

EMPLOYMENT POLICY IMPLEMENTATION MECHANISMS IN GERMANY AND THE UNITED KINGDOM¹

The ILO and its constituents have made significant progress in developing national employment policies (NEPs). However, unless appropriate institutional arrangements can be put in place to ensure timely and effective implementation, even sound policies may not produce the desired results. To respond to the increasing requests from its constituents for assistance in NEP implementation, the ILO launched a research project on “a comparative analysis of employment policy implementation mechanisms in selected countries. Case studies and a synthesis report were published as working papers”.² Based on those studies, this research brief looks at the mechanisms for coordination, accountability and support to employment policy implementation in Germany and the United Kingdom.

1. Employment policy in Germany and the UK: an overview

In Germany, the current employment policies are characterized by a wave of four labour market reforms that took place over 2003-2005, which strengthened a range of programmes going from employment promotion to workfare (see Table 1). First, service agencies assigning temporary employment (*Personal-Service Agenturen*) were introduced and working conditions for temporary employment improved. Second, mini- and midi-jobs and the so called “*Ich-AG*” were implemented; employees with low income benefited from regulations on taxes and social insurance, and the unemployed were able to set up their own business with up to three years support from government funding. Third, the Federal Employment Agency (FEA) was restructured, its central control system was replaced by decentralized structures and *Jobcenters* where personal case managers could offer both municipal social services and unemployment services into a one-stop-shop. Fourth, unemployment benefits and the social assistance scheme were combined.

Later, a series of measures were introduced in response to the global economic crisis. The Law on Ensuring Employment and Stability was enacted in 2009 to encourage short-time work (*Kurzarbeit*), temporary employment, and technical and vocational education and training (TVET). A major reform of the minimum wage system was initiated in 2009, with a comprehensive legal minimum wage formulated in 2012 and implemented as from 2015. Two measures to increase the flexibility of the labour market were launched. The first is the Qualified Professionals Initiative which was set up in 2012 and focused on women, single parents, elderly and migrants. The second is the family policy that was implemented in 2007.

In 2013, all European Union (EU) countries committed to the implementation of the Youth Guarantee. As the unemployment rate among under 25 year olds in Germany was the lowest in the EU, Germany’s National Implementation Plan focused on shifting existing labour market policy instruments to needs-based schemes and on improving structures for the transition from education to employment. In 2016, the Integration Act accelerated the integration of refugees into the labour market: the labour market priority test in favour of EU citizens was temporarily suspended and vocational training was made available. Moreover, participation in training also gives legal certainty to those with “tolerated-person” status. The attractiveness of TVET was strengthened by a training bonus for all job seekers, nationals and foreigners alike.

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In that same year, a new law was adopted to restrict the non-standard forms of employment. The law precludes outsourcing of core business activities by replacing permanent staff with temporary workers or service contractors. Workers ought to be paid equally, at the latest after nine months, regardless the type of contract. The duration of temporary work is limited to 18 months. Workers who go on strike cannot be replaced by temporary workers.

Table 1. German employment policies 1997-2016

	Reform	Main Objective
1997	Employment Promotion Reform Act (SGB III)	Career counseling, placement services, reintegration contracts and short time-work schemes
2001	Job-AQTIV Act (Act to reform Labour Market Instruments)	Extended labour market flexibility (agency work, job rotation); extended public-private cooperation in placement
2002	Placement vouchers	Extended public-private cooperation in placement
2003	First Act on Modern Services in the Labour Market (Hartz I)	Flexibilization (agency work); training vouchers (public-private cooperation)
2003	Second Act on Modern Services in the Labour Market (Hartz II)	Re-regulation of marginal employment; extension of part-time work, start-up subsidies, and the <i>Jobcenters</i>
2004	Labour Market Reform Act	Relaxing dismissal protection; shortening the duration of unemployment benefits for older workers; part-time retirement
2004	Third Act on Modern Services in the Labour Market (Hartz III); Reform of Governance of Federal Employment Agency.	Central control system replaced by decentralized structures and objectives arrangements, and the job centres; personal case managers combine municipal social services and unemployment services into a One-Stop-Shop
2005	Fourth Act on Modern Services in the Labour Market (Hartz IV)	Merging of unemployment assistance and social assistance; introduction of social services; re-regulation of job creation schemes
2007	Family policy	Parents staying home for up to 14 months are subsidized by the Government. Sharing child care with both parents working part-time enables higher parental benefits claims (<i>ElterngeldPlus</i>).
2009	Reform of labour market instruments	Extension of work requirements; limitation of several measures
2009	Minimum wages	Implementation of minimum wages in certain sectors
2008 2010	Several reforms on short-time work; Law on Ensuring Employment and Stability	Extension of short-time work and temporary employment
2012	Qualified Professionals Initiative	Activation measures, education, skills training and integration for women, single parents, the elderly and qualified migrants
2013	Youth Guarantee	Alliance for Initial and Further Training; expansion of youth career agency; preventive mentoring programme for career entry support.
2015	Minimum wage	The statutory minimum wage was implemented
2016	The Integration Action; Law to restrict the use of non-standard forms of employment	Support and regulation to integrate refugees into labour market; training bonus is paid after midterm exams are passed and after successful completion of training.

Source: Zimmermann et al. (2014), complemented by Lea-Maria Loebel and Reikittke Verena (2017).

The UK Government has been focusing on activation in the last few decades, and has introduced a number of reforms to the welfare system. Between 1997 and 2010, the Labour Government emphasized reducing poverty and enhancing national competitiveness by acting on three fronts. First, by attempting at moving and supporting people into paid work through welfare-to-work programmes (the New Deal activation programmes were introduced in 1998) and “making work pay”. The national minimum wage was introduced in 1999 and working families and childcare tax credits were introduced in 1999. Second, through heavily targeted state interventions for advice, training and work placements, incorporating a degree of compulsion for some groups. Third, through greater reliance on the private sector to achieve policy goals. Active labour market policies (ALMPs) were given more prominence, and combining the public employment services and the Benefits Agency into a single entity – Jobcentre Plus (JCP) – represented additional efforts to activate those receiving income transfers. The Conservative-Liberal Democrat Coalition Government which took office in May 2010 has extended, amplified, