Employment policy implementation mechanisms in the European Union, the United Kingdom and Germany

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Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on Social Justice for a Fair Globalization,\(^1\) and which has now been widely adopted by the international community.


The Employment Policy Department (EMPLOYMENT) is fully engaged in global advocacy and in supporting countries placing more and better jobs at the centre of economic and social policies and of inclusive growth and development strategies.

Policy research, knowledge generation and dissemination is an essential component of the Employment Policy Department’s action. The publications include books, monographs, working papers, country policy reviews and policy briefs.\(^2\)

The Employment Policy Working Papers series is designed to disseminate the main findings of research initiatives on a broad range of topics undertaken by the various branches, units and teams in the Department. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

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\(^2\) See http://www.ilo.org/employment.
Foreword

Job creation is a priority for all countries. Yet satisfactory job creation is an uphill battle because today’s economic environment and policy circumstances are not necessarily aiding this collective effort. Employment challenges have been mounting, but policymakers are faced with limited, and even reduced, fiscal resources. It means that policy interventions for job creation need to be highly effective.

The ILO assists member states to formulate national employment policies (NEPs) as established in the Employment Policy Convention, 1964 (No.122). For the years 2012-2013 alone, 73 requests for technical assistance by countries seeking advice on and support for the formulation of their national employment policies have been received. This is why the Employment Policy Department is developing a series of tools that will guide and support ILO constituents in prioritizing policies based on informed choices and consultations.

As an independent evaluation in 2012 of the ILO’s work on employment policy has pointed out, such NEPs, however well-formulated and well-designed, can remain as abstract entities unless the necessary institutional arrangements are put in place to ensure their timely and effective implementation. This needs to be complemented by coordination, monitoring and evaluation mechanisms to adapt them to changing economic circumstances.

In the light of these concerns, the ILO, with support from technical cooperation funds secured under the ILO-Korean Government Partnership Programme launched a cross-country project entitled “Comparative analysis of employment policy implementation mechanisms across countries” in the first quarter of 2013. The following countries and region are covered by the project: Argentina, Bosnia and Herzegovina, Burkina Faso, Brazil, China, Republic of Korea, South Africa and the European Union (EU) including two of its member states, the United Kingdom and Germany.

This paper discusses the employment policy mechanisms in the EU and the United Kingdom and Germany. It is organized in six sections. The first two sections introduce the welfare and policy changes and their impacts on employment policy implementation mechanisms, and the methodologies used in the study to analyse employment policy implementation mechanisms in the EU, Germany and UK. The third section describes how employment policies in the EU are implemented by several special mechanisms with incomplete systems and institutional barriers. The fourth and fifth sections review employment policies and implementation mechanisms in the UK and Germany respectively, and their links with those of the EU. The concluding section distils lessons learned that may be considered by policymakers when formulating and implementing employment policies.

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1 Welfare and Employment in the European Union

Recent decades have seen changes in welfare state paradigms and in the governance of social policies in many European countries. Changes in governance have been associated with strategies to cope with societal and economic changes (van Berkel and Borghi, 2007). It has been argued that changes in welfare state paradigms are the result of various challenges such as economic globalization, demographic and labour market changes, processes of differentiation and personalization, and reduced government expenditure (van Berkel and Moller, 2002; Taylor-Gooby et al., 2004). The recent crisis, which, it can be argued, has developed from a financial crisis into an economic and fiscal crisis, has introduced a new element of necessity or opportunity to employment and labour market policy change and reform. There are a number of similarities concerning the reforms countries have taken. However, although commonalities can be observed, the goals, actors, instruments, and mechanisms of these reforms are varied.

Programmatic and governance reforms have been observed, for example, in the operation of labour market policies and benefits systems, and also in the structures and administration for coordinating, monitoring and support systems in employment policies. In relation to changes in employment policy instruments, active labour market policies seemed to have gained in importance while passive policies have, to differing degrees, experienced changes and often a greater link between these two has been observed (Cazes et al., 2009). The ‘activation approach’ to social policies that can be seen in many countries has five distinct characteristics: redefinition of social issues as lack of participation in the labour market rather than lack of income; a greater emphasis on individual responsibilities and obligations; enlarged target groups; integration of income protection and labour market activation programmes; and individualization of social interventions (van Berkel and Borghi, 2007, p. 278). Underpinning this, benefits systems have often undergone some sort of restructuring either in duration, financial support, beneficiary group, and/or conditionality of receipt.

From a broader perspective, this shift to an “activation approach” in a number of EU Member States can be interpreted as a stronger focus on national supply side labour market policies against the backdrop of EU macroeconomic policies. The demand-side of employment is somehow less addressed at the national level during the last reform processes, which might be caused by the incomplete communitarization of the respective policy fields (macroeconomics, employment and social policies). However, this entails a risk of a lack of policy coherence between demand and supply-side employment policies. Furthermore, at European level, despite the absence of legislative power in social and employment policies, the EU has developed a comprehensive framework of employment policy measures to be implemented by the Member States via so-called ‘soft governance tools’. How do national policy implementation systems deal with the challenge of employment policies at the crossroads between EU macroeconomic coordination, EU ‘soft’ employment policies and national labour market policies?

This section sets out to analyse EU employment policy implementation mechanisms in the context of a broader EU macro-economic framework. Furthermore, it seeks to analyse the national employment policy implementation systems of two Member States, namely Germany and the UK, and their adaptation of EU policies. Three implementation subsystems in the EU, the UK and Germany will be the subject of special focus: the coordination, accountability and support systems. What are the strengths and weaknesses of these subsystems? To what extent are they able to implement effectively both EU and national policies? The study also considers the future development of policy implementation mechanisms and concludes by highlighting successful experiences and lessons learnt.
2 Design and Methods

This section analyses the employment policy implementation mechanisms of the European Union, the United Kingdom and Germany. Of special interest are the employment policy coordination, accountability and support systems. However, since governance systems are closely entangled with the policy programmes, and the instruments which are used rely on the objectives of a policy, these three subsystems cannot be analysed without taking into account labour market instruments and the benefit systems. Nevertheless, the focus will not be to analyse the policies in terms of their political and societal outcomes. An effective and ‘good’ governance model might be able to implement ‘bad’ policies and vice versa. After all, the notions of ‘good’ and ‘bad’ with regard to a policy (outcome) would require a predefined political model.

As a first step, this section, therefore, offers a description of the programmatic dimensions of European employment policies, before illustrating the governance dimension and analysing its impact and efficiency. A similar approach is followed for the UK and Germany, describing the benefit systems, which are closely related to the governance systems, as well as the labour market instruments. Afterwards, the coordination, accountability and support systems and their performance in the crisis are analysed. The study closes with a comparative discussion of employment policy implementation mechanisms in the EU, the UK and Germany.

The study is based on a review of the literature, as well as intensive documentary analysis and qualitative expert interviews with stakeholders at national and local level. Interviews were to a large extent conducted in the LOCALISE and COPE projects funded by the European Union in the Seventh Framework Programme. Interview partners were chosen according to their knowledge in the field: representatives of national, devolved and local government, public employment services, voluntary sector organizations, social partners and other relevant organizations. The interviewing technique adopted was the so-called positional method (Denzin and Lincoln 2005) and the interviews were mostly analysed using a form of qualitative content analysis (Mayring 2003). Due to confidentiality issues, quotes are anonymized. The document analysis includes the study of regulations, position papers, communications, laws, organizational charts, websites, etc.

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3 See www.localise-research.eu and www.cope-research.eu.
3 European Union

As outlined above, a shift towards increasing employment rates and activating labour market policies has taken place in the majority of European countries. Since the European Union has become a closely interrelated system, and its regulations, directives, and recommendations affect all policy areas of Member States, national employment policies can only be studied in the context of the EU. At European level, employment is nowadays one of the main issues in policy making. Against the backdrop of increasing unemployment in the current crisis, high employment rates as well as social inclusion in a broader sense, are highly relevant policy aims. The European Union sets key priorities for employment policies fully embedded in a broader economic context and provides detailed guidelines for Member States’ policy making. This leads to highly integrated coordination, accountability and support systems of EU social and employment policies. Taking into account these peculiarities, the following subsections describe, analyse and draw the lessons of European employment policies, focusing on the Europe2020 strategy.

3.1 Europe2020 and the European Semester

In 2010, the European Union launched its growth strategy for the decade 2010-2020. Europe 2020. Following the path of its predecessor, the Lisbon Strategy, Europe2020 implemented further steps towards more coordinated and integrated EU policies, focusing on economic growth. In this context, employment has become one of the key priorities. In the framework of the Lisbon Strategy, employment policies have been linked closely to other policy fields, such as social policies. Europe2020 (and the European Semester, see below) goes beyond this and has integrated all dimensions of European policies in tackling employment and labour market issues. We will focus our analysis, therefore, on the employment aspects of this current EU strategy.

3.1.1 The Programmatic Dimension

Although it often seems that European employment policies have only existed since the initiation of the European Employments Strategy (EES) in 1997, efforts towards social cohesion and better labour market conditions in Europe have been taken place since the very beginning of European integration, as Figure 1 shows.

Figure 1 European employment policies in the framework of the European integration process

Source: own elaboration
Since the setting of the Lisbon Strategy, all former EU employment policies have been bundled under one umbrella, focusing mainly on economic growth. While the Lisbon Strategy mostly coupled economic, social, ecological, and employment issues, the Europe 2020 strategy supports these efforts by providing more detailed aims. At the core of Europe2020 are five key targets: employment; education; research and innovation; social inclusion and poverty reduction; and climate/energy (cf. European Commission 2010). Europe 2020 seeks to align Member States’ budgets and economic policies in order to ensure the implementation of these key targets. The implementation of the Europe2020 strategy follows, in the framework of the European Semester (see below), a set of priorities defined in the Annual Growth Survey. The Annual Growth Survey, produced by the European Commission, is primarily focused on alignment of budgetary and economic policies in the Member States. Promoting growth and competitiveness, as well as tackling unemployment and the social consequences of the crisis, are currently two of the key priorities of the Annual Growth Survey (cf. European Commission 2013). Employment is fully integrated in this broad framework of EU economic policies. As Figure 2 shows, all main EU employment policy tools developed during recent decades are now integrated into the Europe2020 framework (and before that, in the Lisbon Strategy).

![Figure 2: European Employment Policies in the Context of Europe2020](image)

Although economic growth has been closely linked to demand-side employment policies, with special focus on job creation, and labour demand is observable both in the Lisbon Strategy and the Europe2020 strategy, these priorities have been reinforced in the context of the Employment Package, 2012. Wage policies, labour tax reductions, job creation conditions e.g. in the ‘green economy’, labour market flexibility measures and other macro-policies are now explicitly part of EU employment policies. Furthermore, they are more closely linked to the supply side measures which have predominated since the introduction of the European Employment Strategy (1997).
The most relevant employment policy mechanism is in the Employment Guidelines, which set out EU employment priorities and targets for Member States’ policies (for the governance of the Employment Guidelines and other mechanisms, see below). From the outset, these Guidelines were primarily intended as a framework for the employment policies of the Member States, although they also had a certain, albeit minor, stand-alone position in the context of EU policies and, more broadly, in the Lisbon Strategy, Europe2020 and the European Semester.

The Employment Guidelines contain detailed descriptions of priorities and targets, partly underlined by concrete targets (e.g. ‘to raise the employment rate for women and men aged 20-64 to 75% by 2020’ European Council 2010). The main priorities, summarizing the EU employment targets, are:

- Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality
- Developing a skilled workforce responding to labour market needs and promoting lifelong learning
- Improving the quality and performance of education and training systems at all levels and increasing participation in voluntary or equivalent education
- Promoting social inclusion and combating poverty (European Council 2010)

The Employment Guidelines are not binding on the Member States. Moreover, although they provide clear priorities, they are far from being a concrete policy programme. Nevertheless, against the backdrop of this broader framework of employment priorities (formulated in 2010 for the complete decade), a detailed annual process of interaction between European bodies and Member States’ governments, takes place. The Employment Guidelines are integrated in the broader Economic Guidelines proposed by the Commission and approved by the European Council on the basis of the Annual Growth Survey. Together they form the Europe2020 Integrated Guidelines. The common EU priorities and targets for national employment policies formulated in the Employment Guidelines are introduced in country specific recommendations. Member States follow these guidelines when developing their National Reform Programmes (NRP), which have to be in line with the Europe2020 targets. Employment Guidelines, NRPs and the Annual Growth Survey are crucial elements of a comprehensive accountability system, described below. Measures underlining and fostering these priorities are financed, primarily via the European Social Fund (see below, support system).

Although EU employment policies are integrated in social and economic policies, one highly relevant dimension is still missing: unemployment protection and social security. Although some progress has been made in coordinating Member States’ social security regimes, the European Union is still a long way from having a joint scheme. This includes the lack of an unemployment protection scheme linked to active labour market measures. Furthermore, the European Union has never had and still does not have any legislative powers in the core fields of employment policies, especially active labour market policies or social policies in a broader context, such as social insurance. On the pathway to European Integration, Member States did not agree on harmonizing these policies. This begs the question whether EU employment policies are a toothless tiger, unable to fulfil their ambitious aims. In order to answer this question, the next subsection discusses the governance dimension of EU employment policies. In particular, the organization of employment policy coordination is of great interest, since it seeks to establish a European framework in a policy field where the EU has no legislative powers.

3.1.2 The Governance Dimension

As indicated above, the EU has no legislative powers in employment policies: here, the responsibility remains at the Member States’ level. How can we then talk about
European employment policies if there is no power to develop and, especially, implement them? The answer must be to embed EU employment policies in the framework of European governance strategies as a whole. For decades, European integration has been characterized by increasing regulatory powers of EU bodies in several policy areas. However, this did not spill over into social and employment policies. Nevertheless, the European Commission, in particular, has called for action and, in 1993, launched the White Paper on *Growth, Competitiveness and Employment* (see above). With regard to the governance dimension, the White Paper sets out an important starting point for so-called soft governance instruments (cf. Lopez-Santana 2009) by introducing an employment monitoring system. In 1997, the European Employment Strategy was launched and followed this path towards soft governance by integrating the Open Method of Coordination (OMC) into EU employment policies. The OMC was established to achieve integration, coordination and alignment among the Member States in policy fields without European legislative powers and established a comprehensive accountability system (see below). However, as several studies show (Heidenreich and Zeitlin, 2007; Jacobsson and Vifell, 2007; and Lopez-Santana, 2009), the impact of the OMC employment policies has remained limited.

Nevertheless, the above-mentioned EU strategies (Lisbon Strategy and Europe2020) did not only bundle together policy programmes from different policy fields, but also their governance tools. In order to implement the policy aims effectively and integrate implementation in a broader economic context, the European Semester, an annual cycle of economic policy coordination, has been set up. In broad terms, the European Semester incorporates all existing employment policy instruments. These instruments are still based on the soft governance tools developed mainly in the framework of the OMC: annual planning (national reform programmes), reporting (Joint Employment Report, Annual Growth Survey), supervision, evaluation and benchmarking (country-specific recommendations). The following subsections describe these different organizational aspects of European employment policies and analyse the coordination, accountability and support systems.

**Coordination System**

Since the EU has no legislative powers in the field of employment policies, policy coordination does not take place under the ordinary legislative procedure\(^4\). However, the whole European Semester process can be interpreted as a policy coordination system. The European Semester is a yearly cycle of policy alignment, fostering the macroeconomic coordination of Member States’ policies alongside the key targets of Europe2020. Although several of the coordination tools already existed before the launch of the European Semester (monitoring, guidelines, reports, etc.), the implementation of Europe2020 falls within a much stronger framework than hitherto. Strategic planning at European level is heavily reinforced and better embedded in the monitoring process. Furthermore, the country-specific recommendations and their implementation are closely linked to budgetary planning processes and general policy formulation at national level.

The European Semester follows a strictly defined annual procedure. All relevant EU bodies and the Member States are involved in this implementation process, as Figure 3 shows.

