

### Final Report on the Evaluation of the Experiment Clause Pursuant to Section 6c of SGB II: Summary of the most important findings

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# **Final Report on the Evaluation of the Experiment Clause Pursuant to Section 6c of SGB II**

**Comparative evaluation of the labour market policy success  
of the provider models "Approved Local Providers" (zugelassener  
kommunaler Träger) and "Joint Agencies" (Arbeitsgemeinschaft)**

## **Summary of the most important findings**

## I. Task

Book II of the Social Code (SGB II) entered into force on 1 January 2005. This legislation merged Germany's unemployment assistance system and social assistance system which had existed parallel to one another up to that date to create basic security benefits for job seekers, a system to aid unemployed individuals who are capable of earning a living and are in need of assistance. The Federal Employment Agency and Germany's autonomous municipalities and districts (local providers) were designated as providers of basic security benefits pursuant to Section 6 of SGB II. Joint Agencies were set up on a regular basis pursuant to Section 44b of SGB II. In derogation of this, Section 6a of SGB II opens up for a limited number of municipalities and a limited period of time the option of administering basic security benefits themselves. As a result, local providers can take over the duties of local employment agencies and thus act as sole providers of basic security benefits. Section 6c of SGB II tasks the Federal Ministry of Labour and Social Affairs with examining and comparing the performance of the different providers of basic security benefits for job seekers. This provision stipulates that Germany's state governments are to be involved in the development of the approaches and methods to be used for the study and in the analysis of the findings. This was accomplished by setting up a working group whose members included representatives of the individual states as well as representatives of the Federal Employment Agency, the Institute for Employment Research, the Confederation of German Employers' Associations, the German Trade Union Confederation, and the three municipal umbrella organisations Association of German Counties, German Association of Cities and Towns and German Association of Towns and Municipalities. This group discussed in broad consensus the research design, the research questions used in the awarding of individual research contracts, current interim results and the final reports submitted by the research consortia. Pursuant to Section 6c of SGB II, only the states were to be involved in the drafting of this final report which the Federal Ministry of Labour and Social Affairs was then to submit to the legislative bodies of the Federal Government. During a two-day workshop, the state representatives received the opportunity to ask researchers about the results of their work, and the methods and data base used. In addition, a synopsis of the results (which had a significant influence on this summary report) was presented and discussed in a first round of talks. The states' comments regarding the draft submitted by the Federal Ministry of Labour and Social Affairs were discussed in depth during a second round. This led to numerous changes in the draft which were primarily aimed at making the presentation of the results easier to understand. In addition, the states were also given an opportunity to comment on the final report which was drawn up on this basis. The states' comments can be found in Annex 2.

The research project was broken down into four areas of examination and then placed with the following consortia by means of tender: (1) Institute for Applied Economic Research (Institut für Angewandte Wirtschaftsforschung e.V. - IAW) Tübingen, Centre for European Economic Research (Zentrum für Europäische Wirtschaftsforschung - ZEW) Mannheim, (2) Institute for Urban and Regional Development of the Frankfurt University of Applied Sciences (Institut für Stadt- und Regionalentwicklung der Fachhochschule Frankfurt a. M. - ISR), the infas Institute for Applied Social Science (Institut für angewandte Sozialwissenschaft GmbH - infas) Bonn, the Institute for Labour Market Research and Occupational Guidance for Youths (Institut für Arbeitsmarktforschung und Jugendberufshilfe - IAJ) Oldenburg, the Social Science Research Center Berlin (Wissenschaftszentrum Berlin - WZB), Simma & Partner Consulting GmbH Bregenz, (3) the Centre for European Economic Research (Zentrum für Europäische Wirtschaftsforschung GmbH - ZEW) Mannheim, the Institute for Work, Skills and Training (Institut für Arbeit und Qualifikation - IAQ) of the University of Duisburg-Essen, TNS Emnid Bielefeld, (4) the ifo Institute for Economic Research (ifo Institut für Wirtschaftsforschung e.V.) Munich and the Institute for Applied Economic Research (Institut für Angewandte Wirtschaftsforschung e.V. - IAW) Tübingen.

## **II. Subject and design of the study**

The evaluation had the aim of observing the implementation of SGB II by the different provider models during the experimental phase with respect to the integration of job seekers, analysing the effects of these models and elaborating the reasons for the differences in their performance. The term 'provider model' refers to the two different types of providers of basic security benefits for job seekers at the local bodies responsible for basic security benefits which can be tasked pursuant to Sections 6 and 6a of SGB II with implementing SGB II during the experimental phase, namely: Joint Agencies which consist of a local employment agency together with the respective municipality and Approved Local Providers which are the bodies through which the municipalities discharge these duties on their own. In those cases where a Joint Agency is not set up, SGB II will be executed in separate parts by the local employment agency and municipality which then discharge different tasks (Separate Providers).

In simplified terms, the evaluation of Section 6c of SGB II had the task of answering the question: Who can do the job better and why? The two models were compared on the basis of criteria derived from the tasks and aims of the provision of basic security benefits for job seekers. According to Section 1 of SGB II, eliminating or reducing the need for assistance through the assumption of employment is the general objective behind the provision of basic security benefits for job seekers. Further, basic security benefits are intended to help

maintain, improve or restore the employability of persons who are in need of assistance. In this connection, the equality of men and women is to be pursued as a general principle and gender-specific disadvantages to persons who are capable of earning a living and are in need of assistance are to be counteracted. The particular circumstances of persons who raise children or take care of infirm relatives are to be taken into consideration and disadvantages that are specific to disabled persons are to be eliminated.

As members of the working group, the Federal Ministry of Labour and Social Affairs, the state governments, municipal umbrella associations and the Federal Employment Agency developed the following three indicators on the basis of the general aims of the SGB II mentioned above. These indicators were developed to measure the effect of the provider models as part of the evaluation to be conducted pursuant to Section 6c of SGB II:

- (1) Integration into gainful employment
- (2) Maintain or improve employability
- (3) Social stabilisation

The choice of the indicator 'integration into gainful employment' makes it clear that for the purposes of the evaluation not only 'integration into employment that meets the individual's financial needs' but also 'integration into employment that does not meet the individual's financial needs' and employment that is subsidised through an integration bonus or other types of wage-related subsidies are counted as meeting this objective. All four of these forms of integration – in addition to the overall indicator 'integration into gainful employment' – were to be reported separately in connection with the effects had by the two provider models. The intention behind having the indicators jointly defined by the Federal Ministry of Labour and Social Affairs together with the state governments, municipal umbrella organisations and the Federal Employment Agency was to avoid letting opportunities for integrating individuals into gainful employment during the period under study with the help of funding instruments or supplementary benefits go unused simply because they would not be included in this indicator in the evaluation. The order of the goals was not chosen by chance. Maintenance or improvement of employability and social stabilisation aim at eliminating or reducing the need for assistance by preparing the individual for his/her integration into gainful employment.

During the discussions of the approach and methods to be used in the evaluation, the states and the municipal umbrella organisations in particular said that emphasis on the goal of integrating job seekers into gainful employment should not be so great that the other goals targeted by the provision of basic security benefits for job seekers are neglected. The fundamental overall objectives of SGB II according to Section 1 (1) are to strengthen the

personal responsibility of the individuals concerned and to help ensure that they "are able to earn a living by their own means and efforts independently of basic security benefits." Correspondingly, the elimination or reduction of the need for assistance should also be reflected in the evaluation's objectives without a closer connection with integration into the labour market. The following statement was therefore appended to the above set of objectives: "The cancellation of registration for benefits because recourse is being taken to other sources of income is to be taken into account throughout the studies but is not understood here as a separate labour market policy objective." The report accordingly shows the effect that the provider models have on the outflow from the need for assistance all in all. The reduction in the need for assistance was measured using the 'integration into employment that does not meet the individual's financial needs' indicator and is additionally reflected in the calculation of the model's financial impact at aggregate level.

All participants were agreed from the start that the strengthening of the personal responsibility of employable persons who are in need of assistance and/or the intermediate steps toward this were to be measured separately using the objectives 'maintain or improve employability' and 'social stabilisation'. In the course of the studies, the latter objective was integrated into the indicator 'employability' in agreement with the states, municipal umbrella organisations and the Federal Employment Agency because it could not be operationalised as a separate objective. In the case of the objective 'employability', the task was to find a method for grouping together into one indicator certain aspects (to be ascertained from the individuals) of employability such as training, health, mobility and motivation which have been proven to go hand-in-hand with an increased probability of integration. The intention here was to find an operationalisation of employability that goes beyond the usually customary plausibility considerations.

Attention was paid to the principles of gender mainstreaming throughout the process of assessing the achievement of these objectives and, in addition to this, the specific groups targeted by SGB II were taken into consideration.

In view of the many variants for the administrative implementation of SGB II by the bodies responsible for basic security benefits for job seekers, the evaluation was also concerned with describing and typifying this diversity and with analysing the effects had by the different types of organisation, activation strategies and measures. Explanations were to be found on the basis of these findings for *why* a particular provider model is efficient or not. In this respect the evaluation process was also understood as an opportunity for identifying good practices from the different implementation strategies regardless of the particular provider

model and for establishing an institutional learning process that supports the bodies responsible for basic security benefits in their search for the best solutions.

It was therefore agreed in conjunction with the states, municipal umbrella organisations and the Federal Employment Agency to specify the content of Section 6a of SGB II (Experiment Clause) with its wording "testing ... alternative models for the integration of job seekers" in such a way for the research task that it would be possible to examine the respective design and efficiency of the entire activation process of the provider models on a comparative basis. The term 'entire activation process' refers to the organisational structures, the activation strategies and the use of measures. The aim here was to get away from the fixation on instruments seen in past evaluations and develop a research concept that would be suitable for the task of assessing a 'competition' between different institutions.

The use of measures is understood in this connection as *one* rather than the *sole* means of labour market intervention. This also applies to so-called (other) further benefits which opened up the opportunity for both provider models to test innovative and tailor-made funding concepts. Insofar as this succeeded and the corresponding effect emerged, the use of so-called (other) further benefits is reflected in the overall results. Consequently, in the event that one provider model functioned more successfully using this type of measure in comparison to the other model, this information flowed into the results of the performance comparison (in any event into the respective global model effect) and is additionally to be found in the general measure categories and the total expenditure for integration benefits. On the other hand, due to problems involved in gathering statistics, it was not possible to evaluate the effect *individual* (other) further benefits have on the success of the individual provider model. This also however applies to a number of other assistance instruments. Only special subsidised employment arrangements, training measures and continuing training lasting less than three months could be specially evaluated. These three types however represent the majority of measures used in the provision of basic security benefits for job seekers.

Looking at the results outlined here, it is evident that the key factors for success are to be found in the organisational structure, the choice of labour market strategy and the way the activation process is organised. In light of this, the evaluation working group's interpretation of the subject of the study proved to be a very sensible one. According to the analyses presented here, measures had very little or no isolated effect during the period under study, especially when – as it turned out – the process used to assign participants to measures is inexact and does not make use of effect potential. With this in mind, the evaluation

conducted pursuant to Section 6c of SGB II offers findings whose relevance goes beyond the narrower mandate for examining this institutional 'competition'.

The description of the implementation of the provision of basic security benefits explores not only the internal organisational structures and activation strategies but also the governance and management relationships of the bodies that are responsible for basic security benefits (governance and implementation analysis). Executive management personnel were asked questions on this by e-mail as part of a so-called organisation survey. Interviews with experts and detailed case studies were additionally conducted. These were based on document analyses, interviews, non-participatory observation and focus group interviews in a sample of 154 bodies responsible for basic security benefits. This sample was comprised of 97 Joint Agencies, 51 Approved Local Providers and six Separate Providers.

The impact that the provider models had on the above objective indicators was analysed on two levels: (1) at the individual level (micro-analysis) and (2) the aggregate level (macro-analysis). The key question in the micro-level analysis was: In which of the two provider models do individuals have a better chance of ending their need for assistance, becoming integrated into gainful employment or improving their employability? The corresponding question for the analysis at macro-level was: Which of the two provider models leads nationwide to greater outflows from the need for assistance, more transfers to employment or greater improvements in employability? In contrast to the micro-level, it was possible at macro-level to take into account commuting patterns, displacement processes (subsidised enterprises displacing unsubsidised enterprises) and substitution processes (subsidised employees taking the place of unsubsidised employees).

At methodological level, steps had to be taken to ensure that only comparable bodies that are responsible for basic security benefits were compared in the impact analysis. The reason: In the event that a particular provider model was systematically chosen more frequently in regions with favourable conditions or a more advantageous client structure than the other model, there would be the risk in a simple comparison that the performance posted by the provider model with the more favourable conditions appears to be better than it actually is. In such a case, the success of a particular body responsible for basic security benefits with a good situation or advantageous client structure could not be attributed solely to the particular provider model but would rather also have to be attributed to the fact that it had more favourable conditions. The effects of beneficial factors such as these therefore had to be stripped out with the help of statistical methods so that it would be possible to conduct a fair assessment of the different provider models.



In keeping with the scientific standards observed in evaluation research, this was accomplished in the micro-analyses using a so-called matching process in which only similar individuals in regions with similar labour market conditions were compared with one another. The first step consisted of 'region matching', a process in which each region with an Approved Local Provider is matched with a comparable region that is as similar as possible and has a Joint Agency. In the second step, the client structures in the samples of these 'twin regions' were balanced out against one another in such a way that for every individual in the sample of one region there is a 'statistical twin' in the other region. Statistical twins were to be similar to one another, particularly with regard to personal attributes that are of central importance for integration into gainful employment. Statistical twins were matched up on the basis of individual attributes that are documented in the Federal Employment Agency's process data. In this way it was possible to ensure that the statistical twins were identical in terms of socio-demographic attributes such as education levels, gender and age. Based on our present body of knowledge, it is not enough to take only these types of attributes into account because it can be assumed that other attributes which cannot be measured directly – such as a person's level of motivation – are also relevant to successful integration. A proven method from the evaluation research field was used to ensure that bodies responsible for basic security benefits which had highly motivated clients were not compared with counterparts with less motivated clients and thus run the risk of attributing the consequent differences to the particular provider model. Using this method, the individual's employment biography which had been documented in the process data was taken into account when selecting sets of twins. In the case of former social assistance recipients who were not listed in the process data, the required information was acquired by means of a survey. This procedure was based on the assumption that the fundamental level of motivation is similar in persons with a similar employment biography. It is still possible that differences existed in a few relevant attributes in statistical twins who were matched up this way. However this did not pose a problem because it is not plausible that differences between statistical twins that remain after the matching procedure are systematically assigned to just one of the provider models.

A different statistical procedure was used in the macro-analysis to establish comparability. Regression analyses with selection controls were conducted which – like the matching procedure – made it possible to calculate the individual effects had by the particular provider model, in other words, without biasing variables. Biasing variables can be stripped out in this connection even when no data is available on them, in other words, even when they are not observable. This was done with the help of a third observable and measurable attribute – a so-called instrument – which had an influence on the local decision-makers' choice of

provider model but did not have a direct influence on the biasing variables. The influence of the particular provider model can then be measured independently of the biasing variables by means of the chain reaction of the instrument's influences via the provider model variable on the outcome variable.

The impact analysis used process-generated data from the Federal Employment Agency and data from a client survey conducted by the 154 bodies responsible for basic security benefits from the above-mentioned sample. Using the client survey it was possible to develop detailed personal profiles which were used, for example, to measure client employability. The micro-analysis was based on this client survey and used some 6,000 to 9,000 observations for its comparison of the provider models. The size of the sample in relation to the parent population was in line with the proportions seen in other surveys such as the German Socio-Economic Panel Study, the Income and Expenditure Survey and the European Union Labour Force Survey. In contrast to the micro-analysis, it was possible to take all bodies responsible for basic security benefits into account in the macro-analysis, with the exception of the employability analyses. The process data from the Approved Local Providers did not contain information on transitions to employment. Since this information was necessary for the macro-analysis it had to be reconstructed by comparing the data from employment statistics, unemployment statistics, statistics on the provision of basic security benefits and statistics on assistance measures. The data stock was augmented by contextual indicators from other data sources regarding the demographic, economic and infrastructure conditions and by indicators from the organisation survey.

The period under investigation extended from 2005 to early 2008. The central impact analyses concentrate on the years 2006 and 2007. As a result, the findings from the impact analysis come from a rather small time window. This places limits on statements that can be made regarding the sustainability of the observed integration and on the effects of increased employability. Unless otherwise stated, the most current available figures were used.

Only the organisation survey and the implementation and governance analysis could take the separate discharge of SGB II duties by the employment agencies and local authorities (Separate Providers) completely into account. Findings regarding their effect are available only to a very limited degree because of the small number of bodies that are responsible for basic security benefits and discharge these duties separately on the basis of a division of tasks.

As a result of the matching procedure used at micro-level in the impact analyses, it was not possible to include Joint Agencies in large cities with more than 250,000 residents in the

comparative analysis at micro-level because there were no Approved Local Providers in large cities that could serve as twin regions.

In keeping with current scientific standards, the use of the above-described procedures at micro- and macro-level ensured that the measured differences between the provider models can be interpreted causally. In other words, the respective provider model is the reason for the differences in effect levels and these differences cannot be attributed to the differences in the conditions or client structures at the provider models.

### **III. Governance and implementation**

The provider models exhibit different degrees of variety in their governance structures and implementation strategies. At the same time, the provider models are shaped to a large degree by the respective governance structures which allow the executive management personnel at the respective provider to exercise its discretion at local level in various areas within the context of the respective type of management system. The implementation studies show that the process of managing and supervising persons who are capable of earning a living and in need of assistance is in part more differentiated *among* the providers belonging to a particular provider model than it is on average *between* the different provider models. In the case of activation and intervention strategies, the provider models do not exhibit any sizable differences.

#### *Governance*

In the case of supra-regional governance, federal institutions (Federal Ministry of Labour and Social Affairs, Federal Employment Agency, Federal Court of Audit), state institutions (state ministries) and municipal umbrella organisations (Association of German Counties, German Association of Cities and Towns, German Association of Towns and Municipalities) play an important role in the work of the bodies responsible for basic security benefits. In this connection the different supervisory and control rights are crucial to the question of which federal level and institution may control the respective provider model and the degree to which it may exercise this control.

The federal government is the central player in the implementation of SGB II. On the one hand, the federal level is the primary funder of basic security benefits for job seekers and assumed approximately 78% (€35.5 billion) of the total costs of SGB II in 2007. On the other hand, it is also the most important steering actor and determines the fundamental governance structures in its capacity as lawmaker and as the authority on the legality of legal actions and the supervising authority for the local employment agencies in Joint Agencies and Separate Providers and through administrative regulations. Working in consultation with

the Federal Ministry of Labour and Social Affairs, the Head Office of the Federal Employment Agency is active in the development of organisational and process-related specifications and requirements. The Federal Court of Audit is the federal agency that audits the budget management and business management of all provider models with respect to those tasks that fall under the jurisdiction of the federal government in connection with the provision of basic security benefits for job seekers.

The states usually exercise supervision at a lower level using consultations and supervisory meetings. However they call for reports and conduct audits relatively often. The states use orders, directions and formal objections seldomly, usually in connection with specific events in the individual body that is responsible for basic security benefits or in conjunction with framing this supervision in state legislation as supervision on the legality of legal actions and specialist supervision on specific subjects.

On the municipal side, the Association of German Counties, the German Association of Cities and Towns and the German Association of Towns and Municipalities actively support the implementation of SGB II. In this connection, the Association of German Counties plays a leading role in the dissemination of information for the Approved Local Authorities. The municipal umbrella organisations are important for the Joint Agencies. By contrast, associations are of little significance to the Separate Providers.

The local governance exhibits a varied picture of relevant actors: political parties, chambers, churches, unions, charitable organisations and even local businesses influence the activities of the bodies responsible for basic security benefits. In this connection, the management patterns at local level are more differentiated among the Joint Agencies than among the Approved Local Providers due to the larger number of players involved in the Joint Agencies. Collaboration with the above-mentioned actors differed according to the provider model. For example, during the first years following the introduction of SGB II the Approved Local Providers were confronted more frequently with influence being exerted by political parties than comparable Joint Agencies were. The Approved Local Providers generally pursued co-operation with local economic development offices right from the start whereas many Joint Agencies developed this collaboration only as time went on.

#### *Structures and operational management*

Approved Local Providers exhibit decentralised structures which, in the opinion of their personnel, allow them greater discretionary powers and flexibility in their actions but at the same time offer the disadvantage of less transparency along the lines of supra-regional or nationwide monitoring or performance auditing. Due to their more complex internal

structures, the need to make institutional-level arrangements and negotiate them with stakeholders in order to be able to conduct operations is greater among Joint Agencies than among Approved Local Providers. However the higher degree of regulation in the Joint Agency model is also due to the supervision and control that is exercised through the governance of the Federal Ministry of Labour and Social Affairs and the Federal Employment Agency.

The Joint Agencies and Separate Providers have structural advantages along the interfaces with, for example, SGB III and SGB IX. In this area they can usually profit from their physical proximity and from special standardised IT software which their employees can access nationwide. As a result, Joint Agencies and Separate Providers are better able than Approved Local Providers to offer 'one-stop services' for the 'interface' areas: long-term unemployed individuals under 25 years of age ('U25'), persons undergoing rehabilitation, SGB III supplemental benefit recipients and employer services.

For management by objectives and performance measurement, the Joint Agencies usually have federal objectives put in place locally by provider assemblies. These are often augmented by 'soft' process-related objectives (such as the quality of benefits processing, of case documentation or of integration agreements, maintenance of the data stock). Performance is measured using reports that are centrally released through the Federal Employment Agency. Approved Local Providers have no functional equivalent to the instrument of supra-regional management seen at the Joint Agencies and Separate Providers. Instead, operational management takes place at local level. Target agreements are concluded with top administrative levels or the political representatives of the particular municipality.

#### *Organisation of client management*

In order to systematise organisational differences, organisational types of client management were set up in all bodies responsible for basic security benefits on the basis of the organisation survey. These types of client management are different combinations of the three key features of how client management is organised: Bodies that are responsible for basic security benefits were divided into those where case management is conducted only for certain cases and is provided by personnel that the organisational structure specifically foresees for case management only (so-called *specialised* case management) and those bodies that use all their personnel for case management (in addition to other types of service) which is then provided for all or perhaps only a portion of their clients (so-called *generalised* case management). Looking at this criterion for differentiation, there were major differences between the provider models. During the organisation survey in 2007, 77% of the

executive management personnel at Joint Agencies and 72% of their counterparts at Separate Providers said that their organisations pursued a specialised case management approach. By contrast, an overwhelming majority – 81% – of the Approved Local Providers stated that they practised a generalised case management approach.

The respondents were then asked whether their case managers were also responsible for directly placing job-seekers in the general labour market. Approximately two-thirds of all bodies responsible for basic security benefits said that they integrated the task of placing job seekers into the general labour market into the respective type of case management they practised. No substantial differences could be observed between provider models in this connection.

Lastly, the survey examined the question of whether the personnel who were responsible for case management or integration benefits were also the points of contact regarding basic security benefits. Specialisation in the processing of benefits (the person responsible for case management or integration benefits is not the point of contact for the processing of benefits) is unequivocally the dominant model. According to the information provided by executive management personnel, a total of 93% of all bodies responsible for basic security benefits use this method. Noticeably more Approved Local Providers (17%) than Joint Agencies (6%) indicated that they practised the integrated model. The Separate Providers did not use the integrated approach.

### *Personnel*

All provider models hired personnel for fixed periods of time, whereby Approved Local Providers had much larger shares of temporary employees in all areas of activity than comparative Joint Agencies did. However, their temporary contracts run for longer terms and they have noticeably less staff fluctuation. In contrast to the Joint Agencies which drew their personnel in part from the core staffs of the Federal Employment Agency and the respective local welfare office, the Approved Local Providers recruited large shares of their personnel on the labour market.

The training profiles of the guidance specialists (both temporary and permanent staff) in all provider models can be divided into persons with pedagogical training, persons with administrative training and persons with other vocational qualifications, which particularly include commercial qualifications. At 47%, the share of employees with pedagogical training out of all the specialists surveyed at the 51 Approved Local Providers in the sample of the 154 bodies that are responsible for basic security benefits was particularly large, while the share of employees with administrative training / an administrative degree was small at 17%.

These proportions are practically inverted at the Joint Agencies where 41% of their specialists have administrative training / an administrative degree, 18% have pedagogical training / a degree in education and at the Separate Providers where 44% have administrative training / an administrative degree and 25% pedagogical training / a degree in education.

Executive management personnel at Joint Agencies has the problem that it has only a limited right to issue instructions to employees because the staff at Joint Agencies have different employers – either a local provider or local employment agency. This structure makes it difficult to transmit instructions to personnel and results in a certain administrative cumbersomeness.

#### *IT structures and specialised software*

All Joint Agencies share the same administrative structure. Consequently, they also have the same EDP structure nationwide – and concomitant nationwide data availability – for both case management and benefits processing. However this situation also means that EDP problems frequently take on a national scale, as has been the case with the special A2LL software for managing Unemployment Benefit II matters.

By contrast, Approved Local Providers are decentralised and consequently work with different software programmes. Some have local EDP solutions that were specially developed for them. This variety of EDP programmes is due primarily to the fact that this specialised software is embedded into the system that the particular municipality uses for executing its budget. It furthermore facilitated the switch from the social assistance system to the system of basic security benefits for job seekers. It does however hinder the cross-regional comparison of data.

#### *Activation and placement strategies*

Different areas of focus can be observed in how the individual provider models organise the activation process. The nationwide organisation survey suggests that more initial interviews are held at Joint Agencies than at Approved Local Providers within the first two weeks following approval of an individual's application. However, the initial interviews last longer on average at the Approved Local Providers. Joint Agencies also appear to stand out in connection with the activation of their clientele because they provide 'short-notice offers' more quickly than Approved Local Providers do and impose sanctions more often. All in all, this indicates that the Joint Agencies pursued an activation strategy during the period under review that was geared more to requiring action on the part of job seekers.

In the meantime, nearly all bodies that are responsible for basic security benefits practise client segmentation. The Joint Agencies and Separate Providers base these segments on the Federal Employment Agency's service levels. By contrast, the Approved Local Providers do not have a segmentation concept that is applicable nationwide. It turns out that client segmentation supports the work of employees at Approved Local Providers better than it supports the work of staff members at Joint Agencies and Separate Providers. The latter workers even feel themselves to be burdened by the additional amount of work involved and the inflexible concept, which is why the personnel here tends to be critical in its assessment of the client management levels.

As a rule, Joint Agencies and Separate Providers offer job-oriented placement services, using a joint employer service with the local employment agency for this. Applicant-oriented placement is much less seldom. This is in contrast to the Approved Local Providers which generally give priority to applicant-oriented placement and usually do not hold more jobs available than they currently need for their clientele. Specialists at the Joint Agencies who have a municipal employer more frequently pursue a case management strategy that revolves around profiling. By contrast, specialists who have the Federal Employment Agency as an employer tend to pursue a labour market strategy that gives centre stage to the job search and integration agreements.

#### *Equality of opportunity for men and women*

The subject of equal opportunity or gender mainstreaming generally appears to be of secondary importance in the hierarchy of the strategic objectives pursued by the bodies responsible for basic security benefits. There is little to indicate that this objective has gained in importance over the course of time. The SGB II's broader requirement of anchoring equality of opportunity as a paramount objective is not reflected at the level of the bodies responsible for basic security benefits. It can be said that agencies with Separate Providers tend to attach greater importance to the objective of establishing equality of opportunity than Approved Local Providers or Joint Agencies do.

Over the course of time however, all provider models were able to make noticeable progress in anchoring gender mainstreaming at personnel level. The institutionalisation of gender mainstreaming is above average at Approved Local Providers and Separate Providers. However, special gender equality officers were set up in the bodies responsible for basic security benefits only in isolated cases, irrespective of the type of provider model. In fact, the most frequently used method for anchoring gender mainstreaming at personnel level is to assign existing positions – at and outside the respective body responsible for basic security benefits – the additional task of anchoring gender mainstreaming at the particular body.



