

## PUBLIC EMPLOYMENT SERVICES IN EUROPE



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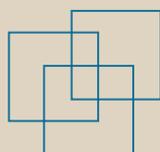
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# Germany

## Main features and challenges<sup>1</sup>

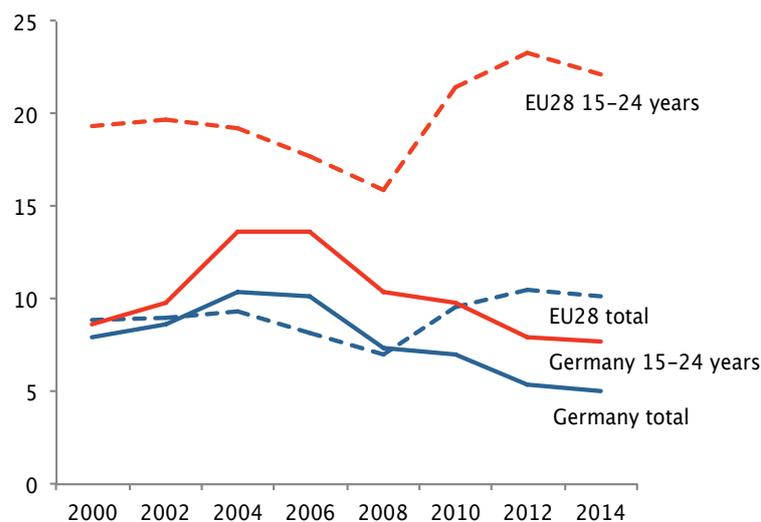
- Labour market and employment situation: Positive developments and regional variations

Labour market developments in the Federal Republic of Germany over the past ten years have been positive. The annual average unemployment rate was down to 5 per cent in 2014, having previously risen from 2002 to a peak of 11.2 per cent in 2005. Thereafter, a combination of labour market reforms and positive economic developments gradually brought the rate down, and

<sup>1</sup> This document is one of a collection of notes about public employment services in selected countries jointly launched by the ILO Employment and Labour Market Policies Branch, Employment Policy Department, Decent Work Team and Country Office for the South Cone of Latin America. This note was prepared by Meike Klueger, an employee of the Federal Employment Agency of Germany, who is currently working as an expert on public employment services with the ILO. The opinions expressed herein are those of the author and do not necessarily represent the views of ILO or the Federal Employment Agency of Germany.

it has remained under 6 per cent since 2012. Neither the global financial crisis of 2008 nor the German economic downturn of 2012/13 influenced the country's labour market significantly. Germany's unemployment rates, both overall and for young people, are below the EU28 average (see Figure 1).

FIGURE 1  
UNEMPLOYMENT RATES (TOTAL AND YOUTH) IN GERMANY AND EU28



Source: Eurostat, 2015.

There are considerable differences in unemployment rates between the regions, most notably between the eastern and the western regions of Germany. The Federal Employment Agency (*Bundesagentur für Arbeit, BA*) is the main public provider of employment services in Germany. The following more detailed data from the BA cast further light on these regional differences. According to these data, which are based on a slightly different definition of unemployment,<sup>2</sup> the unemployment rate was 6.7 per cent in 2014. Among Germany's 16 states (*Bundesländer*), unemployment was as low as 3.8 per cent in Bavaria but as high as 11.2 per cent in Mecklenburg–West Pomerania and 11.1 per cent in Berlin (BA, 2015a). Eastern Germany (five new *Bundesländer* and Berlin)

in general has a higher rate of unemployment (9.8 per cent) than western Germany (5.9 per cent). The challenges for the public employment service therefore vary across the country.

- **Persistent challenges: Long-term unemployment, a growing skills mismatch and wage trends**

Despite the positive development of the labour market, important current and future challenges remain. Three key challenges are highlighted here (see IAB, 2013a, 2014):

<sup>2</sup> One of the main differences is that the BA considers every person working less than 15 hours a week to be unemployed, whereas in the Eurostat data (based on the ILO definition) only people not working at all are counted as unemployed. For more details, see: [https://www.destatis.de/EN/Meta/abisz/ILO\\_Arbeitsmarktstatistik\\_e.html](https://www.destatis.de/EN/Meta/abisz/ILO_Arbeitsmarktstatistik_e.html) [17 Nov. 2015].

- *Reducing long-term unemployment.* Despite an increasing workforce during recent years, a significant number of jobseekers is unable to benefit from the constant demand for labour. This indicates structural problems in terms of long-term unemployment and a mismatch between supply of and demand for labour. About 44 per cent of the total unemployed in Germany in 2014 were long-term unemployed. The EU28 average is about 50 per cent, but in countries such as Austria and the Scandinavian states it is below 30 per cent. Active labour market policies specifically designed for long-term unemployed jobseekers have been implemented in Germany; nevertheless, there is a persistent core of unemployment that consists mainly of people with low skills and/or health problems, as well as people who are employed but do not receive a sufficient salary to make a living without additional benefits.
- *Preventing skills shortages on the future labour market.* Although there is no general shortage of skilled workers in Germany, projected demographic developments call for immediate action. The Institute for Employment Research (Institut für Arbeitsmarkt- und Berufsforschung, IAB) predicts that if the labour participation rate remains constant the workforce will decline from about 45 million people today to about 38 million people in 2020 and only 27 million in 2050 (BA, 2011). Immigration of (skilled) workers will most likely reduce this challenge slightly, but investing in the education of young people and jobseekers is important in order to meet the expected demand of the labour market in the future.
- *Addressing the wage gap.* IAB data show that since the mid-1990s the gap between low and high incomes has widened and the percentage of low income earners has risen. According to an IAB study, this percentage is almost 25 per cent higher in Germany than in other EU member countries (IAB 2013b).<sup>3</sup> As in other countries, atypical forms of employment have increased over recent years, especially affecting young people. To establish a minimum adequate income level, Germany intro-

duced a statutory minimum wage of €8.50 per hour in January 2015.<sup>4</sup> Prior to that, minimum wages had been set in only 12 occupations based on collective bargaining.