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\(^4\) In related issues such as anti-discrimination or occupational safety, the ‘standard procedure’ for EU policy making – the ordinary legislative procedure (cf. Figure 23 in the annex) – is applied. The European Commission plays the most relevant role in this process. The Commission is responsible for providing proposed legislation proposals (on own initiative or at the request by other actors) to the European Parliament – elected by EU citizens – and the Council of the European Union (EU Council), an assembly of member states’ ministers. The usual policy-making procedure with first, second or third reading starts (if necessary, with conciliation until the draft law is adopted or rejected. In the case of decisions in the field of social and employment policies, the procedure requires position statements from the Committee of Regions and the Economic and Social Committee.
Employment policy coordination takes place in the framework of the European Semester, in which the European Commission plays a key role, both in the formulation and the implementation process. It elaborates and launches the Annual Growth Survey, proposes the Employment Guidelines, issues country-specific recommendations on employment policies (on the basis of the Annual Growth Survey in line with the Europe 2020 targets) and analyses national reform programmes submitted to it. The European Commission is the de facto policy-making body in the EU and the ‘engine’ of the European integration and policy-making process. It is structured in 33 departments or directorates general (DGs), most of them concerned with different policy fields such as trade, environment, justice, and mobility and transport. The Directorate General for Employment, Social Affairs and Inclusion (DG EMPL) is responsible for employment, free movement of workers, labour conditions and social inclusion and is a highly relevant department, since employment in the context of economic growth has become one of the key features of the European discourse. DG Employment formulates policy aims and targets under the overall priorities of the European Council and in the context of the policy formulation process. In addition, it has executive tasks: it monitors the reporting and coordination processes (see accountability system) and is responsible for administration of the European Social Fund (ESF), a highly important financing instrument (see support system). It is therefore in direct contact with Member States at national and regional level. Besides policy development and execution, the European Commission has two additional tasks: application and implementation of EU treaties and representation of the EU in international organizations.

The Directorate General for Economic and Financial Affairs (DG ECFIN) is responsible for the EU’s macroeconomic policies, focusing on sustainable growth and also, therefore, the demand side of employment policies. In this respect, labour market developments, wage and unit labour costs and tax and benefit systems are at the core of the DG’s tasks. However, although the European Semester provides an integrated perspective of the demand and the supply side of employment, these two dimensions still seem to be decoupled in policy formulation and implementation. Primary research would be necessary to provide an in-depth analysis of the character of cooperation between the Directorates General.
Figure 3  European Semester

Who does what in the European Semester?

Now
Preparatory phase
ANALYSIS OF THE SITUATION
and follow up to the previous year

Jan
Phase 01
POLICY GUIDANCE
at the EU level

Feb
Council of the EU
studies the AEG and
adopts conclusions

Mar
Phase 02
COUNTRY-SPECIFIC
objectives, policies and plans

May
Member states
outline their specific objectives,
priorities and plans

Jun
Council of the EU
agrees on final
country-specific
recommendations

European Commission
drafts country-specific
recommendations

European Council
(heads of state or
government) provides
policy orientations

European Parliament
provides opinions on
employment guidelines

Alert Mechanism
Report

In-depth reviews of
countries with potential
macroeconomic imbalances

Budgetary and
structural policies

Annual Growth
Survey (AEG)

European Commission
does the analysis

Macroeconomic
imbalance

Jun
European Council
endorses them

Council of the EU
adopts them

Member states
take into account the
recommendations in the process
of national decision-making on
the next year’s national budget

A new cycle starts again towards the end of the year, when the Commission gives an overview of the economic situation in its Annual Growth Survey for the coming year.

Council of the European Union
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Other EU institutions are also involved in the policy coordination process in the framework of the European Semester. The European Parliament, the Council of the EU and the European Council are involved in the formulation of the specific guidelines and recommendations. However, this formulation process cannot be compared to the above-mentioned ‘ordinary legislation procedure’, since their tasks do not involve the drafting of laws or regulations, but aim at formulating key priorities, guidelines and recommendations. More specifically, the different EU bodies have certain tasks in the coordination of EU employment policies:

- The EU Council (formerly Council of the European Union) should not be confused with the European Council (assembly of heads of Member States) or the Council of Europe (not an EU body). It is a body where national ministers from each EU country meet to adopt laws and coordinate policies. Together with the European Commission, it is one of the main policy making bodies. Four times a year, the national ministers responsible for employment, social protection, consumer protection, health and equal opportunities meet in the Employment, Social Policy, Health and Consumer Affairs Council ((EPSCO). In the framework of the European Semester, they study and discuss the Annual Growth Survey and, subsequently, the country-specific recommendations, and adopt conclusions within the scope of their powers.

- The European Parliament is directly elected by European citizens and, together with the EU Council, is the main law-making institution, (ordinary legislative procedure) in harmonized policy fields. However, in employment policies, its role is limited to commenting on the Employment Guidelines and the country-specific recommendations, which means that the Parliament is only marginally involved in the policy coordination process.

- The European Council is the assembly of the heads of state or government of the Member States. It is only involved in the employment policy coordination process, when it comes to the formal adoption of the country-specific recommendations. Furthermore, it provides general policy orientations to be taken into account in the implementation of the European Semester.

- The European Economic and Social Committee (EESC) is a consultative assembly, consisting of representatives of employers, workers and other interest groups. It gives formal advice on proposed EU legislation. The relevance of this advisory body has increased due to the importance of social and employment issues at European level. In the context of Europe2020, an EESC-Europe2020 Steering Committee has been set up to link EESC activities more closely to the Europe2020 agenda. The EESC is not directly involved in the European Semester but acts in its role as formal advisor.

- The Committee of the Regions (CoR) has the same role as the Economic and Social Committee: advising in the legislative process and as well in the European Semester. The CoR represents local and regional authorities in the European Union. Via a Europe2020 Monitoring Platform, the sub-national actors are more closely involved in the implementation process.
Figure 4 below illustrates the role of the different EU bodies in the coordination of employment policies in the framework of the European Semester.

**Accountability System**

The main accountability instruments of European employment policies are based on the above mentioned soft governance tools: reporting, monitoring, benchmarking, evaluation, etc. As outlined above, the majority of these tools were already installed in employment policies with the launch of the European Employment Strategy in 1997. Nowadays, all existing instruments are integrated in the European Semester policy coordination process, as described above.

These tools are all oriented towards the main programmatic employment mechanism, the EU Employment Guidelines (see above), which entail the key priorities of EU employment policies. The following specific accountability instruments can be identified: the Annual Growth Survey as an annual working plan at EU level, quantitative monitoring of key indicators, country-specific recommendations, supervision, evaluation and adjustment, the national reform programmes and annual planning and reporting at the level of Member States. Figure 5 below summarizes these accountability tools.
The Annual Growth Survey is the basis for the annual cycle of the coordination process. It is prepared by the European Commission and covers five key priorities focusing on growth and jobs:

- pursuing differentiated, growth-friendly fiscal consolidation;
- restoring lending to the economy;
- promoting growth and competitiveness for today and tomorrow;
- tackling unemployment and the social consequences of the crisis;
- modernizing public administration.

The Annual Growth Survey is therefore an overall annual work plan at the European level, formulating policy priorities to be implemented. It launches the European Semester process and is a basis for a common policy understanding. The employment dimension is outlined in more detail in an annex to the Survey: the Joint Employment Report (European Commission 2012a). On the basis of this overall policy document, further accountability measures are installed in the framework of the European Semester. Among them are the national reform programmes, which are de facto annual work plans for each Member State, necessarily in line with the Europe 2020 targets and the Annual Growth Survey priorities. Each Member State produces an annual National Reform Programme (NRP), afterwards analysed by the Commission, which is responsible for the monitoring process. On the basis of these NRPs, the Commission produces country-specific recommendations. These recommendations refer to measures a country should adopt in the next 12 months, e.g. the UK should “continue to improve the employability of young people, in particular those not in education, employment or training, including by using the Youth Contract” (EU Council 2012). They are based on key areas, which serve as basis for a monitoring and benchmarking process. Clearly defined benchmarks are provided in this context, and Member States’ performance is compared against these benchmarks. Eight quantitative headline indicators measure the performance in relation to the Europe 2020 goals (Eurostat 2013).
In each of the above-mentioned key areas of the Annual Growth Survey, the monitoring is based on a set of key indicators. In the field of labour market, education and social policies, 17 sub-themes with specific indicators are listed (European Commission 2013b). Within each of these sub-themes, key statistical indicators are formulated. Labour market participation of women, for example, is measured in employment rates by gender in different cohorts or the impact of parenthood on employment and children cared for by formal arrangements. Some further indicators are measured.

A European employment financing system exists to a certain extent due to the European Social Fund (ESF), together with financing tools such as PROGRESS. The European Social Fund provides funds for national and mainly sub-national initiatives fostering employment and social cohesion in the Member States. Funds are distributed according to economic and social conditions of the regions in the European Union. Its implementation is based on operational programmes (OP), produced by mainly regional (and to some extent national) public authorities in close cooperation with social partners and other relevant stakeholders working closely with the European Commission, which has to approve them. The Funds are organized in funding periods of several years (the current period is 2007-2013), and the operational programmes cover the complete period. They provide the priorities and implementation strategies of the regions, which need to be oriented towards the funding principles of the ESF. These funding principles are closely linked to the priorities and benchmarks of the Europe2020 strategy. This is even more the case for the EU funding period 2014-2020, where a Common Strategic Framework will translate the Europe 2020 targets into funding priorities in the framework of the different funds. The ESF focuses in this context on four thematic objectives:

- promoting employment and supporting labour mobility;
- promoting social inclusion and combating poverty;
- investing in education, skills and lifelong learning; and
- enhancing institutional capacity and an efficient public administration. (European Commission 2012b)

The ESF implementation process is monitored by a complex evaluation system closely linked to the reporting process in the framework of the national reform programmes.

Although the European Social Fund has become one of the main financial instruments of the EU, it cannot be characterized as a fully-fledged financial framework for European employment policies but rather more a supporting instrument (see below). As already outlined, the lack of an EU social security regime with the opportunity to implement labour market instruments via the unemployment protection scheme is one of the main barriers for EU employment policies.

To sum up, we can identify a highly specialized accountability system in EU employment policies: annual work plans at European and national level, a comprehensive reporting system, statistical monitoring and benchmarking, as well as supervision and adjustment (for a good illustration of the functioning in practice of these accountability measures, see sub-section 3.1.2). Several of these instruments had already been established before Europe2020 and the European Semester, but were stand-alone. While the programmatic strategy underlying Europe 2020 sought to aim EU policies towards the main goal of growth (and jobs), the European Semester brings together existing accountability measures from different policy areas into a single process, well-embedded in a strict timeline (see Figure 28). However, whether the European Semester can successfully

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5 PROGRESS is a financial instrument directly targeted on the implementation and coordination of EU policies in the fields of employment, social security, occupational safety, anti-discrimination and gender equality. It mainly focuses on the financial support of public authorities’ (or third sector and NGOs) initiatives following the strategic objectives of Europe2020.
coordinate EU employment policies is still an open question. In particular, embedding employment policies in a broader context of fiscal and economic policies might have been a very effective step. Nevertheless, the highly developed accountability system is only one side of the coin: the EU does not have its own financing system for employment policies. Due to this fact and the lack of legislative powers, the EU is not able to implement its own labour market instruments via hard law but has to rely, on very comprehensive accountability measures to enforce compliance via peer pressure, and on redistributive policies involving financial incentives (ESF).

**Support system**

The European Union does not have its own employment policy support system. It relies entirely on Member States’ systems when it comes to policy delivery and data gathering in relation to labour market issues. These national systems still differ widely. As outlined above, the EU’s lack of decision-making power, its own social security regime and a fully-fledged financing system is a major barrier to closer coordination in this field.

Nevertheless, when it comes to the delivery of EU employment instruments, the European Social Fund may be regarded as the main supporting element. As mentioned above, the role of the EU Regional and Cohesion Policy, and especially the European Social Fund (ESF), should not be underestimated in the context of European employment policy. Although established as a simple compensation fund to achieve greater regional cohesion within the Member States, without involving a specific policy programme, the structural funds (the European Social Fund, European Regional Development Fund and Cohesion Fund) have been developed into powerful and well-established financing instruments of the Europe 2020 strategy (and the Lisbon Strategy before that). Since the funds rely on complex and established administrative structures in the Member States, the coupling of the European Social Fund and the European Employment Strategy (especially by the 1999 and subsequent reforms of the funds) leads to a close integration of national and sub-national administrative and reporting processes of the funds and employment strategy (Tömmel, 2006; Hartwig, 2007). The administration of the European Social Fund usually takes place at regional level in the Member States, in close interaction with the European Commission. Regional public authorities, partly backed up by private organizations, are responsible for the development of the operational programmes in line with the overall Europe 2020 targets and the Employment Guidelines. They are also in charge of funds distribution and administration. In addition to these regional actors involved in the day-to-day activities, national actors are responsible for the national operational programmes and the ESF national strategic reference frameworks (NSRF), another strategic document in the funds implementation and evaluation process. The formulation of these national OPs and the NSRF is closely linked to the development of the national reform programmes; very often the same administrative units are involved. Sub-national policy actors, such as training providers or welfare associations, as well public actors, are highly aware of the ESF as a very attractive financing instrument, particularly for pilot projects and innovative measures. Nevertheless, the bureaucratic processes in applications for funding and implementation of the ESF are very complex, and smaller organizations, in particular, seem to consider the effort not worthwhile.

In the field of labour market information, the EU relies on Member States’ statistics as well. National data is entered in the EUROSTAT database. However, in this field, much has been achieved during the last decades. European statistics are very detailed and available to everyone via the Internet (background data available on request). This is not only the case for employment policies but also for a large number of indicators in different policy fields. European initiatives have led to the development of comprehensive labour market information systems in the Member States, although here institutional differences are still considerable. Due to the fact that Member States are obliged to report their performance against different indicators (see accountability system), they were under
pressure to build up information systems, which is also financially backed by the European Social Fund.

### 3.1.3 Impact and efficiency of EU employment policies

The previous section described the coordination system, the accountability system and (to the extent that it exists) the EU employment policy support system. However, the question remains how these instruments affect national employment policies. Do EU employment policies have an impact on Member States? Are the instruments effective in terms of successful policy coordination? Can the EU achieve implementation of its employment policy priorities in the Member States? To answer these questions, we need to reflect on what we mean by impact and efficiency. Briefly, a rough differentiation might refer to the outcomes of the investigated phenomenon: while efficiency is limited to positive (in the sense of intended) outcomes of European employment policies, impact could describe any change caused by EU influence, be it positive or negative, intended or unintended, programmatic or organizational.

However, both in terms of potential impact and efficiency, we need to take into account the variations between different Member States, especially those caused by their differing economic and institutional structures. Different historical pathways (e.g. several CEE countries (Central and Eastern Europe) compared to other Member States), different welfare schemes (such as the Nordic and the southern welfare states) or different socio-economic conditions (such as Greece compared to Germany) make a comparison between these countries highly complicated. When analysing the potential efficiency of EU employment policy tools, we need to consider their mechanisms and how they are linked to the different structures of the Member States. As outlined above, the most developed tools of EU employment policies are those of the accountability systems. Reporting, benchmarking, monitoring or guidelines are highly complex tools with great potential for efficient implementation in the Member States due to their clear timeframe, a clear allocation of responsibility for their implementation and their clear targets. However, these soft governance mechanisms of the open method of coordination have been widely discussed among scholars, and their efficiency is questioned by the majority (Zirra, 2010; Heidenreich and Zeitlin, 2009). One of the most crucial reasons for a lack of efficiency, besides the EU’s lack of legislative power, might be that implementation of these tools requires certain institutional or, in most cases, administrative, capacity. Reports can only be produced efficiently if there is an institution with expert knowledge and the necessary network. Efficient benchmarking is only possible if the benchmarks are introduced into the national monitoring scheme, if any. Guidelines also only make sense if there is the institutional capacity to put them into practice.

