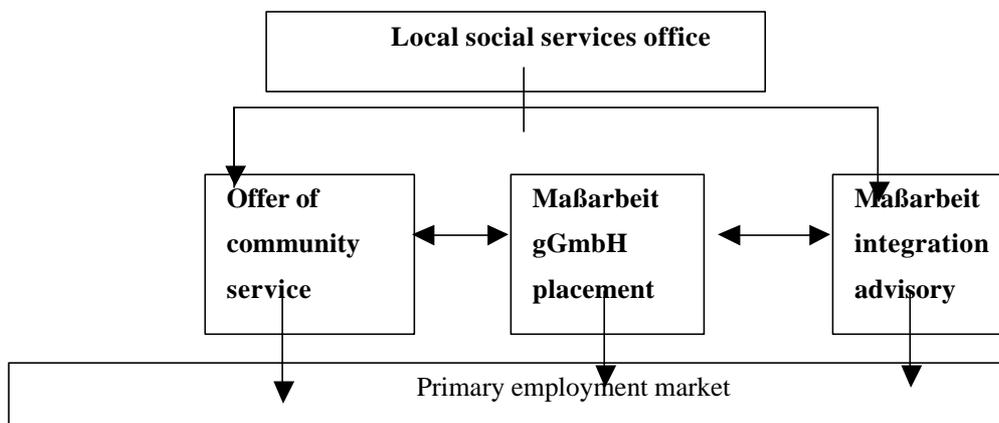
In many cases, placements on the primary employment market are supported, for a maximum period of six months, by a wage cost subsidy from social assistance funds, no complex application procedure being required in order to obtain the subsidy. The work placement officers of Massarbeit and the service agency are available during the first phase of employment to discuss problems with both employer and employee. According to information provided by the representatives of the two facilities, this concept has proved successful in creating a climate of confidence among employers which makes it possible to place even “more difficult” clients. In the Osnabrück rural district, the secondary employment market mainly comprises schemes which include qualification aspects provided by a training agency and one or more on-the-job training courses. This involves arranging contributory employment with the training agency or one of the undertakings providing on-the-job training. At present, two qualification schemes are running, in the north district and in Osnabrück city, a further part-time qualification scheme for single mothers being planned for the south district.

As a result of the efforts of Massarbeit gGmbH, in other words the placement activities of the integration advisory service and, since 1998, the service agency, 3 865 social assistance claimants were found work placements during the period 1993 to 1999. During that time, 2 768 people were placed in regular working relationships and 772 on training schemes with contracts of employment. In addition, 325 HLU claimants in the rural district were placed by the service agency in 1998 and 1999. In the latter year alone, 810 claimants in Osnabrück rural district began some form of contributory employment, 290 of them being placed by the Osnabrücker Land service agency. Of the 810 contracts of employment, 535 were concluded with employers in manufacturing industry. In addition, the work of the Osnabrücker Land service agency enabled 130 people from the Osnabrück city district to be

placed in contributory positions. The placement activities of Massarbeit gGmbH had greater problems than in previous years with the fact that unemployed people entitled to social assistance suffered from drawbacks such as lack of language skills, low level of qualifications, low motivation and lack of mobility, making occupational and social (re-)integration more difficult.

Young adults, like all other groups, are in principle targeted by the Osnabrück rural district building blocks referred to above. In view of the special problems experienced by young people on transition from school to work, the youth section has created an additional, separate advisory and assistance machinery for this target group, which cannot be discussed in detail here.

**Chart 4:** *Hilfe zur Arbeit* in Osnabrück rural district



#### 4.5.3.3 Follow-up and analysis of effects

The rural district emphasizes the success of *Hilfe zur Arbeit* not only in slowing the increase in the number of cases of HLU but also in reducing social assistance expenditure. However, figures did not support the claimed downward trend of social assistance. According to information supplied by the rural district, (net) social assistance expense in 1999 was DM 56.2 million, considerably more than in 1991 (DM 30.1 million). However, social assistance expenditure has fallen each year from the level of DM 75.1 million reached in 1995, and is down by a quarter overall. Expenditure per inhabitant actually fell by as much as 36% over this period, from DM 209.88 to DM 134.09.

Both the various sections of Osnabrück rural district and Massarbeit attach a high priority to the question of the effectiveness of these activation schemes. Thus, critics of the municipal employment policy assert that such activities amount to no more than an employment authority shunting yard, or that all participants in such schemes require social assistance again in the short or long run—the

“revolving door effect”—so that ultimately the additional expenditure on *Hilfe zur Arbeit* schemes does not pay off. In order to obtain a clear picture of the effects of its employment policy, the rural district has studied not only the number of cases of social assistance and total expenditure but also what happens to former unemployed claimants. In the period 1993 to 1996, for example, former social assistance claimants who had been found work placements were asked by telephone how their subsequent employment records had progressed. By their own account, of the approximately 1 400 participants in training, employment and other placement schemes, about 40% had been continuously in work from the ending of the scheme to the time of the survey (1997), 21% had been temporarily unemployed but then found work again, 21% had been temporarily employed but were unemployed at the time of the survey, and only 27% had been continuously unemployed throughout the period.

In order to cast light on the “revolving door effect”, data in the social assistance file were also analysed to provide an answer to the question of how many of the former participants in schemes during the period ending 1997 were again receiving social assistance and what changes had taken place in the numbers receiving social assistance during the period. Evaluation of participants in schemes beginning in 1993 to 1995 showed that in 1997 only 11% of participants from the years 1993–4 were once again exclusively or partly reliant on HLU. Among participants in 1995 schemes, the proportion had increased to 22%, these schemes, the participants and the labour market conditions not being fully comparable with those for previous years; 19% were receiving supplementary HLU and only 3% were exclusively dependent on HLU.

To enable such evaluations to be carried out, a virtual file is set up for each claimant on the occasion of the first interview with the integration consultant, and this file is maintained after the claimant begins work or drops out of the scheme. If the claimant returns, the same file is reopened. This form of file management makes an important contribution to the study of effectiveness, as it enables social assistance and work biographies to be stored and monitored, the data then being available for evaluation. At present, a new integration advice programme is being prepared to take even better account of the various requirements in data management.

However, the question of subsequent records applies not only to those who participate in training, employment and placement schemes but also to those who find work or drop out while the combined advisory and placement process is still continuing. This can happen as early as the initial contact with the social services office, is more common when the obligation to accept community service applies, and can also occur in the further course of the advisory and placement process. Although the rural district does state how many of the original applicants leave this process, in one direction or the other, there is no more precise information on reasons why applicants or claimants do so, and what happens to them subsequently. The answer to this question is all the more important in the Osnabrück district

because extensive use is made here of the additional needs variant of community service, and it can be assumed that the deterrent effects are quite considerable.

#### **4.5.4 Coordination requirement and coordination practice**

##### *4.5.4.1 Coordination at rural district level*

As in all other local authority areas studied, coordination of local work and employment promotion at area-wide level is necessary to bring about a consensus between all relevant actors in this field at rural district level. In Osnabrück rural district, this need is supplied by the “Osnabrück district regional network”, the employment initiative launched by the Bertelsmann Foundation in 1998. The basic concept of this initiative was, and is, to create new possibilities of employment and so help to combat unemployment. The idea is that employment initiatives at local and regional level will help to prepare, safeguard and shape new employment options. The central actors are expected to form regional networks to develop, in consultation, specific employment projects and innovative models intended to provide forward-looking suggestions for pragmatic solutions. The parties involved at regional level are undertakings, trade unions, local authorities, universities, churches and associations. The network stimuli and the regularly appearing network newsletters are supposed to ensure a nation-wide exchange of experience among the regional networks. In addition, the *Institut für Organisationskommunikation* (Institute for Organizational Communication—IFOK), a research and consultation institute specializing in the construction, technical monitoring and moderation of networks on complex themes, has been entrusted by the Bertelsmann Foundation with overseeing the content, organization and communications aspects of the employment initiative.

The Osnabrück district network began work in March 1999, one of the first networks to do so. The senior district director of Osnabrück rural district, who is also a member of the federal initiative, invited some 30 representatives of business, the trade unions, the associations, schools, universities, churches, the city of Osnabrück and the employment office to join, with a view to improving the employment situation in Osnabrück district. The Osnabrück district regional network has thus succeeded in bringing together all those forces in the region that are relevant to the labour market to work together on improving the employment situation in the region. The network comprises, first, a steering committee chaired by the head of the social services and youth department, where the managements of the various institutions reach agreement on the fundamental aims and objectives of the regional network. Secondly, at the working level, there are five working groups which are intended to develop and implement specific projects: working group 1 is supposed to facilitate young people’s transition from school to work, working group 2 deals with the opening-up of new working areas for the integration of disadvantaged individuals, working group 3 works on compatibility of family and

job, working group 4 develops and actively promotes innovative forms of working (hours) and finally working group 5 aims to promote independence and entrepreneurship. One example of such projects which is worth mentioning is *Start in den Beruf* (“job start”), which aims to facilitate integration into the working routine for young people who are not yet suitable for training courses. Another project, known as the services network, aims to prepare disadvantaged individuals for employment in the personal services sector by means of intensive supervision and training.

On the one hand, the establishment of the regional network was welcomed by all interviewees, who believed it had created a public and political climate that favourably influenced the development of local labour market and employment policy in the rural district. On the other hand, it has proved to be no simple matter to ensure the long-term functionality of the network. One positive aspect is that the regional network has succeeded in bringing about long-term cooperation between the city and rural district of Osnabrück, although there are substantial differences between the political leadership and substantive ideas on local employment promotion in the city and rural district.

#### 4.5.4.2 *Coordination between rural district and employment authorities*

In addition to consultation between all actors at rural district level, there is also a specific need for coordination in the Osnabrück rural district between the two main actors in local and regional employment promotion, the rural district and the employment authorities respectively.

In the rural district, this need for coordination is met first by the participation of the rural district in the administrative committee and the local employment office, a three-way joint committee on which the rural district is represented by the head of the social services department. It has not proved possible, however, to achieve a joint assessment and evaluation of employment promotion in the rural district and then supplement and support it with employment office funds. Thus, the resources of the experimental fund set up under Section 10 SGB III for the current year are being used exclusively to supplement the traditional instruments of the employment authorities. By contrast with, for example, the city of Cologne, therefore, it has not yet proved possible to develop a common approach to municipal employment promotion with the employment office.

On the other hand, agreements have been concluded by the employment authorities and the rural district with the city of Osnabrück on cooperation in the vocational integration of the unemployed, to combat the existing problems with reciprocal information and active cooperation. These agreements were set up with reference to the “guideline for social assistance claimants and employment offices on the occupational integration of the unemployed” and include 21 paragraphs on the three areas of occupational integration, benefit provision and concluding agreements. The level of coordination is

primarily notable for exchange of information, data exchange (taking due account of data protection), and participation of social assistance claimants in employment office schemes. The agreements in the first area, for example, deal with the programme of employment assistance for the long-term unemployed, the employment office using SGB III resources to assist a long-term unemployed claimant provided that the local authorities assist a second long-term unemployed claimant using social assistance funds. Participation of those not claiming benefit in work creation schemes is based on the 5% quota, the local authorities being required to contribute 50% to this scheme. In the second area, benefit provision, agreements have been concluded to the effect that the entitlement to unemployment assistance will not be excluded by the fact that the unemployed person does community service and additional work with the consent of the employment office, provided that (as required by Section 19 SGB III) this work amounts to less than 15 hours per week. The concluding agreements provide that representatives of the functions that are parties to the agreement keep in continuous contact and, as a rule, meet once a year for joint discussions of cooperation issues.

After the end of the “Osnabrücker Land service agency” project, jointly sponsored by the city and the rural district and assisted by the Federal Ministry of Labour from May 1998 to February 2001 as a model for advising and placing “combination claimants”, a new concept entitled “cooperation between social services offices and employment offices under one roof” will be implemented as part of the *Arbeitsamt 2000* project. In future, employees of the social services section and Massarbeit’s consultants and placement officers will work jointly with employment office staff in premises leased by the employment office. This project will target all unemployed social assistance claimants—irrespective of whether they are receiving unemployment assistance or are solely dependent on social assistance. This cooperation between the functions that provide benefit and those which arrange work placements at a single contact point is supposed to ensure that those in need of assistance who have problems both with making a livelihood and with reintegration into the labour market receive professional help from the various responsible service providers at one location—literally “under one roof”. However, the local social services case officer will still be responsible for deciding on social assistance entitlement.

#### 4.5.4.3 *Coordination of Hilfe zur Arbeit*

A special need for coordination exists in the planning, control and implementation of *Hilfe zur Arbeit*. In the Osnabrück rural district, the control of individual “social assistance cases” and the planning and coordination of integration schemes are the responsibility of Massarbeit, which can be described as the overall coordinating instrument of *Hilfe zur Arbeit*. To ensure that all other labour market actors are involved, an advisory council has been established at Massarbeit, its functions being mainly consultative. It comprises representatives of the chamber of industry and commerce, the craft chamber,

the employment office, the employers' association, the trade unions, welfare associations and the training and employment agencies. The activities of Massarbeit are presented and discussed every six months at a meeting of this advisory council, with a view to ensuring that this company is tied in with the regional consensus. In practice, the advisory council is virtually identical with working group 3 of the Osnabrück district regional network (apart from the absence of any representative of the city of Osnabrück) and, like the regional network, is headed by the local chairman of the DGB.

In May 1998, the rural district, together with the city of Osnabrück, set up the "Osnabrücker Land service agency", another project for advising and placing unemployed social assistance claimants aimed specifically at the "combination claimants". This project, with fixed-term support until February 2001 from the Federal Ministry of Labour, has also been assigned by the rural district to Massarbeit. Here again, there is an advisory council which is identical in composition with the Massarbeit advisory council (with the addition of a representative of the city of Osnabrück) and basically undertakes the same coordinative functions.

To ensure ongoing coordination of its work, Massarbeit cooperates with all sections of the rural district and also with all towns, *Samtgemeinden* and local authorities in the district where the instrument of community service is in use. This cooperation is not based on any formal structure but takes place informally as needed.

#### **4.5.5            Activation and coordination from the standpoint of those affected**

In the rural district of Osnabrück, a group interview was conducted with participants in a qualification and employment scheme run by DEULA Freren GmbH on behalf of Massarbeit. The one-year scheme is divided into two training phases and two working phases. Participants in the scheme can choose between woodworking, building, metalworking and home economics. During the qualification phases, basic knowledge and skills in the chosen field are imparted. The second qualification phase, which follows the first working phase, is intended to deepen such knowledge and skills and provide selective help with any shortcomings in qualification that have become apparent during the working phase.

Three participants aged between 40 and 57 took part in the group interview. Two of them opted for metalworking, and the third for carpentry. After the four-month qualification period, all of them are about to embark on their first on-the-job training course. The participants were unemployed women and men who were drawing social assistance before the scheme began. A common feature of all participants was that they had either not worked in Germany for a considerable time or had never

worked there at all. They all emphasized that they had to struggle with problems like lack of motivation and prospects and also with weakened social ties.

All three participants did community service while receiving social assistance in their respective local authority areas. The duration of community service varied from 2 to 18 months. According to the participants, apart from the lower social status, it was better to do community service than not to work at all. After the period of community service, two of the participants had found minor forms of employment, even though their entire earnings had been offset against social assistance, once again following the argument that working was better than staying at home, offering a choice of social contacts and “getting out and about”. All the participants identified themselves very strongly with their work: without work you were nothing and people looked down on you. It is consistent with this for the participants to be ashamed of receiving social assistance. This is undoubtedly attributable to the fact that traditional work-centred value systems and self-definition through work are particularly prevalent in small communities of a rural district, because social awareness is very much greater in small, rurally structured communities than, for example, in a major city like Cologne.

Participants’ experience of the employment office tended to be somewhat negative. They felt they were not receiving effective aid to find their way into the labour market. There had been problems with the drawing of benefit, too: one participant had forgotten to claim, because of personal reasons, while another had not complied with the obligation to report to the employment office and had had a suspension imposed.

The DEULA scheme was described in very positive terms by the participants. Particularly popular aspects were the option of choosing between various types of work, the opportunity to take a driving test on favourable terms, and the fact that social support was provided during the scheme. All the participants were hoping to be taken on after the scheme by (on-the-job training) undertakings or to be able to sell themselves more effectively in the labour market on the basis of the qualifications acquired. None of the participants had any hopes of being placed by the employment office, though social services and the integration advisory service were regarded as helpful in obtaining work placements, even they first involved community service with compensation for additional needs.

#### **4.5.6 Results: positive approaches, problems and transposability**

Because of the arrival of the ethnic Germans from Russia, resulting in unemployment and dependence on social assistance, the Osnabrück rural district was relatively quick to launch new labour market integration initiatives for social assistance claimants who were capable of working. As a consequence

of the successful placement procedure, there is now a backlog of people who are significantly difficult to place. Using its building-block concept, the rural district has tried to develop a flexible overall strategy for dealing with this situation. For example, case loads and the scale of projects have been adjusted to provide claimants with appropriate, more intensive forms of assistance. It should be emphasized that the Osnabrück rural district tested the individual building blocks of Massarbeit in precursor projects run in individual communities and did not extend them to the whole district until they had proved their value and so obtained political backing. Apart from the fact that the municipal labour market integration concepts offer only very limited scope for transposition to other communities, because of the highly specific initial situations and problems, the building-block concept is in principle capable of being adapted to other rural districts or even cities.

One aspect that must be viewed with reservations is the rural district's practice of requiring all claimants capable of work to undertake community service. This, after all, is a form of double means test, based on a general suspicion of fraud, which does nothing to improve claimants' prospects in the labour market. Indeed, there is a risk that some of those entitled to claim will be driven out to become part of the unknown statistics.

In the Osnabrück district regional network, the rural district has succeeded in involving all actors relevant to the labour market in the process of consensus on local employment promotion. An interesting aspect for the rural district here is the involvement of business interests and the collaboration of universities and technical colleges. The structure of the Osnabrück district network can be viewed as a local form of *Bündnis für Arbeit*; it can be expected to remain in place even after the Bertelsmann Foundation's initiative ends. One aspect that has its problems is the implementation of the five working groups of the Osnabrück district network, which involve a total of 100 people. This arrangement can only work well if the working groups can call upon highly competent leaders. In addition, the committee, in the view of the actors, needs a further injection of life. The financial burden imposed on the local authority by the regional network, currently financed out of economic development project funds, is regarded by the actors with some reservations.

The local authority employment promotion actors considered there was a need for further development in terms of a labour market policy planning group that would be responsible for coordinating overall training and labour market policy. In addition, the planning group should be an ideas workshop, develop new projects and maintain existing ones. Organizationally, it should be a staff function at the social services department, staffed by competent specialist personnel. Another area in which development is needed is cooperation with the employment office, which has been marked by various disputes in the past but now seems to be on the right lines thanks to the concept of cooperation between social services and employment offices under a single roof.

## 5 Results and conclusions

### 5.1 Prospects for coordination in social security and employment promotion at national level

The present study has shown that the activation and integration of unemployed social assistance claimants is a highly complex subject. In principle, the function of social security in the event of unemployment, under the German welfare state model, is performed by the primary safety net of unemployment insurance. The social assistance benefit network, by contrast, merely serves the supplementary purpose of providing security in atypical risk situations and cases of special needs. As a consequence of labour market trends and the social policy practised during the last 20 years, however, the number of unemployed people partly or exclusively dependent on social assistance benefits has increased. As a result, there are also two different “activation systems” responsible for the integration of unemployed social assistance claimants into the labour market, since each legal and benefit system has its own rules and instruments for employment promotion. As a result of the increase in unemployment, and in the need for social assistance created by unemployment, the local authorities have been and still are confronted by an ever-increasing need to evolve their own labour market policy initiatives. Almost without exception, they are now actively involved in attempts to get to grips with the problems of unemployment and the poverty caused by the labour market within their local authority areas. Local authorities’ employment and labour market policy strategies focus on the instrument of *Hilfe zur Arbeit* instituted by the BSHG, the aim of which is to integrate unemployed social assistance claimants into the working world.

The present legal and political distribution of responsibilities in the field of employment promotion for this target group, the unemployed social assistance claimants, is thus characterized in Germany by a dual structure—both as regards the social security systems, comprising unemployment insurance and social assistance, and as regards the activation systems, comprising active employment promotion by the BfA and the municipal social assistance agencies. There has hitherto been no systematic coordination, let alone integration, of these two fields of legislation and action, as far as employment promotion is concerned. The existing systems of benefits and projects define an interaction network between a great many actors at federal, *Land*, local authority and urban district level. In view of this complex structure, the aspect of coordination can be understood as a necessary precondition for coordinating the activities of the various actors in such a way that an integrated overall employment promotion strategy, appropriate to the problem, can be worked out and applied.

Reformist ideas regarding the restructuring of the division of labour between federal government, *Länder* and local authorities, with a view to providing social security and activation for the unemployed, centre on the proposed reform of bringing unemployment assistance and social assistance into line, or combining them. The local authorities fear that the planned combination of unemployment assistance and social assistance will be used by the federal government to escape from its national responsibility for the long-term unemployed. In the absence of adequate financial compensation, transferring the problem of the long-term unemployed to social assistance would not only have an adverse effect on the budgetary, social and labour market policies of local authorities as a whole but—because of the regional concentration of labour market and budgetary problems in structurally weak regions—would also impact on the evolution of regional equalization of living conditions in the Federal Republic.

An alternative option might be to bring all unemployed people within the jurisdiction of unemployment insurance, since this benefit system—in line with the logic of the German welfare state model—is responsible for providing cover against the general risk posed by unemployment. This could be done, for example, by introducing a need-oriented basic minimum income into unemployment insurance. With this reform option, activation would in future be solely confined to unemployment insurance or the legal basis of SGB III. As social assistance and the local authorities would no longer be involved in social security for the unemployed, there would be no further need for coordination between SGB III and BSHG or between federal government and local authorities.

It is thus evident that the function of coordination will in future be critically determined by which of the reform options for providing social security and activation for the unemployed is actually implemented. The first option—bringing all the long-term unemployed into the social assistance scheme by combining unemployment and social assistance—entails the danger that the local authorities will be structurally overburdened with their broader remit to provide security and activation. This could result in loss of quality and/or a more restrictive orientation of *Hilfe zur Arbeit*. If the second option is chosen, the effect might be that although social security would be reformed in a way that “matched the system”, the failings of employment promotion by the employment authorities, which have already been criticized, would have an even greater effect than previously. This would make it all the more important to answer the question of whether, and if so how, the integration of labour market policy target groups into the labour market by the employment authorities could be made more effective.

## **5.2 Prospects of employment promotion and its coordination at local level: results of the case studies**

All actors interviewed agreed that the field of active employment promotion in the Federal Republic is a highly complex one. As the activation scene has been the subject of little standardization under the BSHG, and is primarily based at local level, there are virtually no comparative academic studies yet available on local authority activities in this field. Nor have individual local authorities yet produced any academically sound analyses of their programmes. The few studies available are of limited reliability as far as methods are concerned and so do not permit a meaningful picture to be formed. Even fewer studies are available on the coordination of such programmes and initiatives.

The intention behind the four case studies was to examine different political/institutional arrangements to determine whether they were potentially valuable and worth imitating in the sense of offering approaches to solving individual problems and tasks whose relevance extends beyond the individual local authority area or region. It has to be borne in mind here that “best practices” very often reflect specific local origins. These include sociogeographical circumstances, sociocultural traditions and specifically local models of relationships between the political actors. The actors involved themselves often provide an important clue as to why particular models were developed or why they “work”—or fail to work. Despite this wide spectrum of influencing factors, not all of which could be addressed explicitly in the case studies, the aims, concepts and applications, like the institutional/organizational structures, are meaningful in themselves and—subject to certain conditions—capable of transposition to other regions and local authority areas. In the next section, certain central findings will again be summarized and assessed.

### **5.2.1 Local employment promotion and activation concepts**

The local case studies involved an examination of four local authority areas in Germany which are active in local labour and employment promotion and developed new instruments during the 1990s for the labour market integration of unemployed social assistance claimants. When asked about the aims of activation, all local authorities mentioned a whole package of objectives. The main emphasis was on reducing the number of cases of, and expenditure on, HLU, while integration into the primary employment market and the social integration of claimants were also identified as aims. None of the local authorities examined has succeeded in reducing the number of social assistance claimants significantly in recent years. In Offenbach, such a reduction took place only in 1998—as it did throughout Germany; in Osnabrück rural district the number of claimants remained at least stable; but

in Cologne and Dresden the number of cases rose continuously. So all that was achieved, if anything, was a slowing of the rate at which the number of cases increased. Similarly, the aim of reducing spending on social assistance was achieved only in Osnabrück rural district: in all other areas, the HLU expenditure has continued to rise in recent years. Thus these local authorities achieved only relative economies. The activation of social assistance claimants, too, enjoyed only limited success, at least in terms of these two objectives.

In all local authority areas, then, the direction of strategy has shifted away from merely making social assistance cost-effective towards activation and reintegration into the labour market. To what extent this heavy (or even exclusive) concentration on labour market integration has caused the neglect of other objectives proved impossible to establish during the case studies. All local authorities provided an overall *Hilfe zur Arbeit* concept with a similar range of measures, comprising the following elements:

(1) Case control: all local authorities control and monitor individual social assistance claimants. The function of case control is to coordinate, document and monitor the overall process of integration of those clients who are unemployed but capable of working. In Cologne and Dresden, this is done by the social services staff; in Cologne it is based on an organizational restructuring of social services to include an activation assistance section where case managers undertake this task. In Offenbach, too, it comes within the jurisdiction of social services case managers, control of the *Hilfe zur Arbeit* programme being assigned to the employment promotion office. In the Osnabrück district, case control has been outsourced to the Massarbeit personnel.

(2) Integration advisory service: as a second element of activation strategies, all local authorities provide a “integration advisory service” for unemployed social assistance claimants, the aim of which is to identify the individual skill profile of each client and any obstacles to his placement, as a basis and prerequisite for the placement process. The advisory service is organized in different ways in different local authority areas. In the major city of Cologne, advice and case control are the responsibility of the case managers working for the organizationally restructured social services offices. In Offenbach and Dresden, and in Osnabrück rural district, both the advisory service and the placement service have been outsourced to private-sector agencies set up by the local authority in the legal form of non-profit GmbHs (GOAB, QUAD, Massarbeit).

(3) Appropriate direct placement: the third element of activation strategies is appropriate direct placement. In all local authority areas, the main emphasis is on placing unemployed social assistance claimants in the primary employment market. Conceptually, it is based on the Dutch Maatwerk concept. This involves beginning with an analysis of each client’s strengths and weaknesses and then

looking for and finding a suitable job for him—in other words, achieving the best possible match between jobseeker and job. In Cologne, appropriate placement has been assigned to privately sponsored job exchanges for specific areas of the city and specific target groups, apart from the *Junges Köln* job exchange, which is sponsored jointly by the city's social services and youth offices and by the employment office. In Offenbach, Dresden and Osnabrück district, placement is the responsibility of the external agencies GOAB, QAD and Massarbeit. As in Cologne, so too in Offenbach, a joint agency for placing young people in training schemes is at the planning stage, supported jointly by the city and the employment office.

(4) Qualifications and employment: where placement in the primary employment market is impossible, a fourth element in all local authority areas comprises qualification and employment schemes in the “secondary employment market”. The main purpose of the qualification schemes is to broaden and improve claimants' knowledge and skills, and here again the general basis is a contractual employment relationship (with the training agency or an on-the-job training enterprise). The employment schemes take the form of fixed-term employment and are intended to allow—if not immediate entry into gainful employment—at least access to insurance cover under SGB III. All local authorities also provide flanking forms of social assistance to overcome the need for such assistance: problems such as excessive debt, addiction, unsatisfactory childcare arrangements, family and other problems are regarded as obstacles to placement in overcoming dependence on social assistance.