The “BA 2020 Strategy” identified the main trends affecting its provision of services. These include the growing flexibility and globalization of labour markets, demographic change, the changing demands of the labour market and decreasing resources. In order to continuously improve its performance in this context, the BA aims to meet these challenges by providing customer-orientated services through a range of channels. Special attention will be given to improving services to employers and to those jobseekers who have become detached from the labour market owing to long-term unemployment and/or low skill levels.

The increasing number of refugees, seeking not only asylum but more importantly work on the German labour market, poses a challenge for the public employment service. It is estimated that by 2019 more than 1 million refugees, whose applications for asylum have been granted, will be receiving unemployment benefits and will require counselling services and targeted active labour market programmes (ALMPs) in order to integrate them into the labour market.

### • The BA as the interface between economic, employment and social policies

The BA is the largest service provider in the labour market. It acts as a self-administering public entity in carrying out its mandate under Book III of the Social Code (SGB III). Its main decision-making body is a tripartite governance board that acts in both a supervisory and a legislative capacity. Local employment agencies, which are likewise self-administering, have their own tripartite administrative committees.

At the top of the organizational structure (summarized in Figure 2) is a national head office; below this there

3 The study compared wages in 17 EU countries: Austria, Belgium, Bulgaria, Cyprus, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Lithuania, the Netherlands, Poland, Slovenia, Sweden, and the UK.

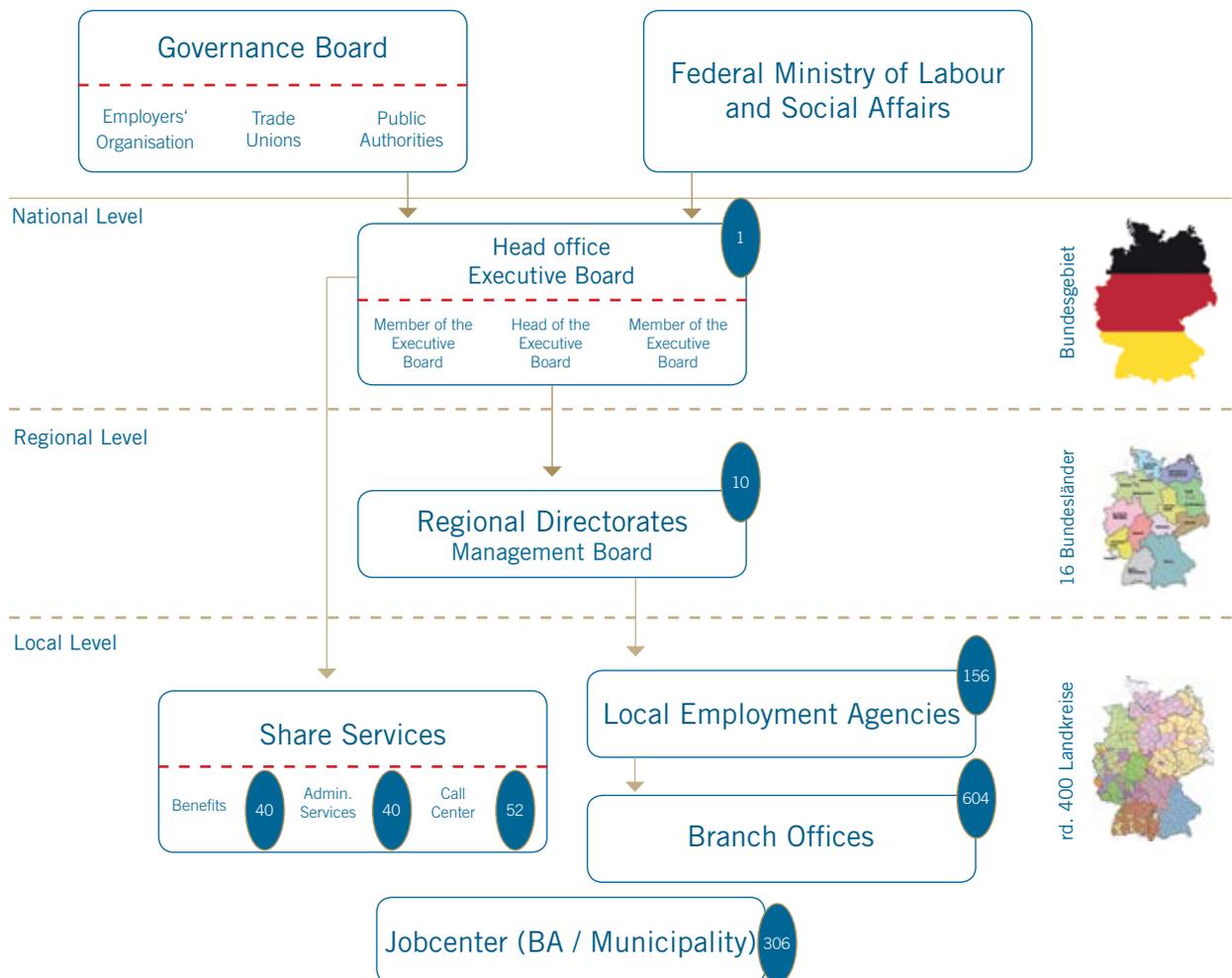
4 Exceptions may apply until 31 Dec. 2016 where provided for by generally binding collective agreements between representative bargaining partners.

are ten regional directorates, which are responsible for the success of regional labour market policies and coordinate their services and tasks with the labour market and economic policies of the Bundesland (state) governments. Below the regional directorates, and under their control, are the employment agencies. There are 156 local employment agencies with about 600 branch offices.

Together with the municipalities, the BA is also responsible for 306 jobcentres (Jobcenter), which are joint facilities under Book II of the Social Code (SGB II). It is important to note that Germany has two different kinds of unemployment benefits administered by two different bodies: unemployment benefit I (*Arbeitslosengeld I*, ALG I), administered by

the (local) employment agencies, and unemployment benefit II (*Arbeitslosengeld II*, ALG II) administered by the jobcentres, as joint facilities of the local employment agencies and the municipalities (for details, see Annex II). The eligibility criteria for the two benefits are different, and the BA has a different role in the jobcentres. With regard to SGB II, the BA does not act as a self-administering body. Instead, it is answerable in both legal and policy terms to the Federal Ministry for Labour and Social Affairs (*Bundesministerium für Arbeit und Soziales*, BMAS), within which a statutory Committee on Basic Security Benefits for Jobseekers has been established to oversee the key issues involved in implementing the benefits. The committee comprises representatives from the Federal Government and the Bundesländer,

FIGURE 2  
ORGANIZATIONAL CHART OF THE FEDERAL EMPLOYMENT AGENCY



Source: Federal Employment Agency.

local government associations and the BA. It must be noted that 105 municipalities in Germany have opted not to have a joint facility with the BA and take sole responsibility for fulfilling the tasks laid out in SGB II (*Optionskommunen*).

The staff of the PES consists of about 108,000 full-time equivalents (December 2013), a slight increase from 100,362 in 2011. Of these, about 56,000 work in the jobcentres. The staff of the jobcentres as joint facilities includes about 18,000 employees of the municipalities, with the remainder employed by the BA. BA expenditure on staff amounted to about €5.8 billion in 2013.<sup>5</sup>

### • The public employment service offers a wide range of services

The main tasks of the BA are:

- to place jobseekers in workplaces;
- to provide vocational guidance;
- to provide employer counselling;
- to promote vocational training and skills upgrades;
- to promote integration in the labour market of people with disabilities;
- to administer benefits to enable the creation and maintenance of jobs;
- to disburse compensations for reduced income, e.g. unemployment benefit or insolvency payments.

Generally, each employment agency or jobcentre has an entrance area/customer centre for registration, forwarding of requests and general support. Most also have specialized teams to provide placement services for different target groups (e.g. youth, disabled jobseekers), as well as teams that administer unemployment benefits. In most cases, employment agencies and jobcentres run a joint local service for employers (*Arbeitgeberservice*), which consults employers to exchange information about job vacancies and available ALMPs. In addition, both jobseekers

and employers have access to a call centre and various online services.

Additional services are available from the BA that are also used by the jobcentres. Among others, the BA has its own medical service (*Ärztlicher Dienst*) which placement officers can use to get a medical opinion on a jobseeker's physical ability to undertake a certain job or training course. It also has an occupational psychological service (*Berufspsychologischer Service*), which offers psychological consultations and career guidance tests, for example. The International Placement Service (ZAV) offers guidance on working abroad and placements in other countries. The BA also disburses child benefit (*Kindergeld*) through its Family Benefits Office (*Familienkasse*). The regulatory task of fighting benefit fraud also falls within the BA's remit.

### • About 3 million jobseekers are registered as unemployed, but many more receive services

In 2014, an annual average of almost 5 million jobseekers were registered with the BA. About 2.9 million of these were registered as unemployed. About a third (32 per cent) of unemployed jobseekers received services from the employment agencies (SGB III) and 68 per cent from the jobcentres (SGB II). The long-term unemployed and jobseekers with little or no prior work experience form a large proportion of those who go to the jobcentres as they either have not contributed to unemployment insurance or are no longer eligible for unemployment benefit I. The share of unemployed receiving unemployment benefit II is higher in regions with high and persistent unemployment. In Berlin, for example 80 per cent of the unemployed receive unemployment benefit II.

Unemployment benefit II, which is a means-tested basic subsistence benefit, is provided by the jobcentres. A total of 4.39 million people received this benefit in 2014, but 57 per cent of them were not unemployed. Of these, 700,000 were in employment but earning wages too low to secure their households' livelihood and therefore in need of unemployment benefits to

<sup>5</sup> This figure does not include the staff costs of the municipalities.

supplement their income. A further 430,000 were not counted as unemployed because they were taking part in ALMPs.

The BA's services for employers collaborate actively with about 3 million employers and registered 1.7 million vacancies in 2013.

- **Moving towards activation and more efficient service delivery**

The history of the BA dates back to 1927 with the creation of the Imperial Institute for Labour Exchange and Unemployment Insurance as an independent, self-governing body.<sup>6</sup> In 1969 the public employment service was renamed as the Federal Employment Office (*Bundesanstalt für Arbeit*), and in 2003 this became the Federal Employment Agency (*Bundesagentur für Arbeit, BA*).