Even in those cases where positions have been created and persons have been assigned responsibility for implementing gender mainstreaming, they have little de facto 'authority' in terms of participating in decisions on business policy or the use of measures and other similar issues – regardless of the provider model. The likelihood that gender mainstreaming officers are actively involved in decision-making processes is greatest at Approved Local Providers and Separate Providers. All in all, the respective executive management personnel also feels there is room for improvement in the level of implementation of gender mainstreaming achieved to date at the bodies responsible for basic security benefits.

### *Conclusion*

The structural differences between the provider models can be described as follows:

- The pattern seen at Approved Local Providers consists of greater regional diversity with less uniformity and standardisation in the discharge of their duties, combined with less systemic comparability of the methods and procedures used and greater local autonomy. This pattern retains the organisational traditions from the welfare offices.
- The pattern observed at Joint Agencies exhibits a greater degree of uniformity and standardisation in the discharge of their duties across the regions, combined with greater systemic comparability of the methods and procedures used, plus marked limitations on local autonomy. The already-known organisational elements of the labour administration are operative in this pattern.

## **IV. The activation process and use of measures at individual level**

The studies generally show that in terms of the actual activation process the provider models have grown more similar to one another over time. This can be observed in, for example, integration agreements and sanctions. Apart from this, the data from the client survey show – irrespective of the provider model – no fundamental changes in the intensity or direction of activation activities between 2006 and 2007. This is surprising because a higher degree of activation was actually expected in light of progress made on the learning curve, growing experience and the elimination of personnel bottlenecks over the course of time. Counselling interviews constituted the only exception. They have become more complex and appear to be somewhat more strongly geared to the living situation of the respective individual who is drawing benefits.

On the basis of the client survey, it can be said all in all that a few types of measures predominate. These include, first and foremost, application coaching, internships and –

particularly for individuals who have already been drawing benefits for a longer period – special subsidised work arrangements (such as 'one-euro jobs'). A comparison of the provider models reveals little difference in their use of different measures.

Looking at the group of persons who are in need of assistance and are capable of earning a living, a breakdown of the findings from the client survey – by age, sex, disability, immigrant background and attributes of the respective household in which the jobless person lives – and disregarding the type of provider model – reveals rather little difference in the intensity or direction of the activation. Target group-specific differences were most likely to be seen in the number of integration agreements that had been signed at the time of the first survey.

At the same time, the pattern of deviation among women was much different than the pattern seen among men. A below-average portion of women under the age of 25 and an above-average portion of women over the age of 50 signed integration agreements. This pattern is just the reverse among men. An above-average number of women with an immigrant background and a below-average number of men with an immigrant background sign integration agreements. Compared to the average for all women as a group, fewer single mothers and women with children under the age of three have an operative integration agreement. In addition, an above-average number of persons under the age of 25 attend training measures and an above-average number of persons over the age of 50 participate in employment schemes.

#### *Equality of opportunity for men and women*

Looking at the overall picture, women in comparison to men almost always exhibit a lesser probability of participating in active labour market policy measures. Measures which, all in all, are used only very seldomly – such as measures for starting a business – constitute the primary exceptions to this. Beyond this, it is striking that single mothers and women with children under three years of age participate in labour market policy measures very seldomly. In this connection, it is not possible to offer a conclusive answer to the question of whether and to what extent this is to be attributed to the easing of the requirement that registered job seekers must always be available for placement activities or to a lack of childcare.

The allocation of training measures to women appears to follow a special pattern whereby especially those women who are formally well or highly qualified have greater access to such measures. It cannot be determined here whether this is the result of particularly intensive efforts to foster women who are re-entering the labour market or whether it should be interpreted as mis-allocation. In any event, an examination of the findings on the use of

measures from a gender-based standpoint gives little cause to hope that the use of measures can make a substantial contribution to eliminating gender differences.

### *Conclusion*

All in all, the studies on the activation process show that the Joint Agencies emphasize requiring activity on the part of the job seeker more than Approved Local Providers do. However, the models were converging at the end of the period under study. This development points to institutional learning (which possibly also induced the 'contest' between the provider models) which disseminates successful or simply just common labour market strategies among the actors. It may surprise that the intensity of activation is generally not increasing. Activation is not however an end in itself. It is also subject to cost-benefit considerations. This situation might however also have been due to the fact that there is an inadequate level of acceptance for and implementation of activation instruments. In the area of client management and job-oriented placement, the Joint Agencies mostly follow standard processes originating from the Federal Employment Agency. Looking at the degree of activation by target group (as a fundamental aspect of client management), the results do not show that the bodies responsible for basic security benefits act on a targeted basis at all. This impression is even stronger when the data is broken down by sex.

## **V. Effects at individual and aggregate level**

The effects of the provider models were always measured on a comparative basis. When it is said here that one of the models had a positive or negative effect, this simply means that the particular model did better or worse in comparison to the other provider model. It does not say anything about the level of effect seen in the provision of basic security benefits as a whole. Further, it is not possible to assess the absolute success of the provider models on this basis.

### *"Who can do it better ... "*

Looking at the individual key target indicators, neither provider model developed a uniform effect during the period under examination. This means that both models exhibited advantages and disadvantages of varying degree in their effect at individual and aggregate level.

Looking at the total figures for integration into employment – irrespective of the type of integration – of individuals who are employable and in need of assistance, significant differences could not be observed at individual level between the provider models during the period under study. However, the Joint Agencies exhibited advantages at aggregate level. Compared to Approved Local Providers, the Joint Agencies were able to score advantages in

reducing the need for assistance and integrating individuals into employment that covers their financial needs, both in terms of their effects at individual level and at aggregate level. The Approved Local Providers performed better at individual level in the area of integration into employment that does not cover the individual's financial needs.

The positive effects that the Joint Agency model has at the individual level in particular in the area of reducing the need for assistance and integrating job seekers who are in need of assistance into employment that covers their financial needs are highly significant, robust and relevant in magnitude: They range between somewhat less than three percentage points and slightly more than four percentage points. This means for example that the probability that a person who is in need of assistance will no longer be in need of assistance after one year with a Joint Agency (measured from October 2006 to October 2007) is an average of 3.8 percentage points higher than it is for a comparable individual who is employable, in need of assistance and registered with an Approved Local Provider. Based on annual outflow rates of 22%, this translates into a not unsubstantial plus of more than 18% for the Joint Agencies. This positive Joint Agency effect applies for both men and women but, at nearly 25%, is higher for men. Although Approved Local Providers appear to be better positioned than Joint Agencies are with regard to the strategic relevance and structural anchoring of gender mainstreaming, this is not consequently reflected in higher rates of outflow from the need for assistance among women. The Joint Agency advantage is just as large with more than 25% in integration into employment that covers the individual's financial needs among men, whereas no difference can be determined among women. Even an examination of whether employment is sustained (lasting at least three months) does nothing to change the Joint Agencies' greater level of success.