In recent years, the EU tools have focused increasingly not only on policies but also on institutional capacity building in the Member States. One of the most significant examples is the introduction of the partnership principle into the processes for implementing almost all soft governance tools and the European Social Fund. The partnership principle means that public authorities need to involve the social partners and the voluntary sector in all the required planning processes, production of reports and other outcomes. This is an attempt to build institutional capacity in Member States, and also to implement the EU model of ‘good governance’. Here too, however, wide variations can be seen in the structure of the Member States. While in some Member States this kind of ‘network governance’ is already in practice, others show a lack of network capacities and their attempts to include actors in the process are little more than lip service.

In scientific debates, the phenomenon of variance in ‘Europeanization’ (EU-driven change at national or sub-national level in Member States) has been explained by some scholars using the concept of ‘goodness of fit’ (among others, Börzel and Risse, 2000). Here, the argument is that EU-driven change (which would imply efficient implementation)
is more likely to happen in countries where there is a significant mismatch between EU and national policies, institutions and processes. Or, as Tanja Börzel puts it: “The lower the compatibility between European and domestic processes, policies, and institutions, the higher the adaptational pressure Europe exerts on the Member States” (Börzel, 2003). However, the concept also implies that if the misfit is remarkably large, change is also less likely, since the effort required by the Member State might be too high. Both Member States covered in this study, Germany and the UK, are therefore somewhat special cases when analysing the impact and efficiency of EU employment policy implementation mechanisms, since the misfit here is very low, as will be shown in the country sections.

The Europe 2020 strategy and European employment policies are of limited relevance for national policy making in both countries. Reports need to be written and benchmarks reached, but this is more a formal process, dealt with at administrative level. However, both the UK and especially Germany show a well-performing economic and employment situation. Furthermore, their employment policies are both, in their programmatic and the governance dimension, similar to EU priorities. Therefore, the pressure on them to adopt EU policies is low compared to other Member States. Therefore, the impact of European employment policies here seems to be more technical than programmatic. Or, to put it differently, the comprehensive EU employment policy accountability system certainly has a crucial impact on administrative processes in Member States, while the substance underlying the measures might be of less relevance in national policy making.

As several studies show, the situation is different for other Member States, such as Italy, the Czech Republic or Poland (among others, Zirra, 2010; Graziano and Winkler, 2012), where the institutional and programmatic gap between national and EU policies is larger. Furthermore, these studies highlight the special relevance of structural funds for the implementation of EU policies in economically weaker countries. In employment policies, the ESF is an important funding tool, with a strong presence at local level, not only in regions with high funding, but also in economically stronger regions with lower funding (Zimmermann, 2013; Catalano & Graziano, 2013). There is still a lack of research on the impact of the European funding on national and, especially, regional policy development, but some studies, and also our own research, show that there is at least an impact with regard to some aspects such as a focus in some Member States on the employability of target groups or the involvement of the voluntary sector and social partners (Verschraegen et al., 2011; LOCALISE research, forthcoming). However, does this presence signify an efficient implementation of EU employment priorities?

Until now, the impact of the European Semester has not been intensively evaluated in terms of its efficiency. Nevertheless, in the joint employment reports, the European Commission provides a comparative summary of the progress made by Member States towards the EU objectives. A study of these reports shows that in 2009 and 2010 (European Commission 2009, European Commission 2011), Member States focused on modernizing social security schemes (problem of long-term unemployment, benefit-dependency and inactivity) and on target group programmes, especially for bringing youth into work and increasing female employment. However, a lack of efficient public employment services (PES), which has not been sufficiently addressed was identified in a large number of Member States., This changed in subsequent years. In 2011 and 2012 (European Commission 2012a), the target group focus was enhanced in several Member States and more closely linked to well-targeted active labour market policies (ALMPs). Furthermore, the efficiency of public employment services was improved by certain institutional changes. In addition, cooperation with a larger number of stakeholders (social partners, voluntary sector, etc.) has been established. Therefore, despite increasing unemployment rates and economic problems, institutional reforms in line with EU objectives can be observed, especially in those Member States (among them Belgium, Bulgaria, Luxembourg, Romania, Slovakia, the Czech Republic, Estonia, Ireland, Poland, Hungary, and Portugal) which show higher institutional or programmatic misfit. In a nutshell, the organizational developments in the last few years highlighted in the joint employment
reports focused mainly on an improvement in public employment services, a stronger link between different policy fields (training, social policies, etc. for better targeted ALMPs) and the cooperation of different partners (mostly the social partners, but also voluntary sector and civil society), especially to foster targeted group programmes such as youth. Nevertheless, whether these changes are driven by European influence is hard to identify. To analyse the individual paths of institutional change in the Member States would need a very comprehensive and in-depth analysis of the implementation of EU employment policies at national and sub-national level which is beyond the scope of this study.

However, at least some impact of the EU on national employment policies can be assumed. The ‘soft governance tools’ show a certain impact, although it might mainly remain at a technical or administrative level. In addition to the ‘soft tools’, EU funding is of crucial relevance and might play an important role when it comes to Member States’ compliance with EU employment policies. Due to the specific funding priorities (target group focus, partnership approach), some EU objectives enter the local sphere directly via structural funding, by-passing the national level.

3.2 Conclusion

Employment policies have become one of the main issues in the European Union during the last decade. Especially in the context of the Eurozone crisis but also even before the financial crisis in 2008, employment policies were strongly prioritized on the EU agenda. Since the implementation of the European Employment Strategy, high employment rates and job creation have been targeted. A comprehensive accountability system has been established. At the core of this mechanism are employment guidelines which formulate precise EU targets, which are transposed into country-specific recommendations to be implemented in the Member States. A highly specialized monitoring, evaluation, reporting and benchmarking system exists and has been extended in the context of the European Semester.

Nevertheless, European employment policies suffer especially from two missing subsystems: on the one hand, there is a lack of an EU-controlled support system. All measures need to be implemented via Member States’ institutions, which is not in itself a problem but leads to a certain imbalance due to the highly diverse systems among the different countries. On the other hand, there is no overall financing system for EU employment policies. In addition, the EU does not have decision-making powers in social and employment policies but relies on ‘soft’ coordination measures. These three institutional barriers have fostered the development of the above-mentioned accountability system. The highly complex measures focusing on coordination of Member States’ employment policies aim at compensating for the institutional imbalance and lack of legislative power.

To some extent, this strategy of soft coordination (and financial incentives via the ESF) seems to be quite successful. From a broader perspective, Member States’ employment policies are becoming more coherent and more targeted on the overall aim of growth and jobs. During the last few years, increasing coherence regarding institutional reforms of employment policies can be observed, especially in those Member States with a larger gap or misfit in relation to EU priorities, which might be driven, at least in part, by EU policies. In particular, the European Semester, coordinating national budget plans and linking employment policies to economic and fiscal aspects, could be a very powerful instrument to achieve coherence among Member States’ employment policies. Nevertheless, these complex structures do not necessarily ensure compliance or alignment among the Member States with respect to the EU guidelines. In addition, over-complexity might also be a barrier to effective coordination. On the one hand, a focus on the administrative and/or technical details could become more important than the programmatic background of the policies.
The European Union is on the right track towards closer coordination, especially by linking national budgets more closely. It may be expected that these coordination measures could successfully achieve higher employment rates in the Member States. Nevertheless, it is open as to whether coordination in employment policies could overcome the institutional imbalances among the Member States without the existence of a joint EU social security regime, which, of course, is a long way from being established.
4 United Kingdom

The basic welfare state principles in the UK developed in an industrial period with specific labour market and social risk characteristics, with social assistance providing support in areas where the market and/or the family did not provide. ‘Traditional’ welfare regimes were exposed to new pressures and challenges with the advent of post-industrialism. Over the last three decades, European countries have experienced hitherto unseen levels of structural unemployment, affecting the number of people contributing to and reliant on the welfare state. It is in this environment that the level of support given to a number of social risks, for example unemployment, has shifted, with tightening of entitlement to out-of-work income transfers or by ‘transferring’ responsibilities (e.g. reform of the pension system). According to Esping-Andersen’s typology, the UK fits into the market-oriented ‘liberal’ welfare state category, with three distinct features: limited state spending, wide use of means-tested support, and reliance on private services (Taylor-Gooby et al., 2004). This ‘liberal’ tradition allows the UK to go down a road of welfare reforms which is to some extent predicated by the European employment strategy and seems to be followed by European countries in differing degrees and forms.

4.1 The UK labour market regime

In the late 1970s, the Conservative Government introduced new public management principles, such as competition, market incentives and performance management, in the governance of public services, in the belief that increased choice, innovation, efficiency, and value for money would be achieved (McQuaid and Scherrer 2009, Davies 2010). Between 1997 and 2010, the Labour Government emphasized reducing poverty and enhancing national competitiveness by acting on three fronts: firstly by moving and supporting as many people as possible into paid work through welfare-to-work programmes (which increased in number and scope) and making work pay (through the national minimum wage and in-work tax credits); secondly, by heavily targeted state interventions including advice, training and work placements, and incorporating a degree of compulsion for some groups; and thirdly, by using the private sector to achieve policy goals, continuing previous government objectives, in 2007, a policy framework for contracting out was crystallized in the Freud report (Hudson et al., 2010). Active labour market policies were given more prominence, and the amalgamation of the public employment service and the Benefits Agency into Jobcentre Plus (JCP), was also another attempt to activate those receiving income transfers. This period of social policy by the Labour Government was characterized as trying to reconcile centre-left objectives with market-friendly means, which resulted in a highly centralized liberal-leaning system in the areas of work and family life, access to the labour market and pension reform (Taylor-Gooby et al., 2004). The Conservative-Liberal Democrat Coalition Government that took office in May 2010 has extended, amplified, and accelerated some of the reforms that were being developed or

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6 The New Deal activation programmes were introduced in 1998 and had 6 distinct elements, each targeting a different client group: New Deal for Young People; New Deal 25+; New Deal for Lone Parents; New Deal for the Disabled; New Deal 50+; New Deal for Musicians. The main New Deal priority was the New Deal for Young People, which although intended to account for only 9% of the New Deal caseload, consumed 77% of the budget of £3.4 billion (Taylor-Gooby et al., 2004).

7 The minimum wage was introduced in 1999, the rate having been established by the Low Pay Commission (Taylor-Gooby et al., 2004).

8 Working families and child-care tax credit were introduced in 1999. Initially targeted at working families with children, these in-work benefits were extended to working people without children, disabled people and those over 50, who work at least 30 hours per week, although more lenient rules applied to those with children, disabled workers or those over 50 years-old. Tax credits have several elements (childcare, supplements for disability, etc.). They are paid directly to the recipient and provide a minimum income guarantee for individuals or couples in work.
planned by the previous Labour Administration. Current policy is described in more detail below.

4.1.1 The programmatic dimension

This section describes the recent welfare reform, the latest active labour market policies, and current benefit system with a focus on passive and active labour market policies (Figure 6).

The current Coalition Government is continuing the previous government’s focus on wider activation and has introduced a number of reforms to the welfare system (Table 1). This reform has been justified as the only option in the light of the economic environment, but it was underpinned by at least two other arguments: supporting individuals into work while dealing with those abusing the system.

The majority of active labour market policies (ALMPs) provided in the UK are job search and job brokering support. In 2009, UK expenditure on ALMPs (as a percentage of GDP) was relatively low when compared to other EU countries (see Annex, Figure 23). Expenditure on demand side measures (job creation, employment incentives, and supported employment) tends to be lower than expenditure on training (see Annex, Figure 27).
### Table 1  
Selected reforms part of the Coalition Government’s ‘Welfare Reform’

<table>
<thead>
<tr>
<th>Reform</th>
<th>Brief explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ‘Universal Credit’</td>
<td>Some benefits will be amalgamated into the single Universal Credit, with the aim of simplifying the benefits and tax-credits system to make work pay.</td>
</tr>
<tr>
<td>Widening activation</td>
<td>Through changing the criteria for receiving certain benefits, and by introducing the Universal Credit which is household-based and blurs the boundaries between, inactive, in-work and out-of-work benefits (gov.uk 2013b).</td>
</tr>
<tr>
<td>Increased compulsion/sanctions</td>
<td>Escalating penalties for non-compliance with requirements, with a “three strikes and you’re out” approach (The Telegraph, 2012).</td>
</tr>
<tr>
<td>New welfare-to-work programmes</td>
<td>Get Britain Working measures Including the Work Programme. Also increasing Jobcentre Plus flexibility (see below).</td>
</tr>
<tr>
<td>Reducing the welfare-bill</td>
<td>Introduction of a benefit cap, loss of housing benefit for under-occupancy, and a freeze on benefit increases.</td>
</tr>
</tbody>
</table>

Source: own elaboration

The majority of Get Britain Working measures or welfare-to-work programmes established in 2011 are supply-side measures, with only a minority of demand-side initiatives (e.g. wage subsidies and incentive payments). Table 2 lists these initiatives (for more detail, see Annex). Some financial support and initiatives are available from the European Social Fund to individuals returning to work and those with other problems.

### Table 2  
Get Britain Working measures

<table>
<thead>
<tr>
<th>Measures</th>
<th>The Innovation Fund</th>
<th>Work Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Youth Contract</td>
<td>The Innovation Fund</td>
<td>Work Choice</td>
</tr>
<tr>
<td>Work experience</td>
<td>Work Trials, Employment on Trial</td>
<td>Skills training</td>
</tr>
<tr>
<td>Skills Conditionality</td>
<td>Mandatory Work Activity</td>
<td>Work Together (volunteering)</td>
</tr>
<tr>
<td>Work Clubs</td>
<td>The New Enterprise Allowance</td>
<td>Enterprise Clubs</td>
</tr>
<tr>
<td>Access to Work (one area)</td>
<td>Sector-based Work Academies</td>
<td>Residential Training Colleges</td>
</tr>
<tr>
<td>Day One initiative</td>
<td>Employment elements of the Cities agendas</td>
<td>Innovation Fund</td>
</tr>
</tbody>
</table>

Source: gov.uk.web

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9 Mark Hoban in a speech, gov.uk 2013: “the complexity of the previous system had the perverse effect of trapping thousands of people on benefits. Through tax credits in particular…”.

10 Non-compliance with rules, such as refusing to accept a reasonable offer of employment or leaving a job voluntarily, will bring loss of benefits for 13 weeks, 26 weeks and 3 years for the first, second and third failures respectively (full detail of the regulations can be found in DWP, 2012). Those sanctioned could apply for special “hardship payments” administered by local authorities.

11 Introduced from April 2013 in four local authorities, will be rolled out nationally in the summer of 2013, with only a number of households exempt.

12 Such as: Tax credits; Return to work credit (for up to 52 weeks); Mortgage Interest Run On (up to 4 weeks); Extended Payment of Housing Benefit (up to 4 weeks); Extended Payment of Council Tax Benefit (up to 4 weeks); Job grant payment (a one-off payment of either £100 or £250 by Jobcentre Plus to individuals that have been unemployed for at least 26 weeks and moving into full-time work, or to those who lost entitlement to benefits as a result of their partners starting a job at least 24 hours per week (Eurostat 2012)).
Jobcentre Plus (JCP) managers decide which measures will be offered in the area (DWP 2012c) and service users do not have a choice of provider or type of provision. For some unemployed individuals, Get Britain Working initiatives are compulsory depending on Department of Work and Pensions (DWP) conditions and their Jobseeker’s Agreement. The Work Programme is the national welfare-to-work policy for the long-term unemployed, which replaces a number of previous programmes (DWP 2012a). The introduction of this programme has affected Jobcentre Plus, devolved, local government employment provision. In some cases ALMPs include training that revolves around basic and generic skills or short-vocational training clearly linked to employment opportunities. Further education and skills training has been mentioned by stakeholders as central to employment policy. However, coordination between these policy areas is weak, due to different policy aims and multi-level competences (i.e. education and training is the responsibility of devolved administrations).