(5) Additional needs variant: a fifth element encountered in all local authority areas is the instrument of community service, in the additional needs variant, though this is applied in widely differing ways. Its main purpose is to check a claimant's willingness and ability to work and to expose fraudulent social assistance claims and the black labour market. In addition, however, it is also used for the purpose of (re-)accustoming people to work. While the additional needs variant plays only a minor part in Cologne and Offenbach by comparison with the contract of employment variant, because of considerations of principle, it is very important in Dresden and Osnabrück. Indeed, in the Osnabrück rural district it is actually used across the board in all local authority areas, every new applicant who is capable of working but not gainfully employed being required to undertake community service for a standard period of three months unless there are any legitimate reasons for him not to do so. Only then will he qualify for access to contractual variations of *Hilfe zur Arbeit*.

(6) Target group orientation: all local authorities take due account of target groups when planning and implementing their projects, with special emphasis on specific schemes for socially disadvantaged young people. Otherwise, measures for particular target groups are developed flexibly, as required, in the various local authority areas, such as a current half-day qualification scheme for single mothers in the Osnabrück rural district. An unusual feature is the approach adopted in Cologne of refusing HLU

to young people in principle but giving them the opportunity to earn enough for their subsistence on the basis of an on-the-job traineeship contract. This principle of “work first” is also applied if only short-term eligibility for benefit is expected.

In all local authority areas, the local employment office is the second main actor in local employment promotion on the basis of SGB III. However, willingness to develop and test new approaches to labour market promotion based on the experimental fund set up by Section 10 SGB III varies greatly—especially as regards the target group of unemployed social assistance claimants with no benefit entitlements under SGB III. The Cologne employment office, in particular, has made an exemplary effort—in cooperation with the Cologne city social services—to take full advantage of the new scope for action available for this target group. By contrast, at other employment offices such as those in Offenbach and Dresden, the process of rethinking has begun only slowly or—as in the case of Osnabrück—has not yet begun at all.

## **5.2.2 Coordination of local employment promotion**

In the field of local employment promotion, steering and concentration processes take place primarily on three levels—city-wide level, the level between local authority and employment office, and the level of direct coordination of *Hilfe zur Arbeit*—these coordination processes being institutionalized and implemented in different ways in the various local authority areas.

### **(1) Coordination at city-wide level**

In every local authority area, coordination at city-wide level is needed in order to achieve a consensus regarding the aims, strategies and tactics of labour and employment policy between all actors in the area who are relevant to the labour market. In Cologne, Dresden and the Osnabrück rural district, this need has been met by comparable coordinating committees. In the city of Cologne, the “consensus group” has been set up under the control of the regional secretariat of the office for economic and employment policy. The main function of the consensus group is to bring about the regional consensus necessary for the approval of projects to be financed out of *Land* and EU funds. First, therefore, it is a body for vertical coordination between the local authority on the one hand and *Land*/EU on the other. At the same time, however, it is also used as a body for the creation of a city-wide consensus in the (horizontal) sense referred to above. In the city of Dresden, the “municipal forum for economic affairs and labour” has been set up as a city-wide coordinating committee chaired by the mayor and the heads of the economic affairs and transport departments. The municipal forum has a steering committee and various working groups, whose purpose is to allow the flexible structuring of the planning, control and further development of labour market and employment policy in the city. The rural district of

Osnabrück, under the Bertelsmann Foundation's employment initiative, has set up the "Osnabrück district regional network" to involve all labour market policy actors in five working groups to address the central problems of employment, the working groups being required to develop and implement specific problems to deal with these. A special feature to be singled out here is that the rural district and city are making a joint effort, within the regional network, to develop and promote new initiatives for the region as a whole. To this extent, then, coordination here takes place horizontally, across the administrative border of the rural district. The city of Offenbach has not set up a formal coordinating committee at city-wide level, involving all labour market actors, coordination in this case being primarily handled through informal contacts. Citywide control lies mainly with the mayor himself, assisted by the heads of the office for economic development and the office for employment promotion.

Because of their different sets of problems and their varying geographical, economic and social conditions (surface area, number of inhabitants, etc.), the local authorities have thus developed different ways of meeting the need for city-wide coordination. It must be borne in mind here that major cities such as Cologne and Dresden, and a large-area rural district, have a greater need of a formal committee to involve all labour market actors in the consultation process, whereas in a medium-sized town such as Offenbach, where channels of communication are shorter, informal coordination is less complicated to achieve. Conversely, the example of Dresden shows that a formal committee is in itself no guarantee that a local consensus can actually be achieved unless important actors—such as the representatives of the local council—are included.

Where formal city-wide coordinating committees exist, they range from forms of reciprocal information exchange and joint planning processes at the steering level (the political representative level) to the establishment of permanent working groups to deal with particular themes and tasks at the working level. Although these forms of cooperation, in which the individual actors retain their autonomy of decision, are not legally binding in a formal sense, regular meetings and the joint consensus process do exert a certain pressure for the actual implementation of the joint plans and initiatives.

## **(2) Coordination between social services office and employment office**

Over and above city-wide coordination, there is a special need for coordination between the local authority on the one hand and the local employment office on the other. These, after all, are the two principal actors in local employment promotion, each with its own budgetary resources and each actively involved in this field on the basis of its own objectives, instruments and legal bases. Another factor is that—as described earlier in the case studies—the "combination claimants" or "toppers-up" receive both unemployment assistance and social assistance, neither the employment office nor social

services feeling itself to be primarily responsible for their (re-)integration. How is this general and specific need for coordination met in the local authority areas considered?

In each of the areas considered, the city or rural district in question was represented on the administrative committee of the local employment office, whereas the social services authorities were not always directly involved. However, participation in the administrative committee does not in itself guarantee that actual cooperation will take place, as illustrated by the example of the Osnabrück district, where the employment office has hitherto quite deliberately refrained from supporting the integration schemes for unemployed social assistance claimants in cooperation with the rural district, for example using the “free assistance” provision of Section 10 SGB III.

In all local authority areas except Cologne, cooperation between the employment office and social services authorities is portrayed as traditionally difficult, the climate having improved only very gradually. Thus—in accordance with the recommendations of local authority umbrella associations and the BfA on cooperation between social services and employment offices—formal agreements have been concluded in three local authority areas on cooperation between social services and the employment office. While the agreement in Cologne has existed for some time and forms the basis for specific cooperation between employment office and social services, the joint agreement between rural district, city and employment office in Osnabrück has not yet been brought to life. In Offenbach, an agreement of this kind has only recently been concluded, and in Dresden this has not yet happened at all.

By adopting the joint agreements, three of the local authority areas have aimed at the highest level of coordination—the establishment of a joint institution by the employment office and the social services. While this form of cooperation is still at the planning stage in the city of Offenbach and the rural district of Osnabrück, it has already been implemented as far as young people are concerned in Cologne, with the *Junges Köln* job exchange. At this facility, which advises and places young unemployed social assistance claimants, case managers from the social services authority work in teams with vocational guidance counsellors from the employment authorities and an employee of the youth office’s vocational guidance section. This joint institution is financed pro rata by the labour market and social services authorities. The Offenbach city plan, too, provides a joint employment office and social services institution for the target group of socially disadvantaged young people in the form of its “training agency”. The planned cooperation is to extend to pro rata financing, human resources drawn jointly from the social services and employment authorities, common objectives and joint implementation. In Osnabrück rural district—after the expiry of the “Osnabrücker Land service agency” model project, which is currently responsible for providing an advisory and placement service for combination benefit claimants for a period of some two years—the intention is that, from next

year, the implementation of the “Arbeitsamt 2000” reform project will include “cooperation between social services and employment offices under a single roof”. By establishing a single contact point for cooperation between the functions that provide the benefit and those that arrange job placements, those seeking professional assistance will receive it from the various bodies responsible at a single source. The city of Dresden has, as yet, no plans for any such institution combining the employment and social services authorities. Cooperation has hitherto been restricted to specific agreements and projects. For example, there is an agreement under which 5% of social assistance claimants who are not in receipt of SGB III benefits can be placed in work creation schemes organized by the employment office. As experience in Cologne, and to some extent in Offenbach too, demonstrates, the planning of a joint facility is an important step towards improving coordination and cooperation structures. Practical implementation is another step, in the course of which many practical problems of collaboration may arise that can only be eliminated very gradually and very laboriously.

### **(3) Coordination of *Hilfe zur Arbeit***

The third field of coordination and cooperation refers to the specific planning, adaptation and coordination of *Hilfe zur Arbeit*. On the one hand, this is a process of consultation within the municipal authority, especially between the social services office, the youth office and—where there is one—an employment promotion office. On the other hand, however, it also involves consultation with the external control agency, where there is one. Finally, it requires a discussion of the process of integration between the social services authorities and controlling agency on the one hand and training and employment agents on the other.

