Integrated delivery of employment services and social assistance benefits in Germany

South South Learning Forum 2015
“Emerging Social Protection Systems in an Urbanizing World”

Ulrich Hörning
City of Leipzig, Deputy Mayor of General Services

Beijing (China), 12th November 2015
Why present an OECD country experience at the Beijing South-South Learning Forum 2015?

The case of Germany at the “South-South Learning Forum”?

Potential learning points and transferability to non-OECD country contexts could possibly be found in …

… joint delivery mechanisms in a federal structure,

… local variance within a nationally uniform governance / financing model,

… linkage of social policies with place-based policies for urban renewal.
The Federal Republic of Germany is made up of 16 Länder (states)

<table>
<thead>
<tr>
<th>Federal Republic of Germany</th>
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<table>
<thead>
<tr>
<th>Level</th>
<th>Key Figures</th>
<th>Responsible for …</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>82m population (79m by 2030)*</td>
<td>Labour market policy and Federal Labor Agency</td>
</tr>
<tr>
<td></td>
<td>€2,400bn Total GDP (2009)</td>
<td>Unemployment Benefit I (social insurance) and II (tax-financed base benefit)</td>
</tr>
<tr>
<td></td>
<td>€363bn total federal budget (2009) (15% GDP)</td>
<td>Public pensions and health</td>
</tr>
<tr>
<td></td>
<td>16 states (Länder)</td>
<td>Schools (teachers)</td>
</tr>
<tr>
<td></td>
<td>€309bn total state budgets (2009) (13% GDP)</td>
<td>Child-care (w/ mun.)</td>
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<tr>
<td></td>
<td>11,300 Municipalities “Kommunen”, of which …</td>
<td>Police</td>
</tr>
<tr>
<td></td>
<td>… 111 large cities “Kreisfreie Städte”</td>
<td>Culture</td>
</tr>
<tr>
<td></td>
<td>… 1,951 cities (“Städte”)</td>
<td>…</td>
</tr>
<tr>
<td></td>
<td>301 Counties (“Kreise”) outside of “large cities”</td>
<td></td>
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<tr>
<td></td>
<td>€186bn total municipal budgets (2009) (8% GDP)</td>
<td>Unemployment Benefit II (housing cost)</td>
</tr>
</tbody>
</table>

Sources: Destatis, Wikipedia, SVR Wirtschaft, authors calculations (* Estimate by SVR Wirtschaft, 2010)
Note: All financial indicators as gross expenditure. Additionally, the Public Social Insurance Schemes (Pension, Health, Unemployment (Social Insurance) add €506bn (2009) (21% GDP) expenditure. Total gross public expenditure is 57% of GDP in 2009. Total public debt is 73% of GDP (2010 notification to EU).
Leipzig today: 550k population and growing but also among highest in relative poverty

Business

Peaceful Revolution 1989

Culture and Music

Industrial History and Urban Renewal

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Social Protection architecture in Germany: focus on tax-financed social assistance programs

Social Insurance Systems
- Statutory Pension Insurance
- Statutory Health Insurance
- Statutory Unemployment Insurance
- Statutory Long-term Care Insurance
- Statutory Accident Insurance

Social Compensation Systems
- Assistance to war/mil.s. victims
- Assistance to victims of crime
- Assistance to political prisoners in the GDR-system

Social Welfare Systems
- Basic Income Support for Job Seekers
- Social assistance benefits for non-workable persons
- Housing allowance

Focus today

Payroll Contributions & Taxes
Taxes
Taxes
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Forging of statistics at employment agency provides opportunity for comprehensive reforms

2002 „Placement Scandal“
- Federal Audit Court discovered forged statistics in 2002
- Chancellor Gerhard Schröder installs a government reform
- What started as an institutional redesign of the Federal Labour Office …

„Hartz“ – Commission and Laws 2002-2005
- … became a big change in welfare state design
- Commission work results led to 4 laws:
- BUT: A number of adjustments and “softening” since

Source: Konle-Seidl (2008)
The triple package for reform: institutions, benefits, labour regulation …

... embedded into German cooperative capitalism model

### INSTITUTIONS
- Reorganization of public employment services (Federal Labour Agency)
- Improved service standards
- Joint delivery structures with municipalities
- More evidence in ALMPs

### BENEFITS
- Shortened duration of initial UnE-insurance benefit to 12 months*
- Merged tax-financed benefit into single lump-sum transfer (with in-work allowance) and defined broad eligibility base (18-65 year-olds, workable > 3h/d)
- Required mutual responsibilities

### LABOUR REGULATION
- Deregulation of the temporary work sector
- Allow exemptions from restrictions on fixed-term contracts and dismissal protection

* Duration extended to 24 months for over-58 year old workers in 03/2008

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Post-2005 is a two-tier system of social insurance and social assistance

**Before 1 Jan 2005**

<table>
<thead>
<tr>
<th>Type of benefit</th>
<th>Description</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment benefit</td>
<td>60 - 67% of former wage, paid up to 32 months</td>
<td></td>
</tr>
<tr>
<td>(tax-financed)</td>
<td>Eligibility: people paid unemployment insurance contributions</td>
<td></td>
</tr>
<tr>
<td>Unemployment assistance</td>
<td>50 - 53% of former wage, paid for an unlimited period of time</td>
<td></td>
</tr>
<tr>
<td>(tax-financed)</td>
<td>Eligible people: former recipients of unemployment benefit</td>
<td></td>
</tr>
<tr>
<td>Social assistance</td>
<td>Fixed amount (incl. housing benefits: Avg. ~EUR 650)</td>
<td></td>
</tr>
<tr>
<td>(tax-financed)</td>
<td>For people not eligible to unemployment benefits or unemployment assistance</td>
<td></td>
</tr>
</tbody>
</table>

**Since 1 Jan 2005**

<table>
<thead>
<tr>
<th>Type of benefit</th>
<th>Description</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment benefit I</td>
<td>60 - 67% of former wage, limited to 12 (24)* months</td>
<td>Eligibility as before</td>
</tr>
<tr>
<td>SGB III</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Labour Office</td>
<td>Primary Focus of this presentation: Basic Income Support (BIS)</td>
<td></td>
</tr>
<tr>
<td>(“Bundesanstalt”)</td>
<td>Basic Income Support / Unemployment benefit II</td>
<td></td>
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<tr>
<td>Federal Labour Agency</td>
<td></td>
<td></td>
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<tr>
<td>(FLA, “Bundesagentur”)</td>
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<tr>
<td>SGB II</td>
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**Note:** SGB II, III and XII refer to the respective chapters of the German Social Code (SGB = “Sozialgesetzbuch”)

* Over-58 workers receive 24 months of UB I
** Funding of SGB XII for > 65 years to be covered increasingly by federal government (full payment in 2014)

Continuation of old “Social Assistance“ as SGB XII for recipients not-capable of working and 65+years traditionally funded by municipalities. **
All-time high LFP, persistent LTU, rising income inequality vs. recent introduction of minimum wage

- Of a total population of 82m, 41m were participating in the labour force in Q2/2011. **Highest post WWII absolute LFP number.** Amongst other factors …
  - Improved matching / activation via reforms
  - Improved LFP of 55+ and women
  - 7.3m “Minijobs” (≤400€) in labour force*

- Increase of inequality and risk of poverty
- Integration difficulties of long-term unemployed and reduction of ALMP funds post 2012
- Of 1.17m labour market entrants from Unemployment assistance (UB II) benefit in 2008
  - > 50% entered jobs with in-work benefits
  - 13% returned to benefit within 6 months
- Recent **minimum wage** acts as back-stop to “in-work” benefit careers but can be potential barrier to LM entry

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Note: LFP – Labor Force Participation, LTU – Long Term Unemployment, LM – Labor Market

* IAB 2012: Monthly earnings below 400€, limited taxes and social insurance contributions paid, approx. 5m Minijob only, approx 2m combination of full employment with Minijob

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Joint national/local governance and operation model for benefit and service delivery

**Federal Ministry of Labour and Social Affairs (BMAS)**
*(Legal supervision)*

**Local Governing Board**
*(with participation of local industry, unions and trades)*

**Job Center Agency**

- Managing Director
  - Local Staff
  - Federal Staff

**Leipzig City Government**

**Federal Labour Agency Leipzig**

Note: Role of state level agencies, court of accounts and other supervisory bodies not shown for simplicity reasons.

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### Simplified financing flows for benefit payment and operating cost … national data (EUR bn, 2010)

<table>
<thead>
<tr>
<th></th>
<th>Municipal</th>
<th>Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>19.5</td>
<td>19.5</td>
</tr>
<tr>
<td>Housing</td>
<td>14.5</td>
<td>2.8</td>
</tr>
<tr>
<td>ALMPs</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Administration Cost</td>
<td>1.1</td>
<td>3.8</td>
</tr>
</tbody>
</table>
Joint delivery units merge employment and social work logic ... with conflicts!

- Approx. 330 joint delivery units operate under 2 models (joint agencies vs. “option”).

- ARGE/gE merges two logics:
  - **Central**: labour market, integration, training, standards, controlling, etc.
  - **Local**: social worker logic, focus on individual, neighbourhood work, etc.

- Central data and controlling systems supposed to ensure results-orientation of the organization

- Link to local social work offering can be improved!!!
Federal regulations ensure a minimum compatibility via joint base systems and rules.

- **335 Joint Agencies “gE”**: Municipalities and local job centers (FLA) work together.
- **110 “Option”-Municipalities**: Municipalities / counties deliver all services and all placement services on their own.