At the individual level, the likelihood that a person who is in need of assistance and was registered with an Approved Local Provider in October 2007 would take up employment that did not cover their financial needs was approximately 16% higher. Further, the Approved Local Providers are better at labour market level when integration into unsubsidised employment (in other words, excluding subsidised employment in the general labour market) is considered without distinguishing between employment that covers the individual's financial needs and employment that does not cover the individual's financial needs. However these advantages are not robust. In other words, they are less firmly supported at empirical level than the Joint Agencies' advantages in the above variables.

In the case of improving employability, Approved Local Providers also perform slightly better overall than the Joint Agencies with a slightly significant but relatively stable lead in the overall indicator not only at individual level but also when regional aggregates are examined.

At individual level, this positive effect of some 10% is statistically supported only for women. A breakdown of the overall indicator 'employability' into its individual dimensions shows significant positive effects at the Approved Local Providers only for the 'health' dimension (improving the general state of health and the physical ability to work). Significant differences between Joint Agencies and Approved Local Providers could not be ascertained for the dimensions 'training and skills', 'resources for job hunting' or 'social stability'.

Approved Local Providers therefore use opportunities to reduce the need for assistance by getting individuals into employment that generates supplementary earnings more frequently than the Joint Agencies do. However, they succeed less often in getting individuals into employment that eliminates the need for assistance entirely. Their weak significant advantages in the area of employability are possibly a sign that they could achieve more sustained integration into employment over the long term. It was not however possible to examine this point due to the limited period of time allotted for the study. It must also be remembered that the use of the 'employability' indicator broke new methodological ground and the findings should consequently be interpreted with care.

Findings regarding the effects of the Separate Providers are not available since the data set is not sufficient for this. For technical reasons, the impact analyses took them into account on the Joint Agency side as a rule. When the Separate Providers are not included in the analysis, the findings for the Joint Agencies are similar or even better. Consequently there is no bias at the expense of the Approved Local Providers when the Separate Providers are included in the evaluation on the Joint Agencies' side.

*"... and why?"*

What are the reasons for the effects had by the particular provider model? In order to explain the positive effect that the Joint Agency model has on the objective variables 'elimination of need for assistance' and 'integration into employment that covers the individual's financial needs', several attributes for the organisational and strategic implementation were identified which have an a positive or negative influence on integration into employment that covers the individual's financial requirement and on elimination of the need for assistance. All-round, intensive, activating and qualified management turned out to be particularly advantageous:

- (1) All-round management: Generalised case management has a positive effect on the integration of men and older persons. The result value is not significant for women. In the process, integrating placement services – but not the processing of benefits – into case management has proven to be an advantage.

- (2) Intensive management: The analyses show a positive effect for good management relationships, for early and extensive initial interviews (including short-notice job offers where applicable) and a quick succession of counselling interviews. They also indicate that having a large number of employees, particularly for case management, brings advantages.
- (3) Activating management: The positive effect of activating management is proven by the success had by bodies responsible for basic security benefits that attach great importance to childcare, make placement-oriented use of measures and follow a more drastic sanction policy (which as a general rule however tends to operate along a low baseline). The term 'placement-oriented use of measures' means the use of training measures (determining suitability and availability, application coaching, practice work situations). Such measures increase the probability that participants take up employment by an average of approximately nine percentage points compared to persons who did not participate in them.
- (4) Qualified management: In addition to this, the positive effect of increased administrative spending could possibly be interpreted as a sign for the effectiveness of qualified management. Increased administrative spending could stand for the hiring of a particularly large number of persons or highly experienced or highly qualified persons who are correspondingly better paid. Since the analysis already took the effect had by the number of personnel via the attribute '*low management ratio*' into account, the additional effect of administrative spending cannot be attributed to this. The level of qualification among the personnel appears to offer a plausible explanation here.

By contrast, client segmentation (in the Joint Agency model and particularly at Joint Agencies under the Federal Employment Agency) and offering a joint employer service with the Federal Employment Agency have a negative effect (whereby the latter exhibits a negative effect only when the Joint Agencies are compared with one another). Both results are significant for women. This clearly points to selection processes that are currently coupled with a marked gender bias at the expense of women. The findings regarding the joint employer services that are provided together with the Federal Employment Agency possibly demonstrate a selection effect that goes to the disadvantage of unemployed persons who fall under SGB II. The effect from being managed by a body that is responsible for basic security benefits and whose executive management attaches great importance to cutting costs is particularly negative for women.

Effects could not be ascertained for flanking benefits and services or for integration agreements in the form in which they are currently being implemented. However an individual's chances of being integrated into employment that meets his/her financial needs increases when the experience gathered in connection with previous integration agreements is taken into account when a new agreement is signed (compared to new agreements that do not take such experience into account). Further, it was not possible to show an effect for participation in special subsidised employment arrangements or advanced training programmes lasting up to three months. Moreover, looking at the use of measures in the integration process, it was determined that the allocation of measures – in other words, the way participants are assigned to the measures examined here (special subsidised employment arrangements, advanced training last up to three months and training measures) is not optimal. The allocation system is not any more efficient than a random allocation. Given the time and cost-intensive use of client segmentation processes and integration strategies at the bodies responsible for basic security benefits, this can be considered a disappointing finding. Consequently the internal management system has room for improvement with regard to effect and economic efficiency. It should be possible to generate a better outcome with the same financial resources.

These general factors behind success and failure cannot however fully explain the lead that the Joint Agencies have in the above-mentioned indicators. The reason: Success factors can be observed at both Joint Agencies and Approved Local Providers, even though they typically exhibit different areas of emphasis. Joint Agencies have advantages arising from the activation strategies they pursue (early initial interviews, more frequent use of sanctions, activities to foster employment on the general labour market which meets the individual's financial needs) while the Approved Local Providers more frequently choose the more efficient organisational structure (generalised case management), conduct longer initial interviews and attach great importance to childcare. Since both provider models exhibit strengths and weaknesses in the day-to-day implementation of their work, these attributes cannot completely explain the differences seen in the success levels reported by Joint Agencies and Approved Local Providers. To be more precise, other attributes that are typical of and innate to the respective provider model have to be responsible for these differences. The effect of such attributes is referred to here as the intrinsic model effect.

An intrinsic model effect exists when an analysis of objective indicators reveals differences in effectiveness between bodies that are responsible for basic security benefits and have identical structures and strategies but come from different provider models. Consequently this type of model effect also indicates that in addition to the already mentioned implementation attributes there must also be other differences between the provider models

which are not entirely reflected in these characteristics. These have to be attributes which are inextricably linked with the particular provider model and therefore cannot be measured independently of but rather only in conjunction with the global attribute 'provider model'. As a result of this effect, the second part of the research question – the 'why' – cannot be answered unequivocally. Based on the empirical findings from the four areas to be examined in these studies, only theoretically plausible observations can be made: "Which attributes distinguish Joint Agencies – independently of the organisational structures and activation strategies that have already been taken into account – from Approved Local Providers? And which of these attributes appears to be suited for explaining the substantial difference in performance?" The reason: The individual model itself cannot generate an effect simply on the grounds of its particular designation.

#### *Hypotheses for explaining the intrinsic model effect*

The above questions can be answered only on the basis of theoretical observations or hypotheses. Hypotheses must however exhibit a measure of plausibility and should not be arbitrarily chosen. The findings from the results of the individual areas examined can be used in part for assessing the plausibility of possible explanations.