A key theme in the BA's development over recent decades has been the change of emphasis from passive to active labour market policies. In addition, private employment agencies have been legally allowed to operate since 1994.

A major reform process took place between 2002, when unemployment stood at almost 9 per cent, and 2005, with the aim of making the German labour market and the public employment service more efficient. The Commission for Modern Services on the Labour Market (*Kommission Moderne Dienstleistungen am Arbeitsmarkt*) was established and provided recommendations that formed the basis for four new "laws on modern services on the labour market", colloquially known as Hartz I–IV after the commission's chairman, Peter Hartz. The fourth law in particular (Hartz IV) introduced the largest social reform ever undertaken in the Federal Republic of Germany.

The main objectives of the reform were to increase the flexibility of the labour market, activate the

unemployed and allocate resources more effectively. At the core of the administrative reform was the principle of better control through improved measurement of the efficiency and effectiveness of internal processes. Organizational changes led to more decentralization and a more flexible allocation of resources. The reform introduced a significant shift towards activation with the introduction of sanctions. If a jobseeker does not actively seek work or refuses to take part in certain ALMPs, his or her benefits can be cut. The jobseeker is obliged to accept any reasonable job offer, and the definition of what is reasonable was broadened to include the obligation to relocate under certain circumstances.

The first three laws came into effect in January 2003. They put into effect the renaming of the reformed organization as the Federal Employment Agency (*Bundesagentur für Arbeit, BA*) and a partial deregulation of the labour market (with the introduction of, for example, temporary work agencies and "minijobs").<sup>7</sup> The "fourth law on modern services of the labour market" (Hartz IV) was implemented in January 2005. It drastically changed the provision of unemployment benefits by merging unemployment assistance (*Arbeitslosenhilfe*) and social assistance (*Sozialhilfe*) into a basic means-tested benefit for jobseekers. This new unemployment benefit II was designed to prevent poverty, but not to secure living standards at previous levels, which meant that for many former recipients of unemployment assistance the level of benefits decreased.

The reform first led to a rise in unemployment, in part because more than 300,000 former recipients of social assistance were now considered capable of working and therefore counted as unemployed, but over time made a considerable contribution to the positive labour market development of the last decade. In 2014, 4.4 million people received unemployment benefit II: 1 million fewer than in 2006. The reform of the BA improved its ability to respond quickly to labour market challenges and adapt its services on the basis of a solid institutional foundation.

<sup>6</sup> For further information on the development of the BA, see Annex I.

<sup>7</sup> "Minijobs" came into effect with the Hartz II law and are marginal part-time jobs that are paid a maximum of €450 a month and are generally exempt from social insurance contributions. The Act on Changes in the Area of Marginal Employment of 5 Dec. 2012 (effective from 1 Jan. 2013) introduced that "minijobs" are subject to statutory pension insurance and raised the maximum monthly pay from €400 to €450 and. "Minijobs" can also be marginal part-time jobs in private households. As of March 2015, 6.6 million people were employed in "minijobs" and 284,000 worked in "minijobs" in private households (Deutsche Rentenversicherung Knappschaft-Bahn-See / Minijob-Zentrale, 2015).

## Labour market programmes

Annual public expenditure on labour market policies (LMPs) in Germany amounted to around €46 billion in 2013. Table 1 shows how this expenditure is distributed according to the definitions used by Eurostat: LMP services cover all services and activities of the PES together with any other publicly funded services for jobseekers; LMP measures cover activation measures for the unemployed and other target groups, including training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives; LMP supports cover financial assistance to compensate individuals for loss of wages or salary (out-of-work income maintenance and support, i.e. mostly unemployment benefits) or facilitate early retirement.<sup>8</sup>

TABLE 1  
LMP EXPENDITURES BY INTERVENTION AND TYPE OF ACTION, 2013

	Total (€million)	Share (%)
Total LMP	46.332	
Total LMP services	9.755	21,1
Total LMP measures	8.377	18,1
Total LMP support	28.200	60,9

Source: Eurostat / BA.

Passive benefits (LMP support) account for 60 per cent of total expenditure. Within the active labour market measures, support for further vocational training (skills upgrading and continuing vocational training leading to a certified qualification) generated the largest share of expenditure at €2.56 billion. Employment incentives, in the form of integration subsidies, amounted to €602 million, while start-up incentives totalled €258 million (all figures for 2013).

The budget for labour market measures is allocated to the employment agencies and jobcentres annually on the basis of certain criteria. They then manage this budget on a decentralized basis, submitting regular reports on their expenditures and outcomes. The BA runs a variety of its own ALMPs; a reform of these was implemented in 2012 with the aim of further decentralizing decision-making and increasing

the flexibility of the programmes to accommodate individual requirements.<sup>9</sup>

With a few exceptions, jobcentres and employment agencies use the same programmes. Generally, jobseekers receive their unemployment benefits continuously for the duration of their participation and are reimbursed for additional travel or child-care expenses.

In 2013, an annual average of 858,000 jobseekers a month participated in ALMPs run by the BA or the jobcentres. The duration of participation was on average four months. About 2.3 million people successfully completed an ALMP during the year June 2012 to July 2013, and 38.4 per cent of these participants were in formal employment six months after completion (BA, 2014).

<sup>8</sup> Data on LMP expenditure and participants (stock and flows) are collected annually from administrative sources. See: <http://ec.europa.eu/eurostat/web/labour-market/labour-market-policy> [15 Nov. 2015].

<sup>9</sup> The law is entitled Gesetz zur Verbesserung der Eingliederungschancen am Arbeitsmarkt (Law to Improve the Chances of Integration in the Labour Market).

The programmes listed below are general ALMPs run by the BA. They are available at the local employment agencies and jobcentres to every jobseeker, depending on the individual's potential and need for support. Specialized programmes for certain groups are available in addition to the regular programmes: those for young people, for example, range from preventive measures targeting school students to extended internships, with a primary focus on successful placement in apprenticeships. The services also include programmes for jobseekers with disabilities and for occupational rehabilitation.

- *Continuing vocational education and training (Förderung der beruflichen Weiterbildung):* The objective is to improve employability through skills upgrades as well as vocational training leading to a certified qualification. The duration varies depending on the objective and the jobseeker's existing qualifications. The programme includes occupational (re)training which usually takes about two years. Jobseekers are given a voucher and can choose a (certified) training provider. In 2013, this programme had an average duration of 5.4 months and cost a total of €4,600 per participant. Nearly half of the participants (44.9 per cent) who successfully completed the programme were employed six months later.
- *Activation and re-integration interventions (Maßnahmen zur Aktivierung und beruflichen Eingliederung):* These interventions are targeted at jobseekers individually or in groups with the aim of guiding them into training and employment by addressing individual obstacles to placement. They include activation measures, internship programmes and the use of private employment agencies for placement services.<sup>10</sup> Activation measures, e.g. basic job training, can be offered for groups of jobseekers and are often contracted out to training institutions. The local employment agency/jobcentre may purchase a range of interventions of different sizes and objectives. The duration of participation can vary from one week to six months, depending on the objective and the target group. Since 2012, more individual activation measures have also been available. Jobseekers receive a voucher with an agreed activation goal (e.g. personal coaching for labour market orientation) and can search for a certified provider on a database.
- *Short, unpaid internships with an employer:* Jobseekers who find internships may work in this capacity for up to six weeks as a trial for possible future employment. In 2013, these placements had an average duration of 1.6 months and cost an average of €483 per participant. Over a third (37.9 per cent) of participants who successfully completed the programme were employed six months later.
- *Integration subsidies for employers (Eingliederungszuschuss):* Employers can receive subsidies for hiring jobseekers facing obstacles to placement (e.g. long-term unemployment, skills mismatch regarding the job description, disability). The amount and duration of the subsidy will depend on the particular disadvantages the jobseeker has when hired for a specific job. The employer must apply for this subsidy before hiring the jobseeker. The subsidy can be up to 50 per cent of monthly pay and can be granted for up to 12 months. After receiving the subsidy the employer is obliged to keep the former jobseeker in employment for at least the length of time for which subsidies have been paid; otherwise part of the subsidy must be repaid. There are special conditions and higher subsidies for older jobseekers and jobseekers with disabilities. In 2013, integration subsidies were granted for an average duration of 5.2 months and cost an average of €3,000 per participant. Nearly three-quarters (73.3 per cent) of the participants who successfully completed the programme were employed six months later (in part owing to the employer's obligation to retain the former jobseeker, as noted above).
- *Start-up subsidies for jobseekers (Einstiegsgeld / Leistungen zur Förderung von Selbständigen):* Unemployed people planning to start businesses in which they are full-time self-employed are supported under both Books II and III of the Social Code with grants/loans and training. Jobseekers can continue to receive their monthly unemployment benefit for a limited time after becoming full-time self-employed (SGB III: up to six months; SGB II: up to 24 months). Additional grants or loans may

<sup>10</sup>For details, see the section below on "The relationship between private employment agencies and the BA".

be given for material goods needed for the new business. These benefits were granted to about 7,800 jobseekers in 2013.

- *Individual placement budget (Vermittlungsbudget):* This budget covers the jobseeker's costs for seeking or taking up a job. Jobseekers may receive reimbursement for costs of application, travel to job interviews or relocation. The compensation level depends on the actual costs but is subject to a ceiling. In 2013, about 1.7 million jobseekers benefited from reimbursements for their jobsearch costs.

All jobcentres offer a few additional options to their clients. These include public works programmes for jobseekers who are especially detached from the labour market. It is possible for the jobcentres, for example, to sponsor jobs that are additional to those arising from normal market conditions, do not affect competition, and are in the public interest. Those participating in these programmes receive compensation of €1.50 per working hour and additional payments are available to meet, for example, travel or childcare costs. About 74,500 jobseekers participated in such programmes in 2013 at a cost of about €300 million to the BA.

The BA also offers preventive measures. If enterprises have to reduce working hours owing to economic constraints, it may pay a benefit in order to prevent jobs being lost (*Kurzarbeitergeld*, short-time working benefit). Support through skills upgrades is also possible to help employees with lower qualifications to stabilize or even improve their employment situation. A joint Initiative for a Skilled Workforce (*Fachkräfte-Offensive*) launched by the BMAS, the BA and the Federal Ministry of Economic Affairs and Energy aims to better inform employers and employees about trends in the labour market.