With regard to the benefit system, the Coalition Government has continued and accelerated previous policies intended to increase activation for a greater number of individuals. Table 3 gives details of some recent, and previous, changes to income benefits.

Table 3 Income benefits main changes

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Description and Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income support</td>
<td>Mean-tested payment to lone parents and carers, disabled people and those incapable of work. Receipt of this benefit entitles to other benefits. Since 2008 the age of a child at which lone parents are required to look for work has been lowered gradually and from 2012 lone parents with a youngest child age 5 will be transferred to either Jobseeker’s Allowance or Employment Support Allowance (described below).</td>
</tr>
<tr>
<td>Incapacity Benefit</td>
<td>Paid to people unable to work due to disabilities or incapacity. From October 2008 all new claimants go through a Work Capability Assessment (WCA), after which they are assigned to Jobseeker’s Allowance or Employment Support Allowance, either to the Work Related Activity Group or the Support Group. Since October 2010 those already receiving disability benefits have been reassessed and placed in one of the ESA groups.</td>
</tr>
<tr>
<td>Disability Living</td>
<td>Reformed by the introduction of Personal Independence Payments from April 2013.</td>
</tr>
<tr>
<td>Allowance</td>
<td></td>
</tr>
</tbody>
</table>

Source: own elaboration

The phased national roll-out of reassessment and migration of all those in receipt of Incapacity Benefit to Employment and Support Allowance or other benefits appropriate to their circumstances is in progress and expected to end in May 2014. These changes, in particular the Work Capability Assessment, have proven controversial and, although amendments have been introduced, remain contentious (gov.uk, 2013f).

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13 The devolved administrations have a number of skills and employability interventions alongside the national UK ones.

14 Funded by the Skills Funding Agency since 2006 (previously they had been contracted out directly by the DWP) and well integrated in the portfolio offered by JCP.

15 Such as free school meals, health benefits, maximum Council Tax Benefit and Housing Benefit and certain Social Fund payments.

16 For those found currently too ill or disabled to work but are expected to take steps towards returning to work.

17 Unconditional support given to individuals that are found too ill or disabled to work.
At the core of the Coalition Government’s welfare reform is the introduction of the Universal Credit from April 2013 to late 2017, amalgamating a number of benefits into a single benefit18. Universal Credit will be calculated on a household basis and the aim is to simplify and reduce the complexity of the benefits system. Stafford et al. (2012) argues that vulnerable clients may lose out if the single credit is not sensitive enough to their needs. This reform requires DWP and HM Revenue and Customs to develop a real time information capability.

4.1.2 The Governance Dimension

The UK Government is composed of a total of 14 Departments or Ministries and 12 Offices (Figure 5). Executive agencies were created in the late 1980s to deliver functions that had previously been administered by government departments (Jenkins and Gold, 2011). As a result, policy design happens in ministries while implementation tends to take place through separate agencies with their own management and budget (Lafuente and Nguyen, 2011) and a variety of non-ministerial departments (Cabinet Office 2012b).

The UK is a centralized state with three devolved administrations: the Scottish Government, the Welsh Government and the Northern Ireland Executive. Employment policy is exclusively a UK Government matter, but a number of policy areas such as skills and education are devolved. Local government implements national policy and has a number of policy responsibilities. This section explores the employment policy coordination, accountability and support systems in the UK.

Coordination System

It is argued that socio-economic factors and the shift towards activation affect the governance of employment policy development and implementation. Effective policy depends increasingly on coordination between different policy areas. The National Audit Office (2013) highlights the importance of integration in government. This section explores the systems of inter-ministerial and inter-departmental coordination at national level, focusing on employment policies.

The Department of Work and Pensions (DWP) is responsible for employment policy and welfare policy and its main aim is to achieve full employment (i.e. 80 per cent employment rate). The DWP sponsors 14 arm’s-length bodies (ALBs) or non-departmental public bodies (NDPBs)19. It is responsible for labour market policies (focus on the employed, unemployed, and inactive), welfare policy (out-of-work, active labour market policies), pension policy, employment law (DWP d), and, in the future, in-work benefits20. The DWP devises a plan of key actions to implement government priorities21 and monitors them22, adopting inputs and impact indicators to assess the effects of policies and reforms (2011-15 Business Plan, 2012j; DWP, 2010). DWP labour market policy is delivered by the public employment service, Jobcentre Plus, and by external service providers; both of these and their delivery arrangements are discussed in detail in the following sections.

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18 Income Support, income-based Jobseeker Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit. Most benefits for sick, disabled or bereaved people will not be replaced.

19 7 Executive NDPBs, 4 Advisory, 2 Tribunal and 1 Public Corporation (DWP, 2012g)

20 With the introduction of Universal Credit, the Treasury will pass the responsibility for Tax Credits to the DWP (Goerne and Clegg, 2013)

21 Priorities are: deliver welfare reform; get Britain working; help tackle the causes of poverty and improve social justice; pension reform; enable disable people to fulfil their potential; improve our service to the public.

22 Monthly progress implementation reports.
In February 2011, in line with the Coalition Government’s welfare reform, the DWP transformation (or ‘Corporate Centre Review’) was announced. The aim was to streamline the accountability of key departmental functions, and to achieve a single, integrated departmental organizational structure. This was to be achieved by reducing management layers, a smaller senior structure, reducing the size of the corporate centre, and delivering efficiency savings (DWP, 2011). The Department’s structure has been streamlined to provide clear processes and accountability from strategic development to operational delivery (DWP, 2012h). As part of this reform, Jobcentre Plus lost its executive agency status and has been brought in-house. Services will be delivered through the same structures and channels, but they are now under a single DWP senior management structure (DWP, 2011). As part of the ‘One DWP’ approach to service delivery, in October 2011 a single delivery operation was introduced for services to working-age people, pensioners, disabled people and carers.3

Figure 7 Coordination and delivery of employment policies in the UK multi-level system

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Figure 8 shows the coordination and delivery of national labour market policies in the UK’s multi-level system. Central government is responsible for employment policy. However, devolved administrations in the UK23 have responsibility for a number of policy areas and usually develop employability policies. However, a number of stakeholders mentioned that what can be done by devolved governments is delimited by central government financing24. Local government does not have responsibility for employment

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23 The devolved administrations are the Scottish government, the Welsh Government and the Northern Ireland Executive.

24 Devolved administrations are financed mainly by the UK Government through a block grant via the Departmental Expenditure Limit in a 3-year calculation over an inherited budget. Although in Scotland self-financed expenditure through borrowing and through non-domestic rates and council tax can be raised, the UK
policy, although it does have a number of other statutory and discretionary responsibilities. It is under these responsibilities, and due to the centrality of employment issues, that local government develops employability and social inclusion strategies (see Figure 8), in many cases funded by local budgets and ESP funding.

Intra- and inter-departmental coordination relies on the development of governance, management or coordination instruments such as boards and advisory committees. In the UK, according to Lafuente and Nguyen (2011:10), there are departmental boards and agency boards. Although these could be used for coordination between public organizations, most of them are utilized as governance and management vehicles between ministries and agencies within a department, although concerns have been voiced about their effectiveness (Lafuente and Nguyen 2011). In terms of inter-departmental coordination, there are three departments with responsibilities in this area: the Cabinet Office which is in effect the central coordinating office in the Government; HM Treasury’s Public Services Directorate which oversees major public sector expenditure; and the Prime Minister’s Strategic Unit. Lack of coordination within central government has been recognized since the 1970s (NAO 2013, House of Lords 2004) and, according to some authors, has increased due to further departmentalization and delegation of policy to boards. There are a number of instruments or structures in place to achieve coordination and increase ‘joined-up government’ directly, while others could achieve this indirectly.

Focusing on the DWP and employment policy development and implementation, intra-departmental coordination is expected to increase as a result of Jobcentre Plus being brought in-house, as structures would be streamlined (Figure 9). The DWP’s corporate centre has also been streamlined, creating a clearer structure: for example a single chief operating officer is responsible for all of the Department’s services to the public and there is only one board in the department. As part of the ‘One DWP’ approach, emphasis is placed on working together more effectively: to that effect one service networks have been launched. These are operational forums for senior leaders across the Department aimed at delivering collaborative working across operations. Inter-departmental coordination is, however, difficult to assess. Although the Department is encouraged to coordinate with other departments, the DWP’s business plan only mentions joint working with two other departments: the Ministry of Justice and HM Revenue and Customs. There seems to be a number of opportunities for coordination between departments at national level. First, the Minister of State for Employment within the DWP has a portfolio relating to skills similar to that held by the Minister of State for Further Education, Skills and Lifelong Learning. Therefore it might be expected that some coordination between these two ministries would occur. However, in practice, coordination between the Department for Business, Innovation and Skills (BIS) and the DWP regarding skills is still very limited. The ‘Integration of Employment and Skills’ agenda which predicated coordination between these two policy areas by co-locating careers advisers in Jobcentre Plus offices, although significant, is still weak, in part due to conflicting policy aims. Secondly, secretaries of state from the DWP are part of the Social Justice Cabinet Committee, which also has ministers from other departments. However other research and our interviewees mentioned the siloization of policy fields.

Empirical research highlights many barriers to coordination, such as rigid competencies, responsibilities and funding streams, which influence departmental, and agency priorities and aims. Coordination seems to be further hampered by centralization and lack of discretion, and in some occasion by different territorial levels of responsibilities.

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25 The Directorate had an increased coordinating role under the previous administration, as it was given the lead in some major policy priorities, such as child poverty (Goerne and Clegg, 2013).

26 It provides policy advice in accordance with the Prime Minister’s policy priorities (Bertelsmann, 2011).
(central vs. local) which can result in duplication, for example the ‘troubled families initiative’\textsuperscript{27}. Lack of coordination during policy development affects policy implementation at local level, where national, devolved, and local employment policies and agencies meet. Although a number of national initiatives to encourage coordination at local level have been implemented (e.g. City Strategy, City Deal, Community Budgets), national agencies such as Jobcentre Plus often have limited involvement (Goerne and Clegg, 2013).

Difficulties in understanding the empirical effects of Europeanization on administrative structures or institutions, public policy, and politics have been highlighted. According to some authors (Bulmer and Burch, 2005; Jordan, 2003), historically the influence of Europe on UK political structures and processes has been slow and incremental due, among other factors, to political divisions and public opinion. However, some changes in the reception and, more importantly, projection of European policy happened in the late 1990s (Börzel, 2002; Bulmer and Burch, 2005). According to Jordan (2003) Europe has influenced national politics and policy in some areas (including through legislation), as a result affecting operating cultures in departments. In relation to employment policy, the Government opposes policy coordination becoming too restrictive\textsuperscript{28} (Buchs, 2004) and welcomes the distancing of employment policy and social security integration by EU 2020 (Goerne and Clegg 2013). In most cases stakeholders interviewed saw European employment policy as having little influence on national or local policy (see also Buchs,\textsuperscript{28}).

\textsuperscript{27} Initiated by the Cabinet Office’s ‘troubled families unit’ and led by the Department for Communities and Local Government, the initiative uses ESF funding and local authorities to provide or source services for the target group. While the target group and strategies overlap with DWP’s the level of coordination is very limited.

\textsuperscript{28} Such as the quantitative indicators in the 2003 Employment Guidelines.
2004\textsuperscript{29}), while research shows that the UK Government displays at best a distant attitude towards the European Commission’s social and employment policy. Three factors were mentioned for the perceived lack of EU influence: the lack of directives; the ambiguity of policy\textsuperscript{30}; and the UK policy fit with European policy (some stakeholders stating that the UK projects its influence on to EU employment policy\textsuperscript{31}). Interviews showed that some organizations and local bodies, use European opportunities strategically to further their goals, in many cases to pressure or by-pass central government; the role of these ‘change actors’ was also noted by Bulmer and Burch (2005). Finally, European influence through the European Social Funds was said to be important, but always within the national policy framework.

It appears that the most direct influence of the Employment Guidelines and the European Semester is on the preparation of national reform programmes (NRP\textsuperscript{32}). However it has been mentioned by stakeholders that NRPs are a bureaucratic exercise and that their preparation does not include stakeholders from the voluntary sector. This was reported to be different in Scotland, where the Scottish Government produces an NRP in consultation with various stakeholders (although it is not mandatory). In general, devolved administrations or regions seem closer to the EU (Buchs, 2004).

\textbf{Support system}

This subsection describes national employment policy implementation in the UK by focusing on the two avenues of service delivery: Jobcentre Plus and external provision.

Jobcentre Plus is the public employment service in the UK, and its role is to provide benefits and welfare-to-work for people of working age and help employers to fill their vacancies (HC 2007). Jobcentre Plus has been, since its creation\textsuperscript{33}, an executive, or next-steps, agency with three operational directorates: Job Centre Offices\textsuperscript{34}, Contact Centres\textsuperscript{35} and the Benefit Centre\textsuperscript{36}. From October 2011 Jobcentre Plus ceased to be an executive agency and has been brought under the leadership of a single chief operating officer. This change was accompanied by a stronger departmental board (chaired by the Secretary of State) with strong non-executives, and a smaller executive team for the Department (led by the Permanent Secretary and including the new chief operating officer). The Jobcentre Plus Board, chief executives, and senior management governance structures are now dismantled, and the DWP will publish one business plan and set of accounts. This change is part of the DWP restructuring with the aim of achieving efficiency, flexibility and cost savings\textsuperscript{37}.

\textsuperscript{29} Employment policy according to Buchs (2004) does not seem to be checked out systematically against EES and references to it in policy documents are rare.

\textsuperscript{30} This allows the Government in some cases to fit UK policy to EU recommendations: for example in the case of Active Inclusion coming from the Commission, that the DWP interprets as providing activation into employment measures (Goerne and Clegg, 2013).

\textsuperscript{31} Also in Buchs, 2004; Heidenreich and Bischoff, 2008.

\textsuperscript{32} NRPs follow European Employment Guidelines and have to be in line with EU2020 targets.

\textsuperscript{33} In 2002 the Benefits Agency and the Employment Service were amalgamated into local Jobcentre Plus (JCP) offices and the regional benefit processing centres (contact centres and benefit delivery centres).

\textsuperscript{34} Focus on supporting customers into work. They also gather information to support a primary benefit claim including information to support claims for secondary benefits such as housing benefit and council tax benefit (granted by the local authority), and others. JCP Offices are divided into 37 districts with a network of 740 Jobcentres (DWP, 2011c).

\textsuperscript{35} Information is gathered over the phone to support individuals’ benefit claims.

\textsuperscript{36} They gather any outstanding information to support a benefit claim, and this is where the decision on entitlement takes place.

\textsuperscript{37} The stated aimed is “to make more efficient and streamline its management” (gov.uk 2011) aiming at 40% reduction in the cost of the corporate centre in the DWP. “This change will enable us to work more efficiently and
Nevertheless this could also make management and implementation faster and simpler in a period of major changes to the benefit and welfare systems (DWP interviewee). Figure 8 shows the DWP’s structure focusing on Jobcentre Plus.

Figure 8    Department for Work and Pensions (DWP) and Jobcentre Plus structure (at national level)

With regard to the operational level, Jobcentre Plus inherited the ‘customer focus’ of previous agencies, with ‘customer service’ increasingly emphasized. In recent years, it has focused on providing services to those unemployed up to 12 months, with services for long-term unemployed increasingly being contracted out. JCP employment services and processes are prescribed centrally (standard operating model) with very little local discretion. This is clearly seen in the 2008 Accessing Jobcentre Plus Customer Services model (Stafford et al., 2012).

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38 It has been argued that recipients of services are not customers in the ‘classic retail market sense’ and the focus on customer service has transferred the onus from the service provider to the consumer (Stafford et al., 2012).