Generally speaking, given the sizable number of estimates made which have taken a large number of relevant variables into account, there are scarcely any variables remaining that could possibly trigger the intrinsic model effect.

At most, the variables 'the SGB II unit's access to jobs that are registered with the Federal Employment Agency' and 'the Federal Employment Agency's access to jobs that are registered with the SGB II unit' – which are primarily Joint Agency attributes – could be discussed in this connection. These variables in themselves do not have a significant effect on outflows from the need for assistance or on integration into gainful employment. Given that these two variables usually appear together in day-to-day implementation, one conceivable hypothesis would be that an estimate of the simultaneous interaction between the two could produce a significant value. This would however be very unlikely and was consequently not examined here. It can be virtually ruled out that the intrinsic model effect would be reduced in quantitative terms in such an estimate because the cited results were mainly taken from a comparison of Joint Agencies. This is because reciprocal access to registered jobs is by definition to be primarily observed among Joint Agencies.

So what would be plausible hypotheses for explaining the intrinsic model effect? The intrinsic model effect could, for example, be explained by the different traditional cultures and normative orientations that exist in the labour and social services administrations. Put in



simplified terms, there exists on the one hand the local employment agencies' strategy that tends to be geared to matching and placing and, on the other hand, the municipalities' labour market strategy which tends to take its lead from welfare principles. The fact that Approved Local Providers apparently work less than Joint Agencies toward ensuring that clients take up employment that meets their financial needs says something for this explanatory model. Another fact that speaks in favour of this hypothesis is that an intrinsic model effect can also be observed in connection with improvement in employability – albeit this time among the Approved Local Providers, whereby the effect here is less pronounced than it is in the elimination of the need for assistance. This can be viewed as a further sign for a distinctive normative orientation among the staff at Approved Local Providers which can be explained by a strategy that tends to be geared to successfully placing clients on a long-term basis. The question of if and to what extent such a strategy – when it exists – works and whether the long-term results justify foregoing the use of placement opportunities that evidently become available at short notice.

It can however be assumed that there are concrete operationalisable effect channels – such as the personnel structure – behind the rather wholesale explanatory factors 'culture' and 'normative orientation': All provider models hire personnel for limited periods of time. However, the Approved Local Providers hire more individuals on this basis. As the analyses show, this does not however cause differences in effect. Alternatively, the different levels of prior experience among the personnel could possibly play a role: In contrast to the Joint Agencies which drew a large portion of their personnel from the staff at the respective local employment offices and welfare offices, the Approved Local Providers recruit a large share of their personnel from the labour market. However, it was not possible to prove that the personnel's prior experience with placement and guidance work had any influence on the success of the bodies responsible for basic security benefits – and this is also not necessarily connected with a particular recruiting channel.

Furthermore, it could be assumed that the different training profiles of the persons working in the respective provider models play a role. Approved Local Providers have a markedly larger share of employees who have pedagogical training than the Joint Agencies do. At the same time, the share of personnel with administrative training is markedly smaller. Direct findings regarding the effects had by personnel structure (and the concomitant activation culture) are not however available. At most, the large share of personnel who have pedagogical training could be attributed to specific implementation strategies – such as generalised case management. Empirical findings show that generalised case management is however superior to specialised case management. In this respect, personnel structure cannot explain why the Approved Local Providers did worse here than the Joint Agencies.

Another conceivable and not unknown hypothesis which could help explain the intrinsic model effect is based on the assumption that the constitutive quality of the Joint Agency model – in other words, the institutionalised linking of placement expertise with the local provision of services and benefits – generates synergies in the area of integration into the labour market. The implementation and governance analyses have shown that the availability of local services and benefits at Joint Agencies is no less than it is at Approved Local Providers. In other words, Joint Agencies do not trail the Approved Local Providers on this point. They might however be able to additionally profit from their greater placement expertise; this advantage would overcompensate for the higher co-ordination costs that are inherent in the Joint Agency system. Although the research consortium's empirical findings do not provide any direct basis for this hypothesis, they do not disprove it either. However should this hypothesis be correct and the transaction costs for the greater need for co-ordination fall further over the course of time, the Joint Agencies' efficiency could increase in the future.

The following hypothesis also appears to be worth discussing supplementary to and in conjunction with the above statements: The studies suggest that centralised or supra-regional management by objectives (instructions regarding what is to be achieved) on the part of the Federal Ministry of Labour and Social Affairs and the Federal Employment Agency possibly has a positive effect. The reason: The Joint Agencies differ decidedly from the Approved Local Providers in this connection and comparative efficiency reviews probably foster activation intensity. The studies clearly show how much the Federal Employment Agency's monitoring and controlling activities shape the daily work routine at the Joint Agencies. The Approved Local Providers are subject to a much lesser degree or not at all to this type of supra-regional management by objectives. On the other hand, the requirements and targets stipulated by county and district authorities generate pressure to post labour market policy success. Looking at the intensity of centralised management (by objectives), there are glaring differences between Joint Agencies and Approved Local Providers that are directly connected with the respective provider model.

A positive effect from centralised management by rules (instructions regarding what is to be done) could also be assumed since the provider models exhibit marked differences here as well. The regulations and administrative provisions concerning structures, strategies and processes to which Joint Agencies are subject from the Federal Employment Agency are stricter than those the Approved Local Providers must follow. As expected, a markedly larger number of respondents at Approved Local Providers than their counterparts at the Joint Agencies also said that they had sufficient or sizable latitude in their work. There are however findings on the question of centralised management by rules which do not exactly

substantiate a positive effect – as shown by the negative effects of the Federal Employment Agency's client segmentation (a joint employer service with the Federal Employment Agency) which indicate that measures are being allocated on a sub-optimal basis and reveal a lack of effect on the part of integration agreements (in their current form), special subsidised employment arrangements and further training courses with a duration of up to three months. This precludes an assessment of the effect of centralised management by rules here.

The Approved Local Providers' positive effect on employability also constitutes an intrinsic model effect which cannot be explained by organisational structures or activation strategies. The reason: A significant effect on the overall indicator 'employability' cannot be determined for Approved Local Providers, with the exception of a slightly significant negative effect in the integration of benefits' processing in the case management of persons over the age of 50. Further, the number of employees working in the case management system has a generally positive effect at individual level on the employability of persons who are in need of assistance.

An examination of the individual indicators reveals more pronounced effects for organisation and strategy variables as well. For instance, the integration of benefits' processing into case management has a negative effect on 'improving qualifications and skills' and 'improving health'. Looking at bodies that are responsible for basic security benefits, women who are registered with those bodies whose executive management reports that they attach great importance to addiction, debt and psycho-social guidance services benefit in terms of an improvement in the general state of their health or physical ability to work (significant), their qualifications and skills (significant) and their social stability (slightly significant). Since the provider models do not however exhibit any fundamental differences in these factors, this cannot be used to explain the advantage that the Approved Local Provider model displays here. Instead, the tradition of the earlier welfare offices – which was oriented more to providing social assistance and less toward placement – which is reflected in the Approved Local Provider model could also offer an explanation here.