In addition to the programmes run by the employment agencies and jobcentres, the BMAS runs further programmes that are often implemented by the jobcentres. Two examples are highlighted here:

- *The Perspektive 50plus programme* targets jobseekers at jobcentres who are over 50 years of age and are predominantly low- or semi-skilled long-

term unemployed. The programme is part of the BMAS's "Initiative 50plus", which encompasses a number of strategies to promote more and better jobs for older workers, targeting enterprises and stakeholders. The main focus of Perspektive 50plus is to reactivate and reintegrate this target group and to raise public awareness of unemployment among older people through the creation of regional employment pacts. This regional cooperation takes a cross-sectoral approach, including labour market, employment, social and health policies. The regional pacts expanded from involving 93 jobcentres in 2005 to 348 in January 2010 and over 400 in 2011. Currently the financing of this initiative amounts to roughly €350 million per year (excluding costs of consulting, monitoring and programme evaluation). During the first phase (2005–07) more than 22,000 people who had been unemployed on average for about four years were integrated into regular jobs. In the second phase (2008–10) the programme succeeded in integrating over 106,000 people into regular jobs. Since January 2011 the programme has been in its third and final phase, which concludes in December 2015.

- *The programme for the reduction of long-term unemployment (Programm zum Abbau von Langzeitarbeitslosigkeit)* is a new ALMP developed by the Government to target the long-term unemployed. Participants must be low-skilled, be at least 35 years of age and have been unemployed for at least two years. The programme's focus is on encouraging employers to register (more) vacancies with the BA and to provide counselling services regarding subsidies or other ALMPs. When a jobseeker has been successfully placed with an employer, he or she is entitled to coaching to help adjust to working life after long-term unemployment. Further job-related training can also be provided through the programme. The programme is intended to reach 33,000 long-term unemployed recipients of unemployment benefit II. The costs of €885 million are covered by the European Social Fund (€470 million) and the budgets for ALMPs through the jobcentres (€415 million). The programme runs from summer 2015 to 2020, and 342 jobcentres are participating. The objective is to place 24,100 long-term unemployed in formal jobs.

## Job-matching, placement and activation strategies

Every registered jobseeker has an assigned personal placement officer with whom regular personal interviews are held. Each interview takes about 30–45 minutes and concerns the jobseeker's current situation, efforts to find a job and offers by the employment agency/jobcentre. Young jobseekers have monthly interviews with their placement officers; for others, the interval between interviews varies between one and six months.

The duties of the jobseeker and the services offered by the placement officer are summarized in an integration agreement (*Eingliederungsvereinbarung*). The agreement is signed by the jobseeker and the placement officer and must be reviewed within three to six months. It also contains legal information on the duties of jobseekers according to the relevant book of the Social Code, as sanctions may apply if these are not fulfilled.

The online component of service provision has become increasingly important, and various nationwide online tools for different target groups are now available. The employment agencies and jobcentres generally provide self-service areas with computers to increase the accessibility of online services and material.

The most important of these online services is the "Jobbörse", the online job and applicant exchange. The employers' service of the BA or employers themselves post job offers, and these can be matched automatically with jobseekers with appropriate qualifications. Information about jobseekers is based on

the profiling undertaken by the placement officers, who collaborate closely with the employers' service.

A variety of linked software tools are in place to enhance the job-matching and placement process. A main database with general information on jobseekers is accessible by staff in the entrance area of the agency or jobcentre, while more detailed information including individual profiles is accessible only to placement officers and in part to staff in the employers' service for the purpose of improving matching.

- **A unified profiling system for employment agencies and jobcentres**

Systematic profiling of jobseekers was implemented in 1998 and applies to all jobseekers regardless of their age. Since 2002 profiling has to be completed by the counsellor on the day the client registers as a jobseeker. When the labour market reform process



began in 2002 the profiling tool in use at the time was criticized as being too rigid and lacking individuality, with too strong a focus on the needs of the jobseeker and the barriers they faced rather than on their strengths and potential. A new and comprehensive profiling tool was accordingly developed and this replaced the older profiling tool in 2009. The new tool is called the 4-Phase Model and was implemented for both books of the Social Code with the aim of delivering:

- better quality and efficiency of services during the integration process;
- an identical working process for both books of the Social Code;
- optimized analysis of each client's strengths and potential;
- scope for alternative and specific strategies defined at the local level.

This tool is based on a software program that helps the placement officer to assign each jobseeker to one of six different profiles by analysing their expected duration of unemployment and the identified actions

needed. In this first phase, the individual's strengths and potential are emphasized, in respect of qualifications, ability and motivation. At this point the jobseeker can specify conditions (e.g. care responsibilities, mobility difficulties). In the second phase, the labour market situation is analysed with all these factors in view leading to the specific occupation in which the client seeks work. On the basis of this analysis, in the third phase the placement officer can select from a range of strategies (e.g. "improve the skills of the jobseeker") and develops an individual implementation road map. This includes a choice of ALMPs. The fourth phase is implementation and follow-up. Through regular contact with the individual customer, the effectiveness of the chosen strategy and ALMPs is constantly checked. Findings flow continuously into the profiling and integration plan.

To further support placement officers in the profiling process, the BA is currently training every officer in an improved counselling concept (*Beratungskonzeption*). This supports a clearer focus on the client's strengths by using better interviewing techniques and helping the placement officer to communicate better and reach agreement with the jobseeker.

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## Performance management

The BA has an extensive performance management system. It is a central aspect of the Agency's management guidelines that goals determine actions, and the BA is driven by the imperatives of effectiveness and efficiency. Client satisfaction (for both jobseekers and employers) is also measured as part of this set of guiding principles.