Only in the city of Cologne does control of *Hilfe zur Arbeit* reside solely with the social services office. Although, in principle, it also lies within the jurisdiction of social services in Dresden, the economic development office has to be involved in the planning of any action. In Osnabrück, this responsibility lies at two levels with the social assistance authorities: while the contract of employment variant is the responsibility of the social services section of the district, the addition needs variant is handled by the local social services offices. Only in Offenbach has this function been outsourced by the social services office to the employment promotion office. While all local authorities have confirmed the need for coordination between the social services and youth offices, though little has been done to achieve it, in Offenbach alone there is a specific need for coordination between the employment promotion and social services offices. The regular meetings between the heads of the three offices that have been planned should solve the problem.

As far as the second question is concerned, all local authorities except Cologne have outsourced the activation and integration functions, in whole or in part, to an external, legally independent agency. On the one hand, this outsourcing is intended to allow more flexible action than is possible within the

public authority; on the other, it poses the critical question of how far this agency can be controlled and monitored in the long term. Overall, a problem in many local authority areas seems to be that the external agency has gone independent and is more likely to influence the local authority's integration policy than vice versa. In the three local authority areas considered, personnel overlaps between the social services authority and agencies on the agency committees should prevent any undesirable degree of independence. In Osnabrück district, this danger has probably been averted primarily by the particularly marked overlap between the rural district authority and Massarbeit in the form of the three managing directors. In Offenbach, the main obstacle to the risk of excessive independence is the dominant role of the employment promotion office. By contrast, the cooperative structure in Dresden is less clear. Although the management of the social services office insists that it is responsible for controlling *Hilfe zur Arbeit*, the fact remains that the control of the *Hilfe zur Arbeit* working group has been transferred to QAD. In all three local authority areas, the external controlling, advisory and placement unit is financed by flat-rate grants based on quantitative targets. Only placement activity is dominated by financing in the form of case-specific fees or lump sums. In the case studies, there was no identifiable relationship between the form of finance and the success of the advisory and/or placement programmes.

Regarding the third set of questions also, concerning coordination between the social services authorities and steering agencies on the one hand and training and employment agencies on the other, there are differences between the local authorities examined. Thus, both GOAB and QAD are institutions which refer clients to the various building blocks and agencies, yet at the same time they themselves are employment agencies, which has exposed them and the social services authority to the charge of unfair competition. By contrast, the division of tasks in the Osnabrück district is more transparent and "clean", as Massarbeit undertakes no training or employment activities at all. The institution of an agency conference has proved useful for the purposes of coordination between social services authorities and training and employment agencies, meeting at regular intervals to discuss experience of past activities and the planning of future ones.

### **5.3 Summary and unanswered questions**

The labour market integration concepts described above for unemployed social assistance claimants have evolved under highly specific conditions and, for that reason, are transposable to other areas only to a limited extent. On the basis of the case studies, it is very difficult to say how significant coordination is for the success of the activation strategies in the individual local authority areas. What can be said is that the levels and forms of coordination are necessary (but not in themselves sufficient)

conditions for the successful progress of activation. Nevertheless, the case studies do provide a basis for drawing up recommendations regarding the coordination of activation:

- (1) Coordination at city-wide level appears to be needed as a framework within which the necessary consensus for an activation strategy can be arrived at between the relevant labour market actors. It seems to be logical here to make a distinction between the steering level, for the participation of the representatives of the relevant institutions, and the working level, involving the specialist staff of those institutions.
- (2) Specific cooperation is also needed between the local authority's social services authorities and the employment authorities, over and above working together on the employment office's administrative committee. Agreements alone are insufficient here; they must be brought alive through specific projects. This applies especially with regard to the target group of those who draw income support benefits from the employment office as well as HLU from the social services office.
- (3) Regarding the structure of *Hilfe zur Arbeit*, the establishment of specific external units in many local authority areas has proved its value. Care should be taken, however, to ensure that they have a clearly defined remit and are strictly answerable to the authority in performing it, so as to restrict possible moves towards independence.

If we consider the activation concepts described and the models evolved to coordinate them, a number of questions remain unanswered.

The first question is what the role of city-wide coordination can be. The bodies described have the advantage of creating joint problem awareness among all actors relevant to the labour market, arriving at a consensus regarding certain programmes and projects in the local authority area, and so making it easier to establish clear priorities in labour and employment market policy. This kind of coordinating committee is particularly advisable in the initial stage of local activation. The disadvantage of such city-wide coordinating committees is that they normally involve a very large number of participants, and there is a risk that they will develop into non-binding discussion sessions at which nothing in the way of constructive work is done. This can admittedly be at least partly avoided by the division between steering level (political representatives) and working level (specialists), but even so great organizational and moderating skills are needed in order not only to initiate such bodies but also to keep them alive. If this can be achieved, the advantage is unmistakable, since they create transparency of objectives, concepts and measures for all participating actors. However, transparency does also mean that disputes will arise and will have to be resolved.

The second question that arises is what is the most logical body to control *Hilfe zur Arbeit*. If this devolves on the social services office, as in the case of Cologne, this provides the best prospect that the integration schemes will be based on those at whom they are directed and geared to the specific needs of their clients. Conversely, there is a risk that the social services office will degenerate into a mere work placement scheme, all its other tasks being marginalized. By contrast, if an employment promotion office is responsible for control, as in the case of Offenbach, this provides the best guarantee of a link to and integration with municipal employment policy. In this case, the danger is that attention focuses on the programmes rather than the claimants. In the third possible case, outsourcing to a legally independent agency, the possibility of flexible activity is a clear advantage. The price paid for it is the disadvantage that integration is not always ensured and the agency may go independent. This has in all probability been avoided in the Osnabrück rural district by involving the district administration in the management of the agency. The least successful approach seems to have been that of QAD in Dresden, whose precise role was not sufficiently apparent either from the written material or from the interviews with experts. The example of the city of Offenbach, too, cannot be unconditionally recommended in this respect, as GOAB is burdened with too many functions (dual role).

A third unresolved question relates to the effectiveness of the activation schemes and research into their effects. Although this subject is approached aggressively by most local authorities, a distinction has to be made between the ways in which they implement it. In Cologne, Offenbach and Osnabrück, there are some signs of research into effectiveness, the rural district having begun back in the mid-1990s to examine what happens to benefit claimants and/or participants in schemes after the schemes have ended. Overall, however, it must be said that although ambitious targets are set in all local authority areas, apart from trends in numbers of cases and total expenditure, virtually no valid figures could be produced regarding the other objectives. According to information supplied by the actors, one reason for this is that the programmes are still too new and no results are yet available to show what happened to people subsequently. Another reason, however, is that lack of financial and human resources means that the effects of activation cannot be adequately studied (for example, with reference to social assistance biographies). This suggests that although all four local authorities are actively involved in the labour market integration of unemployed social assistance claimants, none of the local actors knows for certain, as yet, how effective those programmes are being.

However, analyses of effects must not be confined to determining what happened to participants in placement schemes within a particular period. It is necessary to study and evaluate the effects of the activation process as a whole. This also involves obtaining information on the reasons for and scale of the unknown figure of those who drop out during the activation process and what happens to them

subsequently. (1) The first threshold at which people may become part of this unknown figure is the point of transfer from social services to the integration advisory service (clients generally not being simply referred but invited separately by the advisory agencies after the data has been passed on). (2) When—as in Osnabrück rural district—all new applicants are required to perform community service, which will generally do nothing to improve their labour market prospects, this constitutes another point at which they may drop out of the system. (3) Another may arise in the course of the advisory and placement process, especially if certain jobs or work opportunities are offered which the claimant regards as unsuitable or unacceptable. This occurs especially when—as in the case of young people in Cologne—the only offer is “work instead of social assistance”. (4) Furthermore, an employment or training scheme that has already begun may be discontinued. (5) Finally, the question arises—which usually is considered—of what happens to those who have obtained an (open-ended) job in the primary employment market. All that has usually been available to date are figures on what happens to those who have been placed in this market within a particular period. By contrast, the question of what happens to those who leave the system at the first three thresholds is generally left unanswered.

For all local authorities, it would probably be worth while to provide adequate resources for thorough research into effects (and, for example, to invest in the necessary computer programmes), as this is the only way of improving the effectiveness of activation and redeveloping or reconstructing existing instruments to meet demand where necessary. In view of the dominance of the objective of integrating clients into the primary employment market, studies of what happens to them there (based on control groups) are urgently needed. Such studies should, of course, also include changes in a claimant’s material circumstances. Finally, however, indicators for recording social integration should be defined and empirically recorded. To date, the euphoria about local authority activation and integration programmes—which is particularly apparent among those interviewed—is far from being supported by the evidence of results from studies of effectiveness.

The question, much debated in Germany at present, of whether and if so how the dual structure of employment authorities and social services authorities, as far as both social security and (re-)integration are concerned, can be eliminated, and whether for example responsibility for the long-term unemployed should be transferred to social assistance alone, cannot be clearly answered in the light of the results of the case studies. It is true that all local authorities studied here are very active in the field of employment promotion and would basically accept solutions that broadened the responsibility of the local authorities for social security and the integration of the long-term unemployed—with a corresponding improvement in financial resources. But the problem still remains that the effects of the local authority schemes cannot be clearly evaluated. An additional factor—mentioned especially by representatives of the employment offices—is that the caseload among advisors and placement officers working in local *Hilfe zur Arbeit* is generally much more favourable

than in the employment offices. It can of course be argued against this that these advisory and placement centres are generally dealing principally with a clientele much more difficult than the average of all unemployed people. There are strong arguments to suggest that—under the existing labour market conditions—if these groups can be lastingly integrated into the labour market at all, this can only be done at a high cost in human resources. The question of whether this would be best done in the employment offices, the social services offices or outside agencies cannot be answered in the light of the case studies.