#### *Interim conclusion*

In summary, the different strategies pursued by the Joint Agencies and the Approved Local Providers and their effects can be interpreted as follows: Joint Agencies activate more quickly and with a stronger focus on placement; they pay attention to integrating their clients first and foremost into employment that covers the individual's financial needs. Through their use of sanctions they boost the willingness of persons who are in need of assistance to play an active role and to make concessions. However they also make greater use of wage subsidies for integration purposes. Approved Local Providers subsidise the commencement

of employment less but use the combination of earned income and Unemployment Benefit II more frequently. On the whole they pursue a strategy of social integration (which also includes fostering employability) which is influenced by the case management approach which in turn comes from the social assistance tradition. However this strategy possibly activates to a lesser degree personal initiative on the part of persons who are in need of assistance and, as a result, misses employment opportunities.

Thus all in all, requiring involvement and action on the part of the recipients – and not so much the provision of assistance – apparently makes the difference. 'Requiring' in this connection however does not mean just making demands. It also means preventing resignation from setting in and opening up new prospects that individual might not have noticed or seized had there been no activation that required the individual to participate or take action. For example, persistently requiring a client who has already given up hope of ever finding a job to continue to apply regularly for jobs makes it clear that it is not a pointless undertaking but rather constitutes a chance to end his or her need for assistance. This chance must however also be realistic and must be put across credibly so that the client continues to make serious efforts and sees the sense in the demands being placed on him/her. Placing demands on the client thus appears to work when it opens up options for the client. Options are therefore the *quid pro quo* that the activating state has to deliver in return for co-operation on the part of the individual who is in need of assistance.

#### *Income opportunities and fiscal efficiency*

The analyses of income opportunities and fiscal efficiency are partly based on the findings from the macro-analysis of transitions from one status to another (employment that is subject to compulsory social insurance contributions, marginal part-time employment, unemployment that falls under SGB III, unemployment that falls under SGB II). The number of dismissals and resignations were also taken into account in this connection. This figure in itself can also be interpreted as an indicator for the sustainability of integration or for possible displacements arising from the integration of unemployed persons into employment. It turns out here that the percentage share of employed persons who are subject to compulsory social insurance contributions and who transit to unemployment that falls under SGB III is significantly smaller in regions with Approved Local Providers but that inflows into unemployment under SGB II are (somewhat significantly) higher in such regions. Both effects however disappear when further attributes are considered. It also turns out that regions where the bodies that are responsible for basic security benefits have not integrated the placement of unemployed clients into the general labour market into their case management system exhibit higher outflows from employment that is subject to compulsory social security contributions into unemployment that falls under SGB III.

The different transition probabilities that were ascertained were grouped together using the measure of the so-called income prospects of an average employable individual who is in need of assistance. This measure was designed to illustrate the individual value of persons who are in need of assistance. Here the average income of the different statuses (employment that is subject to compulsory social insurance contributions, marginal part-time employment, unemployment that falls under SGB III, unemployment that falls under SGB II) is weighted with the probability of making the transition to one of these statuses. Since there is a greater probability of making the transition to employment that is subject to compulsory social insurance contributions or to marginal part-time employment, employable persons who are in need of assistance and are managed by Joint Agencies with their de facto concomitant organisational structures and activation strategies had higher anticipated incomes over all the months observed than persons who are managed by Approved Local Providers did.

In the area of fiscal efficiency, it was possible to determine in general at individual level in the provider models that in comparison to the half of the bodies that are responsible for basic security benefits which has a smaller stock of persons in need of assistance per specialist, the other half – which has a larger stock of persons in need of assistance per specialist – posts a fiscal loss of approximately € 75 per month and household in which the jobless person lives due to its poorer performance in integrating clients into the labour market. As a model, Approved Local Providers generate a fiscal loss averaging some € 63 per month and household in which the jobless person lives (with a range of variation of approximately € 33 to approximately € 94) due to the above-outlined negative effects (in comparison to the Joint Agencies) in the area of placement in employment that covers the individual's financial needs. This examination includes the total costs arising in connection with the provision of basic security benefits (passive and active benefits, administrative costs) and, on the utility side, the savings in long-term unemployment compensation (Unemployment Benefits II) plus the additional tax revenues and insurance contributions. It must however be taken into account that the calculation of fiscal efficiency at individual level could include only the complete elimination of the need for assistance – but not the effects of a reduction in the need for assistance.

By contrast, not only the elimination of the need for assistance but also the reduction of the need for assistance could be taken into account in the analyses of fiscal efficiency at macro-level described in the following section. The savings that would theoretically arise were the Joint Agency model to be implemented nationwide (in comparison to a nationwide implementation of the Approved Local Provider model) were estimated at macro-economic level on the basis of the analyses during the period under study to be € 3.3 billion per year. The estimated fiscal effects consist of € 0.5 billion in additional income tax receipts, € 1.9

billion in additional social insurance contributions, € 0.8 billion in savings because fewer basic security benefits and less assistance for housing and heating would have to be disbursed and € 0.1 billion in savings in expenditure on integration benefits and services and in administrative costs. These economies could be explained almost entirely by the difference in the number of persons in employment that is subject to compulsory social insurance contributions. Consequently, nearly 60% of these savings (in the form of additional receipts) would accrue to the social insurance bodies (where more than 90% would go to statutory pension insurance and statutory health insurance).

Due to chance fluctuations in this estimate, this figure can only be seen as an approximate reference value and should therefore only be used with great care. The simulation is based on the critical assumption that the effects that were ascertained can be applied nationwide to all bodies that are responsible for basic security benefits. A direct influence on the part of the provider models was not substantiated primarily with respect to the estimate of the employment trend at regional level which provides the basis for this simulation.

Since, as explained above, it appears that it is also the actual implementation and not just the provider model in and of itself that is important, it is to be assumed that savings could also be achieved if the provider models were left untouched and the Approved Local Providers just incorporated the positive aspects of the Joint Agencies' implementation practice. However there is much that indicates that certain advantageous factors are systematically linked with the Joint Agency model and would not be easy to apply elsewhere: This particularly applies to those factors that were discussed above under the keyword 'intrinsic model effect'. Furthermore, even greater savings could be achieved when all bodies responsible for basic security benefits were to adopt those organisational structures and activation strategies that the analyses indicated were generally the most effective.

### *Conclusion*

The overall picture shows that there are possibilities in many areas for improving and refining the implementation of the provision of basic security benefits for job seekers. The findings from the evaluation conducted pursuant to Section 6c of SGB II thus constitute important inputs for the institutional learning process envisaged by the law-makers. The above findings should not however be interpreted as a call to centralise the basic security benefits system. Rather, the 'contest' initiated by Section 6a of SGB II has led to insights and findings which could never have been attained had SGB II been implemented using the same system nationwide. Competition between different approaches can thus contribute to the progressive development of the provision of basic security benefits but – and this is crucial – only when it is based on transparency and verifiability. A system that allows local latitude within the scope

of centralised management by objectives which is subject to regular performance audits, a system which can and does allow changes in the course it is pursuing when the targeted goals are not met appears to be the most promising for improving the chances of employable individuals who are in need of assistance.