**Benefit Calculation & Payment**
- Registers, IT-Systems (Verbis/A2LL) & Operating Standards
- Data / Statistics Standards (X-Sozial)

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Local job-centre example (Mannheim): clients, staffing (ratios) and budget

- **Total number of persons in need**: 27,850
- **Needy persons capable of gainful employment**: 19,691
- **Communities of Need**: 14,658
- **Unemployed**: 7,398
- **Under 25 years (U25)**: 62
- **Over 55 years (>55)**: ~30

**Expenditures 2010 (approximate)**
- Basic Income Support / Social Assistance: € 66 m
- Housing and Heating Allowance: € 65 m
- **Total**: € 131 m

**Job-Centre staff: 356 total**
- 148 Federal Labour Agency (of which 58 case managers)
- 191 Municipality (of which 132 case managers)
- 17 Vivento (Dt. Telekom personnel agency) – 3 case managers

**Case Managers: 193 total**
- Average of 100 cases per manager
- Case load U25: < 75
- Case load “intensive” parts of city: ~30
- Case load >55: ~200

**Approximately 1 in 11 Mannheim residents receives Basic Income Support**

Source: FLA Mannheim, Monthly Reports 12/2010 and 03/2011
Note: U25 = “under 25 years” | >55 = “Over 55 years”
Typical service arrangement for employment service delivery in central city job-center

1. Welcome Zone
2. Application Intake
3. Benefit Processing and Employment Support
4. Specialized team for under-25 year olds
5. Neighbourhood Job Marts

- Service centres (telephone support)
- Self-service area (Online vacancy database etc.)
- "30-second rule"
- "No paper/files"
- "Protected zones"

Example activities:
- "Job counselors place and advise jobseekers"
- "Customer-oriented and efficient delivery of income support"

Mannheim neighbourhood approach
Three dimensions in local service delivery: location, geography and function of organization (conceptual)

<table>
<thead>
<tr>
<th>Service Delivery Location</th>
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</thead>
<tbody>
<tr>
<td><strong>Central</strong>: services accessible only in one central location vs. <strong>De-central</strong>: services accessible in different parts of city</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case Management: Geography</th>
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</thead>
<tbody>
<tr>
<td><strong>City-wide</strong>: case management teams organized by last name or customer ID number vs. <strong>Neighbourhood-oriented</strong>: case management teams organized around neighbourhoods / streets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case Management: Function</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unified</strong>: one case manager handles benefit claim AND employment support vs. <strong>Functional</strong>: different case managers handle benefit claim and employment support</td>
</tr>
</tbody>
</table>
Example: Leipzig and Mannheim job centers employ different service delivery models

<table>
<thead>
<tr>
<th>Design Dimension</th>
<th>Leipzig</th>
<th>Mannheim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Delivery Location</td>
<td><strong>Central</strong> for Benefits and Employment Support</td>
<td><strong>Central</strong> for Benefits</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Central and De-central</strong> for Employment Support</td>
</tr>
<tr>
<td>Case Management: Geography</td>
<td><strong>City-wide.</strong> Case management organized by last names / client numbers.</td>
<td><strong>Neighborhood-oriented:</strong> Central case management teams organized by neighborhood</td>
</tr>
<tr>
<td>Case Management: Function</td>
<td><strong>Functional.</strong> Different case managers for benefit receipt and employment facilitation</td>
<td><strong>Unified.</strong> One Case manager handles both benefit calculation &amp; employment facilitation</td>
</tr>
</tbody>
</table>
Neighborhood Job-Marts in all districts of city – NO BENEFIT PAYMENTS / Job-placement only!

Source: Job Centre Mannheim, 2010
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Urban regeneration policies ... from “Can Leipzig be saved” 1989 → population growth 2015

Source: City of Leipzig, Department for City Regeneration and Housing

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Population growth 1998 vs. 2013: from loss to gain

Source: City of Leipzig, Department for City Regeneration and Housing
„Leipzig Special“ smart use of urban development funds grew from early 1990 participation culture

Source: City of Leipzig, Department for City Regeneration and Housing

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Early 2000‘s: Managing non-use of buildings through temporary access for artists and self-use residents

Maintenance of buildings through usage

› since 2005  
› 16 „Guardian Houses“  
› 20 „Guardian Shopfronts“

Source: City of Leipzig, Department for City Regeneration and Housing
Core trade-offs at the intersections of place and people focused policies – focus of funding

Focus of Funding for Local Programs

Main focus

- Firm
- Individual / Community
- Built Environment

... allow more flexible fund use only in small number of prioritized areas (EU Funds leading the way!)
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Current Challenges …
… employment system and society in general

- Labour market integration of hard-to-place cases of basic income recipients – more socially embedded placement / “social” job markets
- Greater use of digital technology for service delivery
- General up- and reskilling of industrial and service workforce towards “Industry 4.0” (also relevant for contribution-financed UnE-benefit system)
- Extending the evidence-based revolution from employment policies to other social spending areas (e.g. youth welfare, handicapped care)

- Ethnic diversity “inclusion”-revolution in education, and ECD and workplace
- Demography, inclusion, integration of refugees / confirmed asylum seekers
- Maintaining the welcoming attitude of Germans towards new “arrivals”
- Fighting xenophobic and anti-democratic movements and crimes
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