## Summary

- (1) In the German model of the welfare state, unemployment insurance acts in principle as an initial safety net in cases of unemployment, while social assistance benefits are intended solely as a back-up measure in cases of unusual risk or special circumstances of need. As a result of developments in the labour market and the social policies practised over the past two decades, however, there have been some shifts in this division of responsibility. On the whole, it can be said that, while the overwhelming majority of unemployed persons still receive unemployment insurance benefit, an increasing number receive supplementary social assistance benefits or are entirely dependent on social assistance benefits. Corresponding to the two safety nets, two different “activating systems” are responsible for integrating unemployed social assistance claimants into the labour market, as both systems of legislation and benefit have their own regulations and instruments for the promotion of employment.
- (2) Traditionally, the federal government and *Länder* have been responsible for employment policy in the Federal Republic of Germany. On the other hand, labour market policy has been and still is the responsibility of the *Bundesanstalt für Arbeit* (Federal Office of Employment-BfA) and its local employment offices, as agents of unemployment insurance and the active promotion of employment. Local authorities have previously been restricted to local economic development. This division of labour has changed over the past two decades. An increase in unemployment and a rise in the number of social assistance claimants created by unemployment have increasingly confronted local authorities with the need to develop their own labour market policy initiatives. Today, almost all of them are active in their efforts to control the problems of unemployment and resulting poverty in their communities. Local employment and labour market strategies focus on an employment promotion scheme known as *Hilfe zur Arbeit*, intended, in accordance with the BSHG (federal social assistance legislation), to help integrate unemployed social assistance claimants into the labour market.
- (3) In the Federal Republic of Germany, the current legal and political division of responsibility in the field of promoting employment for the target group of unemployed persons receiving social assistance benefits has a dual structure—both in terms of the social protection systems constituted by unemployment insurance and social assistance, and in terms of the activating systems consisting of active promotion of employment by the BfA and the municipal social assistance agencies. To date, there has been no systematic coordination or interaction between these two fields of legislation and action with a view to promoting employment. Although the existing legislation governing social assistance benefits defines the legal and political

responsibilities, it is often implemented by means of an interactive network of numerous actors at federal, *Land*, local and district level. Given the complexity of this structure, coordination may be regarded as a necessary prerequisite in determining the activities of the various agents involved with the aim of formulating and implementing an integrated overall concept of employment promotion that is suited to tackling the problem.

- (4) Given the vertical structure of coordination between the Federal government, *Länder* and local authorities, particular attention has been paid in recent years to the juxtaposition and occasional overlapping of the two systems of unemployment assistance benefit and social assistance benefit. After all, this dual structure encourages strategies whereby the federal government and the local authorities indulge in a mutual delegation of political and financial responsibility for the social welfare and labour market integration of the (long-term) unemployed. Another perceived problem is the fact that the employment offices and social services have developed a dual structure of integration measures for the long-term unemployed at local level. This dual structure also has disadvantages for those receiving benefits, however, as it means they have to deal with two sets of benefit legislation and two different authorities.
- (5) At national level, there are currently three platforms for a discussion about restructuring social protection and activating or integrating the unemployed. The discussion focuses on approaches towards coordinating ideas and initiatives for reform, involving in particular the federal government, the BfA and representatives of the *Länder* and local authorities. The issue is being examined on the one hand by an official federal government-*Länder* working committee whose aim is to develop reform proposals to achieve effective integration of unemployment assistance and social assistance benefit claimants. On the other hand, the *Bündnis für Arbeit* set up by the federal government is looking into, among other things, the question of how to enhance the employment opportunities for the unskilled. Finally, an informal yet influential working committee set up by the private Bertelsmann Foundation is considering how collaboration between the employment offices and the social services can be improved.
- (6) With the reform debate in full swing, it is all but impossible to predict the outcome of the reform process. Nevertheless, there is much to suggest that, in future, the local authorities will play a more important role than previously in social protection for the unemployed and in reintegrating the unemployed. Umbrella organizations lobbying for the interests of local authorities expect the burden of social welfare for the long-term unemployed to be passed on to them if reforms are pushed through. Lack of financial compensation would not only have a

detrimental effect on budgetary, social and labour market policies for all local authorities, but also, given regional concentrations of labour market and budgetary problems in structurally weak regions, would do nothing to close the gap in living standards between regions in the federal republic.

- (7) If active promotion of employment is considered at local level, one finds independently defined aims and concepts of employment promotion, especially by the local authorities and employment offices which are the main actors in this field. Nevertheless, there is a need for coordination in furthering employment, on three counts. Discussion and consensus should be at city-wide level and should involve all local actors. Close cooperation is also required between the local authority and the employment office, as the two main actors. Finally, there is a specific need for steering and consensus in respect of *Hilfe zur Arbeit*. These three factors can be mutually enhancing, and may even overlap, but they must not replace one another.
- (8) The need for coordination at city-wide level has been met in Cologne, Dresden and Osnabrück rural district by means of comparable institutions of coordination. Only the city of Offenbach has not actually set up a formal coordinating committee at city-wide level. It should be borne in mind, however, that such large cities as Cologne and Dresden, or even such a large rural district as Osnabrück, are more in need of a formal committee in order to involve all the relevant labour market actors in the discussion process than a medium-sized city like Offenbach, where the channels of communication are shorter and informal coordination less complicated.
- (9) In all these places except Cologne, collaboration between the employment office and the social services improved only very gradually. In each of the areas studied, the city or district authorities were represented on the administrative committee of the local employment office, though the social services were not always directly involved. Moreover, formal agreements for collaboration between social services and employment offices were drawn up in three of these areas, in accordance with the recommendations of the umbrella organizations of the municipalities and the BfA regarding cooperation between social services and employment offices. And in three cases, steps were taken to found a joint institution for coordination between employment office and social services—the highest level of coordination. While such cooperation is still at the planning stage in Offenbach and Osnabrück, in Cologne it has already been implemented in the youth sector in the form of the *Junges Köln* job exchange.
- (10) *Hilfe zur Arbeit* is run by the social services in Dresden and Cologne. In Dresden, the office for economic development is involved in the planning of measures. In Osnabrück,

responsibility lies with the social section of the district authority and the local social services. Only in Offenbach is this function outside the scope of the social services office and in the hands of an employment promotion office instead. In all the areas in question, with the exception of Cologne, an autonomous and legally independent agency has been entrusted with all or some of the tasks of activation and integration. This is meant to enable more flexibility than would be possible within the scope of public administration. In respect of coordination between social services and steering agencies on the one hand and training and employment agencies on the other hand, there are differences between the areas under review.

(11) Because the respective concepts and structures for integrating unemployed social assistance claimants into the employment market have been developed under highly specific circumstances, they cannot be entirely transposed to other districts. Nevertheless, on the basis of the case studies, the following recommendations can be made regarding the coordination of activation:

- Coordination at city-wide level appears to be necessary as a framework within which the relevant parties involved in the employment market can reach a consensus on an activation strategy. It would seem appropriate to separate the steering level, involving representatives of relevant institutions, and the working level, involving specialists from these institutions.
- Special coordination is also required between the local social services and the employment services, above and beyond their cooperation on the administrative committee of the employment office. Agreements alone are not enough. They have to have life breathed into them by means of specific projects. This is especially true with regard to the target group of those receiving income support benefits from the employment office and *Hilfe zum Lebensunterhalt* (subsistence assistance—HLU) from social services.
- In launching the concept of *Hilfe zur Arbeit* special external units have been founded in a number of local districts. Although these have proved effective, it should be noted that they do have to fulfil a clearly defined task and that they must be closely linked to the administration to limit any moves towards greater independence.

(12) On the whole, it can be said that, although ambitious objectives have been set for the activation and integration of unemployed social assistance claimants in all the areas studied, reliable information is available only with regard to the development of the number of social assistance recipients and the expenses for social assistance, but not with regard to other objectives. Some of the programmes are still so new that longer-term results are not yet

available. More important still, however, is the fact that the effects of activation policy have not been studied at all adequately to date. For this reason, although all four of the areas under review are actively involved in integrating unemployed social assistance claimants into the labour market, local actors still do not know exactly what the impact of these programmes is. Given the sensitivity of the concepts (“work first”) and principles (“new balance between assistance and requirements”) involved in the new local initiatives, such an approach can hardly be justified. The impact of coordination has yet to be evaluated, even though its importance for the effectiveness of the activation policies has been emphasized by all concerned.

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## **Landkreis Osnabrück**

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## List of persons interviewed

### Transregional interviews

1. Head of the labour market policy department of the Federal Ministry for Labour and Social Affairs, Bonn
2. Head of the social assistance and poverty section of the Ministry for Labour, Social Affairs and Urban Development, Culture and Sport of the *Land* of North Rhine-Westphalia, Düsseldorf
3. Head of the labour market policy section at the Ministry for Social Affairs of the *Land* of Hesse, Wiesbaden
4. Head of the social policy section of the German Cities Federation, Cologne
5. Head of the labour market policy section of the German Trade Union Federation, Berlin, and representatives of the DGB on the BfA administrative committee
6. Academics at the Institute for German Economics, Cologne
7. Academics at the Max Planck Institute for Social Sciences, Cologne
8. Academics at the Lower Rhine Technical University, Mönchengladbach
9. Academics at the Institute of Urban Research at Darmstadt Technical University
10. Representative of the German unemployment initiatives, Frankfurt

### Interviews for local case studies

#### Cologne case study

**A: Interviews with political actors**

1. Head of the social affairs department of the city of Cologne
2. Head of the social services office of the city of Cologne
3. Head of the youth office of the city of Cologne
4. Head of the employment promotion office of the city of Cologne
5. Director of the Cologne employment office
6. Academics/university lecturer

**B: Interviews with agencies:**

- 7./8. Head and employee of the social office of the social services office of the city of Cologne
- 9./10. Two employees of the youth office of the city of Cologne

11. Head of the district office of Christian Social Aid, Cologne
  12. Head of the *Junges Köln* job exchange
  13. Head and employee of the *Zug um Zug* employment agency
- C: Interviews with claimants:**
14. Group interview with participants in *Zug um Zug*'s "EDP" employment schemes
  15. Group interview with participants in *Zug um Zug*'s "textiles" employment schemes
  16. Group interview with participants in *Zug um Zug*'s "woodworking shop" employment schemes
- Total:           6 interviews with political actors  
                       7 interviews with agencies  
                       3 group interviews

## Offenbach case study

- A: Interviews with political actors**
1. The mayor of the city of Offenbach
  2. Head of the social services department of the city of Offenbach
  3. Head of the employment promotion office of the city of Offenbach
  4. Head of the social services office of the city of Offenbach
  5. Head of the youth office of the city of Offenbach
  6. Director of the Offenbach employment office
  7. Chairman of the Offenbach DGB section
- B: Interviews with agencies:**
8. Head of the *Hilfe zur Arbeit* department of the office for employment promotion
  9. Deputy head of vocational guidance at the Offenbach employment office
  10. Managing director of GOAB
  11. Head of the advisory and placement department of GOAB
  12. Head of the employment measures department of GOAB
  13. Head of the joint city/employment office training agency
- C: Interviews with claimants:**
14. Group interviews with participants in GOAB's "recycling centre" employment scheme
  15. Group interviews with participants in GOAB's "administration" employment scheme
- Total:           7 interviews with political actors  
                       6 interviews with agencies  
                       2 group interviews with claimants

## Dresden case study

### **A: Interviews with political actors**

1. Senior deputy mayor and councillor responsible for health and social affairs
2. Deputy mayor and councillor responsible for economics and transport
3. Head of the social services office of the city of Dresden
4. Head of the *Hilfe zur Arbeit* department of the social services office of the city of Dresden
5. Head of the employment policy section of the economic promotion office of the city of Dresden
6. Head of the youth office of the city of Dresden
7. Two employees of the vocational guidance section of the youth office of the city of Dresden
8. Director of the Dresden employment office
9. Representative of the poverty conference for Saxony

### **B: Interviews with agencies**

10. Managing director of qualification and employment promotion, Dresden (QAD)
11. Head of QAD's advisory and placement service
12. Managing director of the employment agency *Arbeit and Lernen*
13. Project leader of *Arbeit and Lernen*

### **C: Interviews with claimants**

14. Group interview with participants in *Arbeit and Lernen*'s horticultural and landscaping project

**Total:**            9 interviews with political actors  
                         4 interviews with agencies  
                         1 group interview with claimants

## Osnabrück district case study

### **A: Interviews with political actors**

1. Head of the social affairs department of Osnabrück rural district
2. Head of the social affairs section of Osnabrück rural district
3. Head of the youth section of Osnabrück rural district
4. Municipal director of the municipal district of Artland
5. Deputy head of the labour market policy office of the city of Osnabrück
6. Director of the Osnabrück employment office
7. Chairman of the Osnabrück DGB district

### **B: Interviews with agencies**

8. Managing director of Massarbeit gGmbH
9. Coordinator of Massarbeit's integration advisory and work placement centre
10. Head of the Osnabrücker Land service agency of Massarbeit
11. Work placement officers of Pepp GmbH
12. Managing director of the training and employment agency DEULA

### **C: Interviews with claimants**

13. Group interview with participants in DEULA's metalworking and carpentry schemes

**Total:** 7 interviews with political actors  
5 interviews with agencies  
1 group interview with claimants

## Tables

**Table 1 Registered unemployed and hidden reserves in Germany**

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	Registered unemployed (BfA statistics)	Hidden reserve (IAB)	Total unemployed (IAB)	Registered unemployed as % of total unemployed	Unemployment rate as % of the civil workforce (BfA)
- Figures in thousands -					
Former West Germany					
1991	1 689	1 255	2 944	57.4	6.3
1994	2 556	1 495	4 051	63.1	9.2
1997	3 021	1 918	4 939	61.2	11.0
1998	2 904	1 925	4 829	60.1	10.5
Former East Germany					
1991	913	727	1 640	55.7	10.3
1994	1 142	1 140	2 282	50.0	16.0
1997	1 364	785	2 149	63.5	19.5
1998	1 375	721	2 096	65.6	19.5
Germany					
1991	2 602	1 982	4 584	56.8	7.3
1994	3 698	2 635	6 333	58.4	10.4
1997	4 385	2 703	7 088	61.9	12.7
1998	4 279	2 646	6 925	61.8	12.3

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Source: BfA 1999a, Autorengemeinschaft 2000

## Survey 1      Unemployment benefit and unemployment assistance under Book III of the Social Code

	Unemployment benefit	Unemployment assistance (only follow-up unemployment assistance since 2000)
Conditions	Unemployment, registration as unemployed, availability (ability to work and willingness to work meaning active effort to obtain employment) Reasonable expectation: employment fitting the claimant's working skills in terms of general conditions (statutory and collectively agreed provisions) and personal conditions	
	<ul style="list-style-type: none"> <li>- First 3 months:            new remuneration not more than 20% less than previous;</li> <li>- 4th to 6th months:        ... not more than 30% ...;</li> <li>- From 7th month:         new net remuneration no less than previous unemployment benefit</li> </ul>	
Qualifying period	At least 12 months' contributory employment within the framework period of three years	Expiry of unemployment benefit entitlement At least 1 day's unemployment benefit within the last 12 months
Assessment base	before application Qualifying remuneration does not include non-contributory additional payments for Sundays, public holidays and nightwork. One-off payments also do not qualify	or framework period Unlimited (annual review) Reduction for personal reasons (Section 200) or annual reduction (Section 201 SGB III)
Level of benefit	No children    60% of benefit payment Children       67% of benefit payment	53% 57%
Duration of benefit	All up to age of 18, 21 if unemployed, 27 if in education ... or handicapped Ratio of duration of employment to duration of entitlement 2:1 to maximum 12 months From 45th to 57th year, extended duration staggered up to maximum 32 months Partial unemployment benefit to 6 months	Unlimited (annual review) Reduction for personal reasons (Section 200) or annual reduction (Section 201 SGB III)
Needs	Not taken into account	Taken into account, offsetting the income and assets of the unemployed person or spouse/live-in partner or parents

**Table 2 Recipients of unemployment benefit and unemployment assistance under SGB III (annual averages)**

	1	2		3	thereof	4	
	Registered unemployed (absolute)	Recipients of income support benefits (absolute)	(as % of 1)	Unemployment benefit (absolute)	(as % of 2)	Unemployment assistance (absolute)	(as % of 2)
<b>Former West Germany</b>							
1994	2 555 967	1 902 808	74.4	1 276 187	67.1	626 621	32.9
1995	2 564 906	1 876 998	73.2	1 216 122	64.8	660 876	35.2
1996	2 796 243	2 054 493	73.5	1 304 460	63.5	750 033	36.5
1997	3 020 900	2 231 240	73.9	1 340 222	60.1	891 018	39.9
1998	2 904 339	2 192 998	75.5	1 238 166	56.5	954 832	43.5
<b>Former East Germany</b>							
1994	1 142 090	960 016	84.1	636 778	66.3	323 238	33.7
1995	1 047 015	884 966	84.5	564 109	63.7	320 857	36.3
1996	1 168 821	1 038 461	88.8	684 056	65.9	354 405	34.1
1997	1 363 556	1 277 118	93.7	814 339	63.8	462 779	36.2
1998	1 374 948	1 298 234	94.4	749 014	57.7	549 220	42.3
<b>Germany</b>							
1994	3 698 066	2 862 824	77.4	1 912 965	66.8	949 859	33.2
1995	3 611 921	2 761 964	76.5	1 780 231	64.5	981 733	35.5
1996	3 965 064	3 092 954	78.0	1 988 516	64.3	1 104 438	35.7
1997	4 384 456	3 508 358	80.0	2 154 561	61.4	1 353 797	38.6
1998	4 279 287	3 491 232	81.6	1 987 180	56.9	1 504 052	43.1

Source: BfA 1999

## Survey 2 Social assistance in Germany under the BSHG

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Main aims	Guarantee of a sociocultural minimum income, avoidance or correction of poverty and social marginalization
Principles	“Help to self-help” for persons in need (no income or assets)
Types of assistance	1. Subsistence assistance 2. Assistance in special situations
Forms of assistance	Income benefits, benefits in kind and services
Entitlement	Individual legal entitlement
Nationality	Those entitled are German citizens, citizens of EU Member States and approved asylum seekers. Other groups may only claim benefits under the <i>Asylbewerberleistungsgesetz</i> (Asylum Seekers Benefits Act)
Priority/secondary status	Virtually all other social services and private subsistence entitlements take priority
Willingness to work	Those capable of working must be available for the labour market and be prepared to accept reasonable work or work opportunities offered
Duration of benefit	Unlimited in principle
Level and structure	Regular subsistence assistance comprises <ul style="list-style-type: none"><li>- standard rates (depending on age and position in household)</li><li>- additional needs payments for particular emergency circumstances</li><li>- payment of accommodation costs (up to maximum limits) and</li><li>- possible one-off subsidies for particular additional needs</li></ul> The benefit structure is laid down in the BSHG. The level of benefit is updated annually by the <i>Länder</i> in accordance with the “statistical standard”. The level of social assistance is capped by the “differential requirement”.
Additional benefit entitlements	Health insurance cover or medical assistance
Fiscal responsibility	Social assistance spending is mainly the responsibility of the local authorities (75–80%) and, to a limited extent, the <i>Länder</i> (20–5%).