The current target system includes both quantitative and qualitative targets. The quantitative targets are set in a range of strategic areas, for example jobseekers, employers and youth. Key figures, for instance, include the number and share of job placements and the duration of unemployment. For the employers' service, the number of filled vacancies registered with the service is measured. As the apprenticeship system is of great importance, the proportion of registered young people starting apprenticeships is another key figure. Qualitative targets were added recently to gain a better appreciation of the sustainability of integrations, especially for those jobseekers who are detached from the labour market (e.g. the long-term unemployed).

- **Target agreements at all management levels with local goals**

Performance management is an integral component of the work of the BA, including monthly performance reports and regular performance dialogues at every management level. Target agreements with monthly and annual objectives usually exist at each management level and play an important role in individual performance evaluations.

Detailed information on the indicators is made available from headquarters to each local office and its teams

at monthly intervals as the basis for performance management. This includes benchmarking and a classification system for jobcentres and employment agencies to make outcomes more comparable. The classification system takes into account regional conditions and other disparities.

On the basis of a bottom-up process of strategic planning, the local employment agencies and jobcentres are asked each year to make a projection for the next year's targets. This includes an analysis of the local labour market and the qualitative and quantitative structure of the population of jobseekers. Every employment agency and jobcentre publishes an annual integration and labour market programme in which the local strategic approaches and targets are summarized; this is made available online to the public.

- **Measuring the effectiveness of ALMPs**

Every year, the BA publishes a report on integrations related to the use of ALMPs (*Eingliederungsbericht*). The performance of the various programmes is

measured mainly by the indicator showing the rate of integrations among participants who have successfully completed the programme (*Eingliederungsquoten*). The rate shows how many of these participants are in employment (subject to social insurance contributions) exactly six months after the end of the intervention.

In addition, a project called Treatment Effects and Prediction (TrEffeR) was initiated in 2004 to analyse the effectiveness of ALMPs by compiling a databank with retrospective data. Developed by the BA in collaboration with the IAB and the Statistics Department of Harvard University, it compares a representative group of non-participants with participants for each programme. Its objective is to provide regular and specific data to inform decisions on the use of specific programmes for a target group. It provides opportunities to compare effects for certain age groups, participants with different educational levels or different profiling groups. Like the integration rate mentioned above, the TrEffeR tool shows the percentage of participants in employment (subject to social insurance contributions) exactly six months after completing a programme, in comparison to the representative group of non-participants.

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## The relationship between private employment agencies and the BA

The BA had a monopoly on placement services until 1994, when the Court of Justice of the European Union ruled that this was not in compliance with European laws on free competition.<sup>11</sup>

Three types of private employment agencies exist in Germany (Eichhorst, 2013). Private recruitment agencies mainly serve certain target groups (e.g. artists; high-skilled executives) and are not commonly used. Private employment agencies providing subsidized placement services operate through a voucher system as part of the BA's active labour market programmes. Temporary work agencies employ workers and make them available to a third party, which assigns their tasks and supervises the execution of these tasks.

Private employment agencies and temporary work agencies can publish their job offers in the BA's job database, but it must be clear to the jobseeker that a third party is involved.

- **Subsidized placement services**

Jobseekers have been entitled to use licensed subsidized placement services free of charge since 2002, when the labour market was opened to private

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<sup>11</sup> Judgment of the Court (Sixth Chamber) of 23 April 1991. Klaus Höfner and Fritz Elser v. Macrotron GmbH. Reference for a preliminary ruling: Oberlandesgericht München – Germany. (1991) Case C-41/90, [1991] ECR I-1979.

employment agencies to improve labour market outcomes. A voucher system has been introduced for this purpose: jobseekers can use the voucher to enter into a contract with a subsidized placement service.

The conditions of the voucher have changed since the system was first introduced, but the voucher itself has been continuously available to jobseekers since that time. For beneficiaries of unemployment benefit I the voucher is available only after six weeks of unemployment. This limitation does not apply for beneficiaries of unemployment benefit II. In all cases the voucher is time-limited, usually to between three and six months. For a successful placement the private employment agency is paid a fee of €2,000 (which may be increased to €2,500 for the placement of long-term unemployed jobseekers with disabilities). In order to achieve a sustainable job placement the fee is paid to the private employment agency in two instalments, the first instalment of €1,000 after six weeks of employment and the second after six months of employment. Since 2012, subsidized placement services that want to use the voucher system must be licensed by a certification authority.<sup>12</sup>

BA statistics show that vouchers are often handed out but rarely cashed. In 2014, for example, 283,959 vouchers were handed out but only 29,676 were presented for payment of the first instalment (BA, 2015c).

- **Temporary work agencies**

Temporary work agencies (TWA) are regulated by the temporary work statute (*Arbeitnehmerüber-*

*lassungsgesetz, AÜG*) of 1972. This measure was amended as part of the reforms of 2003 and again in 2011. According to paragraph 17 of the AÜG, the BA is responsible for the implementation of the statute. Each TWA must apply for a licence from the BA, which charges an annual operating fee. The BA and the department monitoring illegal employment (*Finanzkontrolle Schwarzarbeit der Zollverwaltung*) are in charge of controlling temporary work agencies and are responsible for imposing sanctions for infractions. The Federal Government publishes regular reports on the operation of the temporary work statute; the 12th report covers the period 2009–12 (Bundestag, 2013).