39 In 2008 the Accessing Jobcentre Plus Customer Services was introduced as a new model of dealing with customers with the aim to re-focus local offices on job search related activities and therefore increase those activities, provide a safe environment to staff and customers, reduce non-appointment visits, redirect customers to the appropriate channels, and identify and improve services for vulnerable clients. According to Stafford et al., (2012:499) vulnerability is defined by Jobcentre Plus as someone who ‘at the time’ experiences a ‘difficulty’ dealing with the demands of accessing the service; a definition that was said to be both relative and subjective which raised issues over the ability or capacity to identify vulnerabilities.
### Table 4  Most relevant JCP operational reforms

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Flexible Support Fund</strong></td>
<td>Introduced in April 2011, replaces a number of previous measures. The Fund aims at giving JCP district managers discretion on expenditure and processes(^{40}), and local adviser discretion when supporting clients within the local guidance and parameters (Harari and Kennedy, 2011).</td>
</tr>
<tr>
<td><strong>Jobcentre Plus Offer (JCP Offer)</strong></td>
<td>Aims at moving away from nationally mandated processes, towards local flexibility and discretion (Coulter et al., 2012). This change is being complemented by the introduction of the performance management framework which focuses on outcomes rather than procedural targets (see section 3.1.2.3).</td>
</tr>
<tr>
<td><strong>Earned Autonomy trail blazer districts</strong></td>
<td>These districts(^{41}) allow district managers to make more local decisions on initiating and concluding interventions (JCP 2011), and more local commercial freedom in setting contracts with local providers.</td>
</tr>
<tr>
<td><strong>‘Worklessness Co-design’ initiative</strong></td>
<td>The pilot, which started in June 2010 in a few local authorities,(^{42}) explores partnership working between JCPs and local authorities with the aim of achieving effective and efficient services that meet local priorities, empowering local autonomy, and better utilising JCP flexibilities, and supporting and building in mainstream DWP services (DWP 2011).</td>
</tr>
</tbody>
</table>

Source: own elaboration

Nonetheless, the Coalition Government has introduced a number of reforms aimed at increasing the JCP’s local discretion (Table 4). This could tackle criticisms of nationally imposed solutions to local or individual issues. It is still early days to assess the impact of the reforms. It has been mentioned that the potential use of this increased discretion could be hindered by lack of resources and a culture and operational structure based on targets (Goerne and Clegg, 2013), and by current trends on marketization which will affect external and JCP provision.

The evaluation of the first year of operation of JCP Offer (Coulter et al., 2012) shows that the reform is welcomed, although it highlights a number of shortcomings\(^{43}\), some of which could be alleviated by the Flexible Support Fund.

With regard to the private provision of services, there has being increased marketization by contracting-out employment service provision, in particular for the long-term unemployed. The 2008 Commission strategy principles (longer and larger contracts, flexibility in service delivery, sustainable outcome-based payments) have been developed further by the DWP under the current Coalition Government’s welfare reforms. In June

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\(^{40}\) JCP district managers are responsible for deciding how the Fund is to be spent within their areas, and for drawing up local guidelines setting out criteria for making awards, limits for certain payments, amounts that may be awarded or local priorities. It aims at giving Jobcentre Plus districts greater freedom to tailor back-to-work support to individual and local needs (Harari and Kennedy, 2011).

\(^{41}\) In 2011 two districts (Greater Manchester and South West Wales) were selected to act as ‘trailblazers’ (PCS, 2011).

\(^{42}\) These local authorities in England are Birmingham, Bradford, Lewisham, South Tyneside and Swindon (DWP, 2011c)

\(^{43}\) For example: a lack of knowledge, availability, and access to local provision and external provision especially with regard to specialist provision; lack of structure of work focus interviews; lack of extensive support to employment support allowance claimants compared to jobseeker’s allowance claimants.,
2012, the Framework for the Provision of Employment Related Support Services (ERSS)\textsuperscript{44} was established as the default vehicle for provision over the next four years (DWP b). The Government’s stated aim is to create a more responsive and effective tool that offers advantages to itself and its delivery partners. In this new framework, providers apply to be part of (area-based) framework lots. Those contractors (prime contractors) accepted in the framework are potential providers of employment services and the local authority, or other contracting body, has discretion to order services from the prime contractor during the framework term, according to the ordering procedure. The authority or contracting body invites tenders and conducts a mini-competition for those in the framework (DWP nd). The framework agreement follows a formula established in the draft DWP document for the provision of employment services (DWP nd). Each externally contracted provision has its own contractual agreement and all contracts over £10,000 can be found on a government website\textsuperscript{45}.

The Work Programme, the national service provision for the long-term unemployed, was the first contract to be called off the framework. There are a number of novel elements in the programme\textsuperscript{46}: it could arguably tackle some criticisms levelled against welfare-to-work policies\textsuperscript{47}; it has transferred greater risk to the prime providers (including through the funding mechanism\textsuperscript{48}) raising questions about the sustainability of the programme’s finances. Perhaps the biggest effect of the programme, however, has been on the landscape of service provision, with a relatively small number of big and mainly private companies delivering a substantially larger contract (Fuertes and McQuaid, 2013). It is thought that future provision will mirror Work Programme characteristics and this raises concerns about the diversity and specialization of provision, as smaller providers are unlikely to be able to access contracts. Although DWP contracts request that prime providers (those contracting directly with DWP) set up supply chains of subcontracted providers, there are no specific requirement to do so, and the Merlin Standard\textsuperscript{49} developed by the DWP and the welfare-to-work industry deals mostly with supply chain management.

**Accountability system**

In order to increase transparency, the DWP has adopted an open data strategy. Input and impact indicators to assess the effects of their employment policies and reforms are regularly published online. Employment policy accountability systems have turned into outcome-based performance monitoring, which are included in tendering criteria explains the general path of employment policy accountability. While contracts will have a performance framework based more on payment by results, JCP will have outcome indicators against which they will have to monitor performance.

\textsuperscript{44} According to the DWP, the framework is an umbrella agreement which sets out the terms and conditions for subsequent call-offs (creation of contracts). It does not place obligations on the contracting authority to purchase services, and it is not in itself a contract.

\textsuperscript{45} Contract finder, government website (accessed 20 April 2013): https://online.contractsfinder.businesslink.gov.uk/?site=1000&lang=en

\textsuperscript{46} Such as increased job sustainability length, sustained and differential payments by benefit group, longer contracts, and black-box approach to service delivery.

\textsuperscript{47} For example, job entry payments leading to employment/unemployment revolving doors; ‘creaming’ and ‘parking’; and to deadweight effects (Fuertes and McQuaid, 2013).

\textsuperscript{48} The funding mechanism used by government to finance welfare-to-work programmes, in particular the Work Programme, is based on this. The switch aims to reflect the fact that initial investment delivers later savings through lower benefit expenditure (HM Government, 2010), and transferring the risk to service providers.

\textsuperscript{49} It is a standard of excellence in supply chain management, which is reassessed bi-annually. All contractors would be required to be accredited within 12 months of the award of the contract, with the possibility of penalties for non-achievement (DWP, 2013), http://www.merlinstandard.co.uk/
Jobcentre Plus (JCP) targets are published in their annual business plan and are agreed with the Secretary of State for Work and Pensions. As a result of a new performance management framework (PMF) launched in April 2011, JCP performance monitoring against some indicators has stopped. The new framework replaces the process driven targets of the previous system with an outcome focus. The aim is to streamline the approach to managing and monitoring performance (Nunn and Devins 2012). The focus is on two priority outcomes: quickly moving people off benefits into jobs (off-flow into employment measure; and reducing fraud and error losses by making accurate and timely benefit payments. This change towards outcome-focused activities and culture aims at enhancing efficiency and flexibility in service delivery. It seems clear that changes in the accountability and monitoring systems can deliver changes in the operation of services. At the same time the interpretation of these systems by line managers at operational level impacts on how it is used and services are delivered.

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50 Specifically the IDT: Providing work-focused support at the right time – Interventions Delivery Target; the CST Delivering a good service to our customers – Customer Service Target; and the EET: Helping employers to recruit – Employer Engagement Target
The PMF is underpinned by a range of additional ‘supporting measures’. Five scorecards or “the face of the PMF at operational level” (Nunn and Devins 2012:26) were introduced\(^5\). The Group Delivery Network scorecard or ‘Customer Journey Scorecard’, according to Nunn and Devins’ report, seems to be a driver to collaboration and sharing of perspectives between JCP directorates (2012:25), although lack of coordination was still reported. It mentioned that, as a result of the framework, JCP district managers would have less direct control of the production of performance data for their district, as it will be more centralized at national level (performance analysis, sharing of good practice, etc.).

National and local performance is reported monthly to the JCP Board, DWP, and ministers Error! Reference source not found.\).

\(^5\) One for each operational directorate (Jobcentre, Contact Centre, and Benefit Centre); one for ‘Monetary Value Fraud and Error’, and a Group Delivery Network scorecard designed to understand the way in which customers undertake a ‘journey’ through Jobcentre Plus services (Nunn and Devins, 2012).
JCP information is provided via the JCP Labour Market System (LMS) or Customer Management System (CMS). The cessation of the JCP as an executive agency means that performance reporting and monitoring is centralized in the DWP, which, according to Nunn and Devins (2012:4), could result in efficiency savings and faster sharing of good practice. The LMS database holds information about everyone using the JCP and its services, including external provision (external contractors supply information to the JCP). The CMS gathers information to support benefit claims and is used by the Contact Centres, JCP Offices, and Benefit Delivery Centres (where the customer management system is incorporated in benefit processing systems).

Responsibility for contracted service provision falls within the DWP operations structure. The award of contracts for externally delivered employment services is now a process within the framework for the provision of ERSS. Details of monitoring and performance management within the framework are vague, with the contracting body having responsibility for setting up monitoring requirements and processes during the mini-competition (DWP nd a:22,74). Spot checks and meetings between the contracting body and the prime contractor are expected, as well as the requirement on the prime contractor to comply with arrangements. The DWP requires external providers to provide management information which is used to measure the performance and success of Contracted Employment Provision (DWP 2012k). This information is collected electronically. As contracts have been based for some time and increasingly on, outcome performance, the main source of information would be the Provider Referral and Payment (PRaP) system. The information collected is used to report on progress to Ministers, evaluate and produce statistics on the effectiveness, uptake, performance of the programme and the contract. Contractors are accountable to the DWP performance manager and the accounts

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52 The contractor is expected to “comply with the monitoring arrangements set out in the Order Form including, but not limited to, providing such information as the Prime Contractor may be required to produce Contract.” (DWP nd a: 53)

53 Payment mechanisms vary. Funding models could have one or more of the following characteristics: service or delivery fee; initial payment or attachment fee; job outcome fee; job retention fee or instalment payments; incentive payments (DWP, 2013).
management team, and are required to take part in provider engagement meetings (employment programmes contracted prior to the Work Programme) or group partnership meetings (if a Work Programme provider), both led by the JCP either at district level or at contract area respectively (DWP nd b). Figure 11 below shows the accountability structure for externally contracted provision.

Figure 11  DWP employment contracted provision accountability and monitoring

![Diagram showing accountability structure]

Source: own elaboration based on DWP nd b

Many of the interviewees believe that EU funding allows EU priorities, ideas, and trends to impact on national and local policy. Although ESF funding rules are set up by national governments and Commission recommendations do not influence operational programmes (OPs), OPs have to be aligned with the funding principles of the ESF (linked to priorities and benchmarks of the EU2020 strategy).

4.2 UK employment policies in the crisis

The financial crisis in 2008, later to become an economic crisis and subsequently a fiscal crisis in the UK, had an impact on unemployment rates, which increased steadily up to 2012 as a result of falling internal and external demand (Figure 12), and the trend did not reverse until 2013. In most countries, changes to labour market policy structure, administration and/or instruments can be seen as a response to the crisis (Hurley 2010). The crisis has affected all European countries, albeit to differing degrees, and in various ways, as a ‘demand shock’, with one of the main characteristics being the support given to those affected by the crisis by increasing labour market policies; (a ‘fiscal emergency’, in which deficit reduction and austerity are one of the main focuses; and a structural challenge

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54 The DWP opposes any potential influence of the Commission in specifying the use of the ESF.
crisis’ where there is a recalibration between social protection institutions and the labour market (Clasen et al., 2012). It has been argued that UK’s injection of public money into the banking sector\(^{55}\) led to public debt, which has given way to austerity measures.

Figure 12 UK Unemployment rates (as a percentage of the labour force) 1985-2012

Source: Eurostat (not seasonally adjusted data).

According to Vis et al., (2011) it is in times of crisis that the opportunity arises to ‘embark upon substantial reforms’ including retrenchment, with labour market policies likely to suffer relatively more than other policies due to the lack of public support compared to other policies (Clasen et al., 2012). Expenditure on passive measures (out-of-work income maintenance and support, and early retirement) as a percentage of GDP increased substantially from 2008 to 2009, and decreased slightly from 2009 to 2010, while expenditure on active measures remained unchanged (Figure 13).

Figure 13 UK LMP measures and support expenditure as % of GDP

\(^{55}\) Capital injection in the banking sector amounts to £850 billion which is around 60 per cent of GDP (Vis et al., 2011).
Changes to labour market policies, and their coordinating, monitoring and support systems, and to the benefit system have to be understood in the context of the economic crisis and the Government’s response. Whether changes to the welfare state and to labour market policies are an opportunity or a necessity is still a matter for debate. The Coalition Government’s response to the crisis diverged to some extent from that of the previous administration: it abolished the Future Jobs Fund, a job creation initiative implemented in 2009; only a minority of demand side initiatives, mostly targeted at young people, are in place. Whether a similar response would have been adopted by the previous Government (with a different ideological background), is impossible to know. Some authors stress that spending on labour market policies to support those affected by the crisis has increased. According to Clasen et al., (2012), however, expenditure on these programmes has been reallocated from cuts to some benefits.

Retrenchment and (re)commodification, according to some authors, have been more dominant in employment policies in the UK (Clasen et al., 2012; Vis et al., 2011). These include benefit cuts (relative and absolute), benefit caps, increased conditionality and sanctions. Although extension of the conditionality of out-of-work benefits and the widening of activation was a feature in 2008, conditionality and sanctions have increased since 2010. Of course, the extension of activation (conditionality) when accompanied by support (active labour market policies) can be seen as a way to support those affected by the crisis. On the other hand, it could also be seen, especially when accompanied by compulsion and sanctions and work-first approaches, as an effort to reduce the income-transfers bill and therefore as retrenchment. In general, employment policy was characterized by austerity and negative activation during the crisis in the UK.

4.3 Conclusion

Labour market policies, supported by reforms to the benefits system, have moved towards increasing activation and compulsion for a greater number of individuals. These and a number of other welfare reforms have been justified as an economic necessity and as a way to achieve a welfare system that supports people into work more efficiently and effectively. Achieving slimmer government by reducing administrative layers is a reason behind the removal of the JCP’s status as an executive agency and bringing it inside the DWP. This, together with the restructuring of the DWP, aims at providing clear processes and accountability at all stages from strategic development to operational delivery. It is still too soon to observe the effects of this rearrangement.

Decentralization of responsibilities appears to be taking place in order to achieve the Coalition Government’s “Big Society”. In the case of employment policy, more discretion and flexibility is being given to the JCP and to external service providers, in terms of processes to be delivered. This increased discretion is intended to allow initiatives tailored to individual needs and local specificities, dealing with criticisms that “one-size-fits all” measures imposed nationally did not efficiently tackle problems of inactivity, unemployment and low-skill low-pay jobs. At the same time, it remains to be seen whether operational changes to employment policies, which seem to be welcomed, will deliver the expected results, as they could be jeopardized by ambiguity about the availability and accessibility of local provision. This greater discretion in service processes has also affected the coordination of policy development and implementation, as policy development focuses

56 Includes both changes to the administrative structure (for example by abolishing agencies or non-executive bodies) and budget cuts.: The Coalition Government’s plan in the June 2010 budget, was to implement a £30 billion spending cut (1.8 per cent of GDP). Welfare spending would be cut by £11 billion (about €13 billion, 0.8 per cent of GDP) over the next five years (Vis et al., 2011).
increasingly on setting priorities and outcomes to be achieved, with government
departments developing policy, and agencies responsible for implementation having less of
a role in setting delivery processes. Changes in the accountability and monitoring systems
can deliver changes in the operation of services. At the same time the interpretation of these
systems by line managers at operational level impacts on how they are used and how
services are delivered.

Coordination has been recognized as a way of increasing the efficiency and
effectiveness of policies, but although there are a number of instruments or structures that
could directly or indirectly achieve better coordination, these approaches do not seem to
have been reviewed. However it has been mentioned that the Treasury should play a greater
role in coordination. At local level, coordination between various stakeholders and the JCP
has been piloted through a co-design project, but has been hampered by JCP national
targets and procedures and lack of local discretion.

Employment policy is strongly framed and is the responsibility of the UK central
government. Stakeholders interviewed perceived European influence on national and local
employment policy as very limited. Reasons for this include the distant attitude of the UK
national Government and a general fit of UK policy in relation to European employment
and social policy,. Other research confirms a lack of European influence on administrative
structures, although some scholars have argued that, in some policy fields, the converse is
ture.
5 Germany

Reforms since 1998, beginning with the Hartz reform package 2003-2005, brought about crucial changes in the German active labour market regime, both in the programmatic and the organizational dimension. This shift to ‘activation’ led to a close linkage between the unemployment benefit system and supply side labour market instruments. The coordination of these instruments is almost fully integrated with the benefit provision system, which means that an analysis of the governance dimension needs to take into account both the benefit system and the programmatic dimension of labour market instruments in Germany.

The following subsections describe both the programmatic and the organizational dimension of German active labour market policies: the demand and supply side labour market instruments, the unemployment benefit system, and the coordination, accountability and support systems. The peculiarities of the individual subsystems and their interaction will be analysed, together with the impact of EU employment policies on the German regime, followed by a discussion of the German employment scheme in the context of the financial crisis since 2008.

5.1 The German labour market regime

While the unemployment benefit system (passive/compensatory labour market policies - LMP) and job placement were at the core of German employment policies after WWII, the shift towards active labour market policies in the 1970s led to a closer link between supply-side instruments (mostly vocational training and better job-search assistance) and the benefits system. In the context of the activation reforms, a stronger focus on social services as well as on other issues such as healthcare or family policies was introduced (Figure 14). The ‘enabling’ and ‘demand’ side of labour market instruments (Eichhorst and Konle-Seidel, 2008, see below) was strengthened in order to effectively integrate formerly excluded groups into the labour market. Personalization of services for the unemployed, labour market flexibilization, conditionality of benefits and stronger work incentives may be mentioned in this context. This brought with it new governance and implementation structures, affecting employment policy coordination, accountability and support systems.

Figure 14 Employment related policy fields in Germany

[Diagram showing employment related policy fields in Germany]

Source: own elaboration
A brief introduction to the benefit system and the most relevant labour market instruments in Germany is followed by an in-depth analysis of the organizational subsystems of employment policies.

5.1.1 The programmatic dimension

As mentioned above, the current employment policy system is strongly characterized by the changes introduced by the Hartz-reforms 2003-2005. This comprehensive labour market policy reform package was the result of intense political and societal debate on basic welfare state questions such as ‘achieved living standards’, ‘welfare without work’ or ‘undeserving poor’. The political coalition of Social-Democrats and Greens, especially a group of social-democratic “modernizers” under Chancellor Gerhard Schröder, favoured the paradigm of combined positive and negative activation into work.

Table 5 Main reforms in German employment policies 1998-2013

<table>
<thead>
<tr>
<th>Reform</th>
<th>Main Objective</th>
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<tbody>
<tr>
<td>1997 Employment Promotion Reform Act (SGB III)</td>
<td>Supply side focus on labour promotion, individual responsibility; increased conditionality of benefits</td>
</tr>
<tr>
<td>2001 Job-Aqtiv Act</td>
<td>Extended labour market flexibilization (agency work, job rotation); extended public-private cooperation in placement</td>
</tr>
<tr>
<td>2002 Placement vouchers</td>
<td>Extended public-private cooperation in placement</td>
</tr>
<tr>
<td>2003 First Act on Modern Services in the Labour Market (Hartz I)</td>
<td>Flexibilization (agency work); Training vouchers (public-private cooperation);</td>
</tr>
<tr>
<td>2003 Second Act on Modern Services in the Labour Market (Hartz II)</td>
<td>Re-regulation of marginal employment; Extension of part-time work, start-up subsidies, Jobcenters</td>
</tr>
<tr>
<td>2004 Labour Market Reform Act</td>
<td>Relaxing dismissal protection; shortening of duration of ALG for older workers; part-time retirement</td>
</tr>
<tr>
<td>2004 Third Act on Modern Services in the Labour Market (Hartz III)</td>
<td>Reform of Governance of Federal Employment Agency (BA),</td>
</tr>
<tr>
<td>2005 Fourth Act on Modern Services in the Labour Market (Hartz IV)</td>
<td>Merging unemployment assistance and social assistance, introducing social services, re-regulation of job creation schemes</td>
</tr>
<tr>
<td>2009 Reform of labour market instruments</td>
<td>Extension of work requirements, limitation of several measures</td>
</tr>
<tr>
<td>2009 Minimum wages</td>
<td>Implementation of minimum wages in certain branches.</td>
</tr>
<tr>
<td>2008-2010 Several reforms on short-time working</td>
<td>Extension of short time working</td>
</tr>
<tr>
<td>2012 Reform of labour market instruments</td>
<td>Decentralization by increasing competencies at local level, simplification of instruments</td>
</tr>
</tbody>
</table>

Source: own elaboration

Taking a broad view, several effects of the labour market reforms during the last decades, especially the Hartz reforms, can be seen: the labour market has experienced greater flexibilization and deregulation, but also re-regulation. Different forms of ‘atypical work’ (short-term contracts, part-time employment etc.) have significantly increased, as well as employment rates in general (see Annex, Figure 27). In addition, a profound restructuring of the unemployment protection system has taken place, and this has had a crucial impact on the organizational dimension of employment policies in Germany.

Before the Hartz reforms, Germany had a social assistance scheme which was totally decoupled from employment policies. On the other hand, there were two status-protecting unemployment benefit schemes, one insurance-based and one tax-financed (less benefits but still status-protecting). The insurance scheme still exists but the entitlement has been limited. The fourth reform of the Hartz package merged the other scheme, unemployment assistance, with social assistance into a new minimum income scheme for the unemployed.
capable of work. Benefit levels under the minimum income scheme are significantly lower than the previous unemployment assistance, and are still the subject of highly controversial political debate. Compared to Scandinavian and other continental European countries, they are only moderate (Bahle 2011, p. 159). An increasing number of beneficiaries receiving unemployment benefits II/minimum income are not unemployed but do not earn enough for their own or their families’ subsistence and therefore rely on additional benefits. As described below, the introduction of the new scheme had crucial implications for the governance of German employment policies.

The unemployment insurance system is funded through insurance contributions and is not means-tested. The level of benefit is earnings-related (60-67% of former income) and is only paid for one year. If beneficiaries have not found a job within this year, they have to apply for the means-tested unemployment benefits II/minimum income. Persons living in the same household have to support each other. Only if the household income is not enough for subsistence do they receive benefits. (Table 6)

<table>
<thead>
<tr>
<th>New System (since 2005)</th>
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</thead>
<tbody>
<tr>
<td>A) Unemployment insurance (UB I): funded through insurance contributions, earnings-related, limited duration, not means-tested, relatively status maintenance</td>
<td></td>
</tr>
<tr>
<td>B) Minimum income scheme</td>
<td>Consisting of</td>
</tr>
<tr>
<td></td>
<td>Unemployment benefit II (UB II): tax-funded, means-tested, flat rate, after expiry of ALG I, indefinite duration, strong principle of activation</td>
</tr>
<tr>
<td></td>
<td>Social allowance for children below the working age of 15 living in a household of an UB II recipient</td>
</tr>
<tr>
<td></td>
<td>Social assistance, subsistence grants, minimum income for working-age people not capable of working and for needy persons above 65 years; means-tested</td>
</tr>
</tbody>
</table>

Source: own elaboration

With regard to labour market instruments, German employment policies were dominated by a demand side strategy until the early 1980s. Supply side measures were only focused on vocational (industrial) training and the dual system of apprenticeship. Nowadays, employment policies are supply side focused, with a strengthened human capital investment strategy and aimed at high employment rates. This focus closely links the supply side instruments to the benefit system, since they are targeted on integrating the unemployed into work. As already outlined, the German two-tier benefit system no longer distinguishes clearly between social assistance and unemployment protection, but links minimum income with labour market instruments and social services, based on a strong activation principle. A clear focus was set on increasing employment rates to reduce the number of inactive beneficiaries receiving compensatory benefits. To achieve this aim, labour market flexibilization was enhanced. Agency work, marginal employment, part-time contracts and temporary work have increased significantly during the last few years. This has reduced the level of employment subject to social insurance contributions, as shown in Figure 15 (see also Annex, Figures 23, 24 and 25).

57 The high relevance of the German unemployment insurance scheme can also be observed regarding the regulation of employment. Usually, employers and employees pay contributions to the public social insurance schemes (health, pensions, unemployment and care). For so-called 'minijobs' and under some other ‘atypical’ working conditions, these contributions do not have to be paid.
Beside the reduction of benefits in the minimum income scheme (meant as an incentive to take up a job), more restrictive definitions of suitable jobs, individual activity requirements and punitive sanctions for non-compliance are the most significant requirements in the new UB II system (Eichhorst/Konle-Seidel 2008: 5). In addition, in-work benefits which serve as incentives to take up low-paid jobs or short-term contracts, support this focus on increasing employment rates. Furthermore, the traditional active labour market instruments (job-search assistance, job counselling, mobility grants, start-up grants etc.) were supplemented by social services. Childcare support, psycho-social assistance, housing support, debt counselling or other social services can be offered to especially long-term unemployed persons with multiple-placement obstacles in order to improve their employability. However, as described below, these services are not delivered in one-stop-shops but by different service providers.

These activation instruments (Eichhost and Konle-Seidl, 2008: 5) are only applied in the field of unemployment benefits II. The insurance based unemployment benefit I system is mostly focused on benefits delivery, job counselling and job search assistance. Here, the definition of suitable jobs is much more generous.

From a broader perspective, the Hartz reforms and related changes have led to significantly increased employment rates and lower unemployment rates. They profoundly changed the German employment landscape due to the rise of atypical employment. The low wage sector increased, as did the income inequalities: in 2005, the Gini index stood at 26.1 and in 2009 at 29 (see Annex, Figure 30). In particular, the inequality between East and West in Germany rose significantly. Thus, the positive achievements of the Hartz reforms in terms of employment rates are accompanied by other developments regarding income which are, to say the least, doubtful. In addition to this programmatic change, several organizational changes can be seen, and these are described in the next subsection.
5.1.2 The governance dimension

Germany is a federal state with two constitutionally defined governmental levels: the federal (national) level and the regional level (Bundesländer). Jurisdiction over wage agreements, labour relations, occupational safety, etc., are established at federal level. Policy formulation in the field of employment mainly involves three types of actors: (the public actors, the Government and especially the Federal Ministry for Labour and Social Affairs (BMAS); the social partners, represented by umbrella organizations of trade unions and employers’ associations; and the Federal Employment Agency (FEA), a self-governing tripartite public body. These actors are the most relevant to the German employment policy coordination system. Their main tasks and their interdependency are described below.

The district level and the municipal level (the smallest administrative unit) are mainly concerned with the implementation of laws decided at the higher levels, although elected representatives are in charge of local policy development. Even though benefit levels and eligibility are regulated nationally, districts and municipalities are responsible for the provision of social assistance and social services such as debt counselling, housing or youth welfare. This became relevant for employment policies due to the merging of social assistance and employment assistance in 2004 (see above) and the introduction of the local Jobcenters for the delivery of the new minimum income scheme.

The following subsections provide an in-depth analysis of the employment policy coordination, accountability and support systems.

Coordination system

The governance of German employment policies can be characterized as nationally dominated and hierarchical in structure. The Federal Employment Agency is the main actor responsible for implementation of employment policies in Germany. Besides job placement, its main tasks are payment of unemployment insurance benefits, vocational guidance, promotion of vocational training, allocation of labour market instruments and evaluation and monitoring (Oschmiansky, 2011). The Federal Employment Agency also has a certain influence on policy development, since it is a platform for bargaining and developing employment strategies for the social partners and public actors. The social partners are well embedded in employment policies at all administrative levels in Germany, mainly due to strong networks based on tripartite governance. Figure 16 shows the governance structure of the Federal Employment Agency.

However, the most important player in employment policy formulation is the Federal Ministry of Labour and Social Affairs (BMAS). Federal ministries in Germany are the clearing houses between the political and administrative level. In fact, in conjunction with the Federal Government, they design policy content (Derlien, 2003: 15). The Chancellor is able to define political priorities but, in most cases, is not involved in everyday policy making. The German President has mostly representative tasks.
The responsibilities of the BMAS are primarily social security and pensions, labour market, vocational training and the integration of disabled persons. The BMAS is responsible for policy making, target setting and allocating employment policy funding. In addition, it has responsibility for the legal supervision of the Federal Employment Agency (see Figure 17), including monitoring, evaluation and inspection (see below: accountability system). Furthermore, the implementation of European employment policies is another task of the BMAS, while the Federal Ministry of Economics and Technology is responsible for the overall implementation of Europe 2020. One sub-department of the BMAS is responsible for the ESF, while another sub-department administers EU social and employment issues. Here, the employment elements of the National Reform Programme are developed, and the country-specific recommendations are transposed into national policies.

The national reform programme (NRP) itself is finalized by a number of Federal ministries in consultation with the regional level (Länder). Here, a large number of actors such as the social partners, welfare associations and subnational administrative and societal actors are involved. However, this cooperation is not perceived as a genuine opportunity to participate in the process, but rather as lip service to the European rules on stakeholder involvement: deadlines for comments are too short, comments are not considered in the final versions etc. (Petzold, 2013: 15). Furthermore, the reporting and benchmarking system within the European Semester is of minor relevance to the German policy coordination system. This might be due to the relative good German performance in the labour market and the similarities between European and national objectives in employment policies. In addition, Germany has a strong position at European policy formulation level, which - especially in combination with its good performance in the economic crisis - offers
considerable opportunities to offer German policies and instruments as a role model for EU policies. For these reasons, the programmatic and institutional gap between German and EU policies is relatively small, which means less need for Germany to focus on implementation of the latter. Furthermore, Germany seems to offset effective implementation of the Europe 2020 targets against a reduction in its own efforts. Although the Europe 2020 targets are officially recognized as important objectives for German policy (Federal Ministry for Economic Affairs and Energy, BMWi, 2013: 17), the process of domestic target setting has been rather ambiguous. Germany’s own target-setting within the Europe 2020 benchmarking is comparatively low, so that implementation costs could be kept small (Petzold, 2013: 10). German policy makers do not seem to judge European policies as relevant in the field of employment. The reporting system shows some “free rider” activities, since national measures which would have been set up in any case were declared as Europe2020 implementation. Furthermore the administrative level deals first and foremost with European requirements, while the Federal Government is only partially involved. Implementation of European policies seems to remain a very technical process with considerably low programmatic influence. Although a large number of different actors (voluntary sector, social partners, and civil society) have commented on the NRP, Europe 2020 seems to be of equally minor relevance for them. Social and employment policies are still perceived as national topics.