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**Table 3 Recipients of regular subsistence assistance under BSHG**

A	Germany		Former West Germany		Former East Germany	
	Absolute number of claimants (proportion of total population)					
1991	2 129 000	(2.5%)	1 875 000	(2.8%)	254 000	(1.4%)
1992	2 438 000	(2.9%)	2 108 000	(3.1%)	331 000	(1.8%)
1993	2 529 000	(3.0%)	2 209 000	(3.3%)	321 000	(1.8%)
1994	2 308 000*	(2.8%)	2 052 000*	(3.1%)	257 000*	(1.5%)
1995	2 555 000*	(3.1%)	2 270 000*	(3.4%)	286 000*	(1.8%)
1996	2 724 000*	(3.3%)	2 410 000*	(3.6%)	314 000*	(2.0%)
1997	2 919 000*	(3.5%)	2 530 000*	(3.8%)	389 000*	(2.5%)
1998	2 903 000*	(3.5%)	2 485 000*	(3.7%)	418 000*	(2.7%)
B	Recipients of regular payments under the ABLG (* separate from social assistance since 1994)					
1994	447 000		406 000		41 000	
1995	489 000		437 000		52 000	
1996	490 000		433 000		56 000	
1997	487 000		429 000		58 000	
1998	439 000		382 000		56 000	

Source: Federal Statistics Office 1999

**Table 4 Unemployed social assistance claimants and unemployment need groups at end of 1997 and 1998**

	Regular HLU claimants (total)	Regular HLU claimants between 15 and 65	thereof: registered unemployed total	with unemploy- ment assistance	without unemploy- ment assistance	Households comprising HLU claimants (total)	Households including registered unemployed members	Households receiving unemployment assistance
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	- Figures in thousands -							
1997	2.919	1.782	703	291	412	1.489	616	210
1998	2.903	1.766	709	285	424	1.488	628	208
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	—Figures in % -							
1997	100%	60%	24%	10%	14%	100%	41%	14%
1998	100%	61%	24%	9%	15%	100%	42%	14%
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Source: Federal Statistics Office 1999

### Survey 3      Active employment promotion measures in SGB III

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A      Advisory and placement service

B      Services to employees

- 1      Advisory and placement support (Sections 45–7)
- 2      Improving integration prospects (Sections 48–52)
- 3      Assistance with beginning employment (Sections 53–6)
- 4      Assistance with beginning self-employment (Sections 57–8)
- 5      Assistance with vocational training (Sections 59–76)
- 6      Assistance with continuing vocational training (Sections 77–96)
- 7      Assistance with vocation integration of the handicapped (Sections 97–115)

C      Services to employers

- 8      Integration of employees (Sections 217–34)
- 9      Assistance with vocational training (Section 235)
- 10     Services for the vocational integration of the handicapped (Sections 236–9)

D      Services to agencies

- 11     Assistance with vocational training (Sections 240–7)
  - 12     Assistance with facilities (Sections 248–51)
  - 13     Assistance with hostels for young people (Sections 252–3)
  - 14     Subsidies for social plan activities (Sections 254–9)
  - 15     Assistance with job creation schemes (Sections 260–71)
  - 16     Assistance with structural adjustments (Sections 272–9)
- 

Source: SGB III

**Table 5 Spending by the BfA and federal government on active employment promotion and participants in active employment promotion schemes**

	Germany		Former West Germany		Former East Germany	
	1997	1998	1997	1998	1997	1998
Total spending in billion DM	135.3	133.2	85.2	82.2	50.1	51.0
- Income support benefits	89.5	85.3	60.2	56.3	29.3	29.1
- Active employment promotion schemes	37.5	39.4	18.5	19.3	18.9	20.1
- Assistance with continuing vocational training	12.5	12.5	6.8	7.0	5.7	5.5
- Job creation schemes	7.3	7.4	2.0	2.0	5.2	5.5
- Structural adjustments	2.1	4.6	0.2	0.3	1.9	4.3
- Individual vocational rehabilitation services	4.5	3.9	3.3	2.9	1.2	1.1
- Assistance with vocational training	2.5	2.6	1.7	1.6	0.8	1.0
- Free assistance	0.0	0.6	0.0	0.2	0.0	0.3
Ratio of spending on active employment promotion to income support benefits	0.4	0.5	0.3	0.3	0.7	0.7
Registered unemployed people and participants in active employment promotion schemes, 1998 (in thousands)						
Registered unemployed	4 279		2 904		1 375	
Participants						
- Continuing vocational training	345		194		151	
- Job creation schemes	211		59		152	
- Structural adjustments	174		12		162	
- Vocational rehabilitation	129		92		37	

Source: BfA 1999a

**Survey 4**     *Hilfe zur Arbeit*—BSHG rules on employment promotion

Section 18(1)	Applicant must use his own efforts to secure a livelihood.
Section 18(2) Sentence 1 Sentence 2	Social assistance agency must take steps to ensure that applicant looks for and finds job. Applicant is obliged to accept reasonable offer of work.
Section 18(4)	In individual case, social assistance agency may grant subsidy to employer or take other suitable measures to encourage employment.
Section 18(5) Sentences 1 and 2	In the event of employment in the general labour market, social assistance agency may grant applicant a non-offsettable subsidy for up to 12 months, up to the level of the standard rate for the head of a household.
Section 18(5) Sentences 3 and 4	These rules may be waived until 21 December 2002 to try out ideas or in individual cases.
Section 19(1)	Social assistance agency must provide opportunity for work. This usually means creating or maintaining normal jobs. The cost of doing so may be passed on. Work opportunity must be for a temporary period and suitable for integration.
Section 19(2) 1st alternative	Work opportunities may also include community service and additional jobs. A contributory, paid working relationship is to be regarded as the first alternative.
Section 19(2) 2nd alternative	As second alternative, an employment relationship under public law may be provided, in which regular HLU is topped up by compensation for increased expenditure.
Section 19(4) Sentence 1	The social assistance agency, the services of the BfA and any other functions active in this field must assist the creation and maintenance of work opportunities.

- Section 19(4)  
Sentence 2            In suitable cases, a general plan is to be prepared for the applicant with the cooperation of all parties.
- Section 20(1)            In the individual case, it may be necessary to offer applicants work habituation schemes or test their readiness to work. Here again, regular HLU is topped up with compensation for additional expenditure.
- Section 25                Refusal to take an acceptable job or participate in schemes under Sections 19 and 20 results in forfeiture of the individual entitlement to HLU. As a first step, HLU is cut by at least 25% of the standard rate.
- Section 30                Social assistance agency may grant assistance with the development or maintenance of self-employed activity.

Source: BSHG; Institut für angewandte Wirtschaftsforschung 1999; Deutscher Städtetag 1999

**Survey 5**     *Hilfe zur Arbeit* in the German Social Assistance Act

**Results of a *Deutscher Städtetag* survey**

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A     People employed in schemes under Sections 19 and 20 BSHG

Schemes under	Proportion of those employed
Section 19 (1)	16%
Section 19 (2) (1)	34%
Section 19 (2) (2)	44%
Section 20	6%

B     Duration of employment schemes

Duration	Percentage of schemes
up to 6 months	29%
7 to under 12 months	7%
12 months	44%
1 to under 2 years	10%
2 years	6%
more than 2 years	3%

C     Employment scheme agencies

Agency	Proportion of schemes
Local authorities	31%
Local authority employment associations	11%
Business employment associations	8%
Welfare agencies	23%
Other agencies	27%

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Source:     Deutscher Städtetag 1999

**Survey 6 Selected coordinating functions in Germany by levels and dimensions of coordination**

Dimensions and political levels of coordination	Vertical	Horizontal
National (federal level)	Coordination between national and local social insurance and activation policy (1)	Coordination between social protection and employment policy (4)
<i>Land</i>	Coordination between <i>Land</i> programmes and municipal programmes for promoting unemployed social assistance claimants (2)	Coordination of <i>Land</i> programmes for promoting unemployed social assistance claimants between the federal <i>Länder</i> (5)
Local ( <i>kreisfreie Stadt</i> /rural district)	Coordination between community programmes and activities at district level (3)	Coordination of activation programmes at local level (6) by <ul style="list-style-type: none"> <li>• coordination at city-wide level,</li> <li>• coordination between employment authorities and municipalities and</li> <li>• coordination of <i>Hilfe zur Arbeit</i></li> </ul>
Sublocal (district/urban district level or district municipality)		Coordination between the civil society actors with a view to integration at urban district level (7)

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