Temporary agency work increased after the labour market reform of 2003–05. The number of workers employed through this route rose from about 282,000 in 2005 to about 825,000 in December 2014. Between 2010 and mid-2015, an average of about 2.5 per cent of employees worked through temporary work agencies. In accordance with the EU Directive on Temporary Agency Work (2008/104/EC), these workers are guaranteed a minimum level of effective protection, while allowing flexibility for employers and workers. Nonetheless, their pay is mostly lower than the average pay for the corresponding sector, and turnover is high, with about half of employment contracts ending after less than three months. Temporary work agencies can be a stepping stone enabling jobseekers to enter the labour market: between April 2013 and April 2014, for example, 405,000 jobseekers ended a period of unemployment by finding work through temporary work agencies. More than half of them were still employed 6–12 months after that (BA, 2015b).

<sup>12</sup> The act making this stipulation is the Accreditation and Licensing Act for Employment Promotion of 2012 (*Verordnung über die Voraussetzungen und das Verfahren zur Akkreditierung von fachkundigen Stellen und zur Zulassung von Trägern und Maßnahmen der Arbeitsförderung nach dem Dritten Buch Sozialgesetzbuch (Akkreditierungs- und Zulassungsverordnung Arbeitsförderung - AZAV)*).

## ANNEX I

## MILESTONES IN THE INSTITUTIONAL EVOLUTION OF PUBLIC EMPLOYMENT SERVICES IN GERMANY

1927	Creation of the Imperial Institute for Labour Exchange and Unemployment Insurance ( <i>Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung</i> ) as an independent, self-governing body
1954	Employment Service Convention, 1948 (No. 88), ratified Fee-Charging Employment Agencies Convention (Revised), 1949 (No. 96), ratified
1969	Employment Promotion Law ( <i>Arbeitsförderungsgesetz</i> , AFG) renamed the PES as the Federal Employment Office ( <i>Bundesanstalt für Arbeit</i> ). Emphasis placed on the provision of a quantitative and qualitative balance of supply and demand on the labour market. In addition to vocational guidance, job placement and unemployment insurance, the employment agencies were made responsible for the promotion of vocational education
1992	Fee-Charging Employment Agencies Convention (Revised), 1949 (No. 96), denounced
1998	Introduction of Book III of the Social Code (SGB III), incorporating employment promotion and replacing the Employment Promotion Law. Shift towards expectation that jobseekers and employers take more responsibility for outcomes. Allocation of labour market policy funds strongly decentralized
2002	Job-AQTIV Act ( <i>Job-AQTIV-Gesetz</i> ) consolidates the previous regulations under SGB III. For the first time, jobseekers are entitled to employ a private agent using a placement voucher ( <i>Vermittlungsgutschein</i> ). The number of placement agents in the PES was also further increased
2003	Commission for Modern Services on the Labour Market ( <i>Kommission Moderne Dienstleistungen am Arbeitsmarkt</i> , Hartz Commission) created to make the German labour market more effective and labour administration more efficient. The final report was presented after two months and four laws were subsequently created, the first three of which came into force in 2003
2005	The largest social reform of the Federal Republic came into effect on 1 January with the coming into force of the fourth law (Hartz IV). Unemployment assistance and social welfare benefits combined in a basic benefit for jobseekers administered jointly by the employment agencies and municipalities. The Federal Employment Agency continues to be responsible for beneficiaries of the unemployment insurance system
2010	German constitution changed (art. 91e) to formally allow the joint administration of basic unemployment benefit by employment agencies and municipalities. The Federal Constitutional Court had declared this unconstitutional in 2007

## ANNEX II

## UNEMPLOYMENT BENEFITS IN GERMANY SINCE 2005

Unemployment benefit I

To receive unemployment benefit I (*Arbeitslosengeld I*) under Book III of the Social Code an individual must be unemployed, must have completed the qualifying period and must have registered as unemployed in person. Unemployment benefit I is an insurance-based, income-related benefit and is paid for a limited time depending on the qualifying period, usually 12 months after a qualifying period of at least 24 months, although special regulations apply for older jobseekers, for whom benefits may be paid for up to 24 months. The level of benefit is about 60 per cent of most recent net income.

Unemployment benefit II

Individuals who remain unemployed at the expiry of the payment period for unemployment benefit I, or who have not completed the qualifying period for the insurance-based benefit, can apply for unemployment benefit II (*Arbeitslosengeld II*) under Book II of the Social Code. All persons capable of working at least three hours daily and eligible for benefits can receive this benefit from the age of 15 years until the legally stipulated retirement age. Unemployment benefit II is designed to secure a livelihood. Nobody who possesses utilizable assets to a value exceeding a set amount is entitled to this benefit. The benefit is tax-based and can be received for an unlimited duration so long as the individual is actively seeking work. The level of benefit to which the individual is entitled is determined under the relevant legislation as the so-called "normal requirement" (*Regelbedarf*). The "normal requirement" depends on the structure of the so-called "benefit community" (*Bedarfsgemeinschaft*), which consists of a least one person capable of work and eligible for benefits, his/her partner, and the unmarried children under 25 years living in the household. Persons in these households not capable of working (e.g. children) receive social allowance (*Sozialgeld*).

Unemployment benefit II is currently €391 a month for a single person. The costs of rent and heating are covered additionally if appropriate according to regional legal guidelines.

### Additional information

- If unemployment benefit I is insufficient to secure a livelihood owing to low former income, unemployment benefit II may be paid in addition up to the legally defined "normal requirement".
- Unemployment benefit II can also be received in addition to an income if that income is insufficient to secure the livelihood of the household.

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