Inter-ministerial cooperation with other federal ministries takes place continuously in working groups and informal contacts, but mostly aims at alignment and not at joint decision making. In particular, the Hartz reforms (2003-2005) had a crucial impact on the governance structure of German employment policies.

As outlined above, social assistance and the former employment assistance were merged in the framework of this reform package. While employment assistance had been governed and delivered by the Federal Employment Agency, social assistance is a local issue. Merging these schemes brought up the question of the governance structure for implementing and delivering the new minimum income scheme (UB II), especially with regard to the relationship between federal and local competences. After quite some political struggle about how to organize integration of the national institution (Federal Employment Agency, FEA) with many different local administrations, two types of organization were tested in order to achieve such integration: the ‘joint venture’ and the ‘accredited district’. The overall term for the benefit administration in both organizations is that of a “Jobcenter”. The joint venture model came to predominate and is described in the section on the support system.

In the field of unemployment insurance, policy formulation is not only in the hands of the Federal Ministry of Labour and Social Affairs (BMAS) but also the Federal Employment Agency, which, in addition to implementation and delivery, has certain policy making competences (see Figure 16), and the social partners are deeply involved in the process. Conversely, in unemployment benefits II, only the BMAS has policy making competence (in the framework of the overall federal policy making, see above) and the FEA only plays a role in administration, implementation and monitoring (see accountability system). Local governments are mostly not involved in policy making but responsible for formulating and implementing municipal services in the framework of unemployment benefits II. These municipal services implemented by the Hartz reforms are one of the basic pillars of the German activation scheme, since they aim at reducing obstacles to individual placements.
Although the Hartz reforms therefore achieved both a closer integration of employment policies, unemployment protection and social services in order to increase employment rates and greater interaction of a broader set of actors, the governance system is often criticized for its complexity. The hybrid organization in joint ventures is fruitful in many cases, but conflicts between employment agencies and municipalities, which seem to happen quite often, can limit the success of integration. In addition, the existence of different organizational forms of the Jobcenters increases the administrative burden.
Support system

When it comes to the German employment policy support system, two crucial dimensions can be observed: on the one hand, there is a comprehensive local system to support the delivery of employment services; on the other hand, a broad network of local actors supports the labour market monitoring by the Federal Employment Agency.

Regarding the first dimension, prior to the Hartz reforms support at local level was limited to the organization and provision of vocational training and the dual system of apprenticeship. Here, local and regional associations of social partners and the chambers are the main actors. Historically closely linked to industrial sectors but also highly relevant to crafts and commerce, the dual system of apprenticeship is a basic pillar of the educational system in Germany. It is one of the reasons for low youth unemployment rates. Here, the close cooperation between local employment agencies and local chambers, social partners and single employers can be clearly seen.
Another crucial aspect of the employment policy delivery system, since the Hartz reforms, is the municipal social services. The Hartz reforms brought about crucial changes not only in the implementation by the local Jobcenters, but the integration of municipal social services in the portfolio of employment policies. As mentioned above, the governance of this integrated approach, combining municipal social policies and national employment policies, is quite complex. In the case of joint ventures, local administrations and the FEA jointly set up Jobcenters, which integrate the provision of employment and social services in such a way that the municipalities continue to offer social services (as they had previously to social assistance recipients), while the FEA brings employment service instruments previously accessible only to unemployment insurance recipients. Within the Jobcenters, employment agency staff are responsible for placement and labour market integration: access to labour market services covered by unemployment insurance and implementation of new regulations on labour market integration for the target group of the long-term unemployed. The municipality, on the other hand, is responsible for the provision of social services as well as the payment of housing and heating costs.

At the operational level, beneficiaries of the new minimum income scheme see the Jobcenters as a certain kind of one-stop shop. They are not fully-fledged one-stop shops since municipal social services such as debt counselling or drug counselling are not provided in-house but by external service providers. Jobcenters themselves are mostly in charge of benefit delivery and job placement. Nevertheless, they follow a case management approach, which means that specialized case managers deal with beneficiaries’ personal problems (psycho-social, health, debt, etc., if necessary. Usually, municipal social services are provided either by welfare associations or public actors. Welfare associations are highly important not only in the provision of services, but also in the formulation of local social policies. Which actors are most relevant at local level depends on local history and traditions.
Due to a recent reform of labour market instruments, the market for provision of social services for unemployment benefit recipients has been opened up, which is a further step towards marketization of labour market measures in Germany (Zimmermann et al., 2013) and leads to the increasing importance of private profit-oriented providers. The local Jobcenters and local employment agencies are able to contract out certain measures (which is obligatory for vocational training and optional for so-called ‘activation measures’). In this case, a competitive tendering process takes place, organized by the regional directorates of the Federal Employment Agency. In addition, beneficiaries of unemployment insurance benefits and unemployment benefits II/minimum income can obtain vouchers in certain cases to choose measures aimed at improving their chances of labour market integration.

In the framework of municipal social services, the European Social Fund has become crucially important during the last decades. A large number of measures are co-financed by the ESF. In economically weaker regions, especially, the ESF is one of the main financing instruments of service delivery, while in economically stronger regions the high administrative burdens tend to discourage service providers from using European funding (Zimmermann, 2013). Although most actors at local level are not informed about EU employment policies or Europe 2020, they know a great deal about the funding scheme. Due to the specific funding priorities (target group focus, partnership approach), some EU objectives enter the local sphere via structural funding by-passing the national level.
When it comes to the second dimension of the German employment policy support system, a different picture emerges: due to the tradition of tripartite governance in local employment agencies, local social partners and other labour market actors, such as chambers and individual employers, are closely connected to the employment agencies (but not to the Jobcenters). These well-established local networks are highly relevant for the labour market monitoring process of the Federal Employment Agency. The labour market monitoring is a comprehensive instrument aiming at making the dynamics and developments of regional labour markets more transparent. It involves three key fields of observation: opportunities and risks for employment in different branches of the labour market; the economic, demographic, social and educational situation in a region; and a so-called "skilled-workers radar" focusing on supply and demand for skilled workers in a region. These three key fields of observation are underpinned by a number of indicators and fairly detailed descriptions.

The labour market monitoring system is provided and administered by the Federal Employment Agency. It is meant as a basis for the work of the local employment agencies and Jobcenters, but also for a broader set of actors. All interested actors are allowed access...
to the IT system on request. The idea is to provide a solid basis for local and regional networks focusing on labour market policies. It is used by a large number of organizations, primarily social partners, employers, chambers, public authorities, etc.

Although the internal statistical monitoring and reporting system (see below, accountability system) is highly relevant to labour market monitoring, a considerable amount of data is provided by local and regional actors, especially the chambers and regional statistical offices.

**Accountability System**

As can be seen from the above, German employment policies are very closely linked to the two-tier benefit system. The financing system is therefore twofold: on the one hand, there is the unemployment insurance system financed by employers’ and employees’ contributions, on the other, there is the tax-financed unemployment benefit II/minimum income system. The separation of both systems is also observable in the accountability system, as explained in this section.

The most relevant changes in the accountability system in the framework of the Hartz reforms were an internal restructuring process of the administrative organization, a reform of self-government, new management concepts and a broader and systematic inclusion of private providers for training and placement measures. In addition, of most relevance for the accountability system, a contract management system was introduced to govern implementation and service delivery by local employment agencies and *Jobcenters* (OschmiANSKY, 2011). This output-oriented approach is characterized by management by objectives, where the objectives are defined in terms of target indicators, focusing on reduction of passive benefits, increasing integration rates, reduction of duration and costs of integration. Cost reductions without decreasing the quality of integration is highly important. Each local employment agency and *Jobcenter* has its own objectives. This steering mechanism is now highly professionalized and well implemented, after some initial problems and controversy. Evaluation of individual employment agencies and *Jobcenters* is implemented on the basis of these objectives and other clearly defined targets through internal evaluation systems and, in some cases, also externally by third parties. Evaluation is used to improve implementation processes. Besides cost reductions, local leeway regarding in the application of instruments was one of the main reasons for the introduction of contract management. However, especially due to the high administrative work, budgetary constraints and bureaucratic regulations by the FEA, local discretion does not seem to be as high as initially planned.
A ranking system exists for both local employment agencies and local Jobcenters. Their performance measured against the key indicators is compared to that of other agencies with similar socioeconomic environments. In addition, a comprehensive statistical reporting system has been implemented. These statistics are very detailed (target groups, integration measures, expenditures, participants, etc.) and the data is to a great extent publicly available. In addition, the statistical service of the Federal Employment Agency provides statistical analysis to public and private clients. The Federal Employment Agency also has its own research institute, the Institute for Employment Research, which conducts labour market and occupational research on the basis of a statutory mandate.

The accountability measures in German employment policies provide a very high level of transparency. Detailed figures for each single employment agency and Jobcenter on spending and usage of different instruments to bring people into work are available online, together with the performance of the public employment services in terms of their key indicators. Nevertheless, the monitoring scheme leads to certain pressures on individual employment agencies and Jobcenters. Contract management always implies the risk of “creaming off” and “parking” or other opportunistic strategies in order to achieve good results in terms of the performance indicators. Although there is a lack of reliable evaluation of these risks, first empirical results suggest that contract management in local Jobcenters could lead to a reduction in cost-intensive and long-term measures and a focus on the integration of those who are easy to place.
5.1.3 Impact and efficiency of German employment policies

Evaluating current German employment policies means, to a large extent, evaluating the Hartz reforms. Although Germany has experienced a few other relevant labour market reforms in the last decades, the Hartz reforms were the most fundamental, introducing changes both in the programmatic and in the governance dimension. Subsequent reforms (mostly reforms of labour market instruments, see Table 5) always referred to the changes brought out by the four Acts on Modern Services in the Labour Market, the official term for the Hartz reforms.

From a broader perspective, the Hartz reforms led to different outcomes. One of the main objectives behind the reforms was cost reduction. As outlined above, the German social security system struggled under the large numbers of unemployed receiving unemployment insurance and unemployment assistance. The merging of unemployment assistance and social assistance in the framework of the Hartz reforms sought to reduce these costs, since it signified sharp cuts for a high number of beneficiaries. However, this aim could only be achieved in part, since especially long-term unemployment did not decrease as much as expected and caused higher costs. Several of the new labour market instruments failed to show improved efficiency with regard to labour market integration, and several of them have now been abandoned (Knuth, 2009). Furthermore, the low wage sector rose, causing a relatively high level of beneficiaries receiving additional benefits. More people than before the Hartz reforms work in atypical jobs and several of them are employed in jobs not subject to social insurance contributions. This is also a problem for the social security schemes.

Beside these difficulties with labour market integration, there are crucial problems in the governance of the local Jobcenters. The highly complex Jobcenter governance structure includes several areas of risk of mismanagement, and the cooperation between local municipalities and the employment agencies is or was problematic in many cases, leading to problems in effective service delivery. Furthermore, the Hartz reforms caused
societal and political debates on benefit levels and the German welfare state itself which are still raging.

Nevertheless, from a broader perspective, especially the integration of social and employment policies, as well as the close integration of benefits, accountability and support system can be taken as a very fruitful and effective measure to tackle unemployment. Germany has achieved significantly higher employment rates during the last decade, largely due to the Hartz-reforms. Table 7 summarizes the impact, efficiency and problems of the most relevant tools of the Hartz reforms.
Table 7  Impact and efficiency of selected tools of the Hartz-reforms

<table>
<thead>
<tr>
<th>Tool</th>
<th>Substance</th>
<th>Objective</th>
<th>Impact</th>
<th>Efficiency and problems</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOVERNANCE DIMENSION</strong></td>
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<tr>
<td>Creation of new minimum income scheme (UB II)</td>
<td>Merging of unemployment assistance and social assistance into UB II for unemployed, capable of work</td>
<td>Cost reduction, activation, targeted services</td>
<td>Change in coordination system: creation of two-tier system of unemployment protection (Unemployment Insurance, UB I, and unemployment benefits/minimum income, UB II).</td>
<td>Organisational gap between the two systems: Cost reduction but less than expected (lower job integration and high amount of working people receiving additional benefits).</td>
</tr>
<tr>
<td>New service delivery system for UB II</td>
<td>Creation of local job centers (two organisational forms) to deliver UB II and provide activation measures (outsourced), fostering the cooperation of the FEA with municipalities</td>
<td>One-stop service provision, differences in organisational design due to political disagreements</td>
<td>Change in supporting system: cooperation if the federal level (FEA) and the local level (municipalities). Problems with organisational design</td>
<td>Cooperation between FEA and municipalities only partly successful, highly bureaucratic and comprehensive governance structure of the Jobcenters limiting effective implementation in some municipalities, high regional differences regarding efficiency</td>
</tr>
<tr>
<td>Restructuring of the Federal Employment Agency (FEA)</td>
<td>Strengthening of New Public Management (NPM) elements such as contract management, weakening the tripartite governance at the local level, installing regional directorates as purchasing centers, and other changes</td>
<td>Higher local leeway for implementation, efficient governance, cost reduction, transparency, reducing risk of corruption</td>
<td>Change in accountability system: transparent, highly regulated system of evaluation, monitoring and benchmarking.</td>
<td>Effective cost reduction and transparency, but high administrative effort in monitoring. Local leeway for implementation is limited by partly rigid or too complex instruments and budgetary constraints.</td>
</tr>
<tr>
<td>Further enhancement of marketisation in service delivery</td>
<td>Strengthening of competitive contracting out of training and placements measures, introduction of training vouchers</td>
<td>Cost reduction, better quality of offered services; choice for service users (unemployed)</td>
<td>Change in supporting system: broader involvement of different types of service providers, emerging of a new market for service providers, broader service provision for unemployed</td>
<td>Effective cost reduction but to some extent decreasing quality of services due to implementation problems; competition among providers can limit cooperation and effective service provision.</td>
</tr>
<tr>
<td><strong>PROGRAMMATIC DIMENSION</strong></td>
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<tr>
<td>Fostering demanding activation elements in UB II</td>
<td>Stronger activation principle: cuts in benefits and duration, stricter criteria for suitable jobs; individual integration contracts, sanctions for non-compliance</td>
<td>Cost reduction, activation, incentives to take up work</td>
<td>Increasing job take-up rates</td>
<td>Partially effective cost reduction (less than expected), good incentives to take up work but lack of jobs for (e.g. low-qualified) UB II beneficiaries, highly controversial political and societal debates on benefits and sanctions; high regional differences in implementation</td>
</tr>
<tr>
<td>Fostering enabling elements in UB II</td>
<td>Intensified job counselling; coupling of social services to UB II provision; help to find childcare, psycho-social or debt counselling, housing support etc., provided mostly by municipalities or third sector actors</td>
<td>Better individual job counselling and job brokerage, profiling; reduction of individual placement obstacles by targeted social services, reconciliation of work and family life</td>
<td>Increasing job take-up rates</td>
<td>Good integration effects for job counselling; almost no evaluation of effects of social service provision; complex governance structure of provision and budgetary constraints as significant barriers for efficiency</td>
</tr>
<tr>
<td>New focus of vocational training</td>
<td>Closer introduction of vocational training measures in local labour market planning, fostering short-term training measures instead of (formerly more applied) long-term measures</td>
<td>Cost reduction, strategic planning</td>
<td>Partially increasing employment rates, new market for training providers, established labour market planning</td>
<td>Good effects of targeted vocational training on job placement, but low effects still present</td>
</tr>
<tr>
<td>Increasing labour market deregulation</td>
<td>Self-employment, agency work and jobs not subject to social insurance contributions (&quot;mini-jobs&quot;) were fostered; direct support by the FEA. Additional UB II provision for low paid jobs</td>
<td>Job creation, hope of 'adhesive impact' leading to regular employment, reduction of illegal work, 'every job is better than unemployment'</td>
<td>Strongly increased employment rates, increasing 'physical work': marginal employment, part-time employment, short-term contracts, increasing low-paid sector</td>
<td>Strongly increased employment rates, less people in jobs subject to social insurance contributions (problems for pension), free riders effects for some measures (e.g. job integration allowance, marginal employment or self-employment supports, 'adhesive effects' very low (low transient form typical to typical work)</td>
</tr>
</tbody>
</table>

Source: own elaboration, based on own empirical data, Knuth, 2009; Eichhorst and Zimmermann, 2007; Bonin and Schneider, 2006; Müller and Oschmiansky, 2006; Fertig and Kluve, 2006.
5.2 German employment policies in the crisis

Although the global economic crisis in 2008/2009 hit the German economy hard and had a sharp impact on the labour market, this impact was quite moderate from an international perspective. In the beginning, the unemployment rate rose sharply, especially for young people. The most crucial impact of the recession was on export-driven industries, and also temporary work. However, unemployment rates began to stabilize fairly quickly and remained relatively stable from the beginning of 2009. The concept of short-time working is discussed as one of the key factors in this good German performance in the crisis. Short-time working has been a well-established labour market instrument in Germany since the beginning of the last century. In times of temporary recession, employers can reduce their staff costs by shortening working hours. Employees suffering from an income reduction due to short-time working are entitled to short-time work benefits, paid by the employment agencies out of the social insurance scheme. This measure aims at preventing dismissals due to temporary economic recessions. In February 2009, a Federal Law on Securing Employment and Stability in Germany was implemented which included a broader range of benefit entitlement and duration for short-time workers.

As Error! Reference source not found. shows, a great many firms made use of the short-time work option during the 2008/2009 crisis, which was one of the reasons why unemployment rates did not increase sharply.

Figure 21 Germany: short-time work during the crisis

In addition to the focus on short-time working, Germany adopted further measures to tackle the economic crisis. Mostly, they aimed at strengthening economic growth by public investment in transport, education, technology and other sectors. Instead of cutting unemployment benefits, the State invested in tax reductions, lower social insurance
contributions and better qualifications, especially for older and low-skilled workers. Austerity was explicitly not the aim for Germany.

From a general perspective, this path towards stabilizing the employment situation by investment in economic growth was highly successful. Germany experienced only moderate declines in employment rates. However, the success was not only based on internal efforts but also on Germany’s role as a leading export nation. Other countries’ fiscal policies to stimulate demand turned out to be to Germany’s benefit. In 2009, German GDP suffered a relatively sharp decline, mostly due to decreasing exports, which especially affected economically strong regions of the country with many export-oriented firms (Rinne and Zimmermann, 2013: 7). Nevertheless, the recovery was quick. In 2011, GDP showed intense growth again and unemployment rates decreased. However, public debt increased, albeit rather modestly compared to other Eurozone countries. Here again, exports played a highly important role and Germany benefited from other countries’ stabilization programmes, an indication of German dependency on world trade (Dauderstädt, 2013). Although Germany is still performing very well in the current Eurozone crisis, this dependency on exports could lead to serious problems. Currently, the German economy is in moderate recession, due to decreasing export figures.

Most of the measures adopted in Germany to face the crisis already existed before. Due to the comprehensive catalogue of active labour market measures and the close integration of economic, employment and social policies, Germany was able to implement adequate and effective instruments, such as short-time working, very quickly. A well-functioning governance system of employment policy implementation was able to support the programmatic effort. Here, the coordination system was highly efficient. Nevertheless, the challenges of the crisis were mostly addressed by unemployment insurance tools, helping those who were not previously unemployed. On the other hand, the UB II support system mostly failed to achieve labour market integration for the most disadvantaged, primarily due to a serious lack of jobs for low-skilled workers. Here, there is still a challenge to be faced in terms of closer integration of local economic and employment policies.

5.3 Conclusion

The German employment regime has experienced crucial changes during the last decades. The most radical ones were implemented by the Hartz reform package between 2003 and 2005. They introduced both demanding and enabling forms of active labour market instruments into the unemployment benefit II/minimum income scheme and therefore established a strong activation principle. Integration into jobs was strongly prioritized and increased employment rates, especially for formerly excluded groups such as women or migrants, were defined as the main aim. In terms of increased employment rates and reducing unemployment, the reforms had highly positive effects. Nevertheless, the increasing employment rates were to a large extent based on a change in the German employment landscape. Marginal employment (low working hours and mostly low income), short-term contracts and part-time employment increased significantly. This development is also linked to increasing income inequality, since the low-wage sector has grown considerably.

The Hartz reforms also had crucial effects on the governance framework. In particular, the introduction of municipal social services into the unemployment benefit II/minimum income scheme signified major organizational changes. The introduction of local Jobcenters, mostly as hybrid organizations jointly governed by municipalities and the Federal Employment Agency, is the most relevant. It broadened the German employment policy support system significantly by integrating a larger set of local actors such as welfare providers, public social service providers and others. The German coordination and accountability systems are both highly developed. The Ministry of Labour and Social
Affairs is the key actor in policy formulation, while the Federal Employment Agency also has a prominent role. Annual work plans, management-by-objectives, monitoring and evaluation, and a comprehensive labour market information system are nowadays key features of the governance of German employment policies.

The different German employment policy subsystems are closely integrated and well-embedded in a broader policy context. The reforms of the last decade were highly successful in terms of labour market integration and showed several advantages of the German system. The most relevant relate to the integration of social and employment policies and the close interaction between the national and local level when it comes to coordination and delivery. The supply side focus which includes social services such as healthcare, childcare, debt counselling or housing, is very effective in reducing long-term unemployment. The accountability system is very well organized and efficiently governs the implementation of labour market measures at local level in the framework of nationally formulated policies. Nevertheless, the complex governance structures of the local Jobcenters leads to certain problems in practice, especially regarding staff and financing. In addition, the nationally formulated active labour market measures are criticized as being too rigid for effective implementation and lacking in local discretion.

With regard to the EU, the low presence of European employment policies at national level can be observed. Here, the framework of the European Semester is mainly limited to bureaucratic compliance with reporting and benchmarking tools. Nevertheless, at local level, European employment policies are seen to be highly relevant, introduced via the European Social Fund. Employment policies are still a predominantly nationally framed policy field, and political actors perceive European employment policies more as a background far removed for everyday affairs than concrete policy formulation framework impacting on employment policy implementation mechanisms in Germany. Furthermore, German social, economic and employment policies are quite similar to those at European level (“low misfit”), or even, indeed, German policies may serve as a role model for EU policies (“policy upload”) due to Germany’s strong position at the European table. In a nutshell, European employment policies are present in German policy making, but do not greatly influence the outcomes and the implementation process. European policies are mostly used in a bureaucratic manner, simply to fulfil legal obligations, and this in part leads to “free rider” effects without real policy change.

Although the German system undoubtedly does suffer from certain problems, it has been characterized, nevertheless, as the “North Star of Labour Market Politics” (Rinne and Zimmermann, 2013). Primarily in terms of integration but also in the outcomes of its policies, certain imbalances can be identified: low wages, increasing inequalities and economic success at the expense of other countries. Nevertheless, the success of German employment policies during the last few years cannot be ignored. After analysing the German system, a number of relevant key factors underpinning its success can be identified:

- Close integration of unemployment protection scheme/social security scheme and active labour market policies
- Integration of social policies in the package of active labour market measures targeting especially long-term unemployment
- Dual system of apprenticeship, focusing on vocational training and youth employment
- Close (and institutionalized) interaction between national level and local level
- Clearly defined labour market measures which are adaptable in times of crisis

On the basis of this stable institutional setup, Germany will have to focus on fair and sustainable employment in the future in order to prevent and tackle increasing inequalities among its citizens.
6 Conclusion

This case study on employment policy implementation mechanisms has analysed the employment policy coordination, accountability and support systems in the European Union, the United Kingdom and Germany, through a description of the programmatic dimension of employment policies. On the basis of these in-depth analyses, we can observe several similarities and differences between all three systems.

Both Germany and the UK have experienced, albeit at different times and to differing degrees, a change in the governance of employment policies, a shift towards activation, and the contracting out of employment provision to public, private and voluntary sector organizations. Activation in the UK developed in 1980s and increased in the late 1990s, while in Germany it was from 1998 and especially since the Hartz reform package 2003-2005 that the shift to ‘activation’ took place. This activation approach has been characterized in both countries by labour market flexibility, conditionality of benefits and a stronger link between social and employment policies. The benefits systems in both countries have been reformed: in the case of the UK, the aim has been to widen the number of income transfer recipients that are required to participate in activation; in Germany, similar priorities can be seen. Increasing employment rates was a crucial priority in the framework of the reform process. The amalgamation of employment services and the Benefits Agency in the UK aimed to bring employment support and benefits closer together. Similar processes can be identified in Germany, where the creation of the Jobcenters merged public employment services and municipal social services.

Regarding the European Union, highly similar policy programmes can be found in terms of labour market flexibility, increasing employment rates, fostering cooperation of different actors and linking social and employment policies. Nevertheless, there are crucial differences between the EU system and Germany and the UK. While both Member States have developed a supply side focused employment policy, closely linked to and partly financed by the unemployment protection system, the European Union does not have an unemployment protection scheme of its own. Both the UK and Germany reformed their benefit systems in order to activate the entry of formerly excluded groups into the labour market. They established a two-tier system, providing special measures for long-term unemployed. This form of distributive governance is not possible for the EU, which relies only on financial incentives via the European Social Fund, as well as on soft coordination mechanisms, to implement its employment policies on the ground.

This means that European employment policies do not have their own support system. Especially against the backdrop of the increasing relevance of local support systems in the UK and Germany, this is a crucial barrier to effective EU employment policy implementation. The support system in Germany is closely linked to the two-tier benefit system. Similarly, services in the UK are in some ways different for the long- and short-term unemployed. In both countries, a broader set of actors are involved in the delivery of employment measures. However, in the UK, contracting-out is a special feature of the support system.

With regard to the coordination system, similarities can be found between all three systems. All employment policy coordination systems are centralized and hierarchical. As clearing houses between administration and politics, ministries play key roles in Germany and the UK and have a role similar to that of the European Commission: de facto policy making. Nevertheless, in Germany, the Federal Employment Agency has an additional role. Tripartite governance involving the social partners also plays an important role in policy formulation. In all three systems, the de facto policy making bodies are responsible for employment and social policy (EU and Germany), or employment and pensions (UK) and are therefore, by their nature, geared more closely to the supply side. Inter-ministerial coordination, especially with actors in the field of macroeconomic policies, exists in
Germany and the UK, but is rather weak. At EU level, the cooperation of the relevant Directorates General is not sufficiently explored but also seems to be limited.

The accountability systems are highly similar in all three systems and play a key role in the implementation process. Germany and the EU have an output-oriented approach characterized by management by objectives and benchmarking. Annual work plans are the basis for these monitoring and monitoring processes. In the UK, the accountability system for internal or external provision is different, and, especially in internal provision, is moving more towards outcome-based performance management, increasing local actors’ discretion and flexibility in service delivery.

This very brief summary of the coordination, accountability and support systems in Germany, the UK and the EU shows, perhaps surprisingly, a high level of coherence between the three systems. What can we learn from the analysis of these different systems? In order to draw effective lessons from the employment implementation mechanisms, we need to focus on the success and failures of the schemes. In particular, a comparison of the European system and the systems of the Member States – UK and Germany – might be very helpful in this context. First and foremost, we can identify a number of features which are highly successful both in Germany and the UK:

1. The two-tier unemployment protection system, providing special treatment targeted on long-term unemployed with special needs. Although there are crucial differences in terms of measures, programmes and their delivery, the system itself seems to be effective in both Germany and the UK;
2. A close link between social and employment policies. Both Germany and the UK have, to a certain extent, involved social services in the delivery of measures for the long-term unemployed;
3. A hierarchically organized coordination system, leaving some leeway for local actors in terms of implementation. This leeway is greater in the UK, which might be an advantage since rigid instruments and a lack of local discretion is criticized in Germany;
4. Close interaction between the local and the national level.

In addition, Germany shows some good practice with regard to the dual system of apprenticeship, which effectively helps to bring young people into jobs. Furthermore, Germany proved to have some clearly defined labour market measures which were adaptable and efficient during the financial crisis in 2008/2009. The UK black-box approach and sustainability requirements of the national programme for the long-term unemployed (the Work Programme) tries to deal with some of the shortcomings of contracted provision (such as creaming off, parking, revolving door) and indicates a departure for work-first approaches in national employment policy. Nevertheless it is still too soon to see the full impact and process of the Work Programme.

Three of the four successful features mentioned imply certain difficulties for a system such as the European Union. Since the EU does not have its own social security regime, it cannot rely on a financing system similar to those in Germany and the UK, linking employment policy measures to the unemployment protection system. Furthermore, it suffers from a lack of its own support system at local level, which aggravates the difficulties of linking with the local level. Since the EU does not have decision-making power, a hierarchically organized coordination system with leeway for local actors is not possible. As outlined above, the EU sought to compensate for these barriers by establishing a comprehensive and detailed accountability system. Focusing on effective coordination by monitoring, benchmarking and recommending certain policy details in the framework of an integrated strategy, it tries to achieve coherence among Member States by a technical procedure. This pathway has some effect but might risk making the process overly
cumbersome and cause free rider effects when countries confined themselves merely to fulfilling their legal obligations to reduce their implementation costs. Nevertheless, the work of the European Semester, in particular, which includes employment policies in a process of coordinating Member States’ budgets, might lead to more effective implementation of EU employment policies.

An analysis of the effectiveness of EU employment policy implementation mechanisms needs to take into account the variations among Member States with regard to their economic performance and their institutional framework. In particular, a country’s institutional framework might have a crucial influence on its ability to adapt and implement EU policies and therefore on the potential of EU employment tools. Building institutional capacities in the Member States according to the required policy framework has been introduced as part of the EU’s implementation mechanisms in recent years. Whether this strategy is successful or not will be observable in the coming years. However, the pathway of European employment policies since the 1990s shows that, despite its weaknesses, the EU has managed to establish a relatively effective and well-integrated set of soft governance tools to transfer non-binding supra-national employment policies to the national and subnational levels of the Member States.

However, effective governance frameworks are not a guarantee of effective policies. In all three systems, we can observe a focus on supply-side employment mechanisms and a certain lack of policy coherence between demand and supply-side employment policies. Although job creation, wage and tax policies, or labour market flexibility are still on the agenda, the coordination, accountability and support systems of the supply-side dimension are much more comprehensive. ‘Serving the market’ by developing skills or increasing employment rates by providing social services and job incentives might be the easier way to tackle unemployment at national level, when macroeconomic policies are, to a large extent, addressed to the supranational or the market level.
Annex: Figures and Tables

Figure 22  LMP measures expenditure as a percentage of GDP (2009)

Source: Eurostat (most data are estimated figures)/ Note: LMP's measures included are: training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives.

Figure 23  EU bodies and the ordinary legislative procedure

Source: own elaboration
Figure 24  Marginal employment in Germany

Source: Federal Employment Agency

Figure 25  Part-time employment in Germany 1997-2011

Source: Federal Employment Agency
Figure 26  UK expenditure by LMP measures, in millions of Euros

Source: Eurostat (estimated figures)

Figure 27  German Expenditure by LMP measures, in millions of Euros (2006-2011)

Source: Eurostat (estimated figures)
Figure 28  Self-employment in Germany 2007-2011

Source: Federal Employment Agency

Figure 29  LMP measures, expenditure as % of GDP for EU27, UK and Germany, 2006-2009

Source: Eurostat (estimated figures)

LMP measures: training, job rotation and job sharing employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives
Figure 30  Gini coefficient of equivalized disposable income

Figure 31  LMP supports, expenditure as % of GDP for EU27, Germany and UK, 2006-2010

LMP supports: out-of-work income, maintenance and support; early retirement.
Figure 32  Type of support offered by UK’s Get Britain Working measures

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<th>Network/Partnership</th>
<th>Training/Apprenticeship</th>
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<th>Employment Training</th>
<th>Guarantee/Interview</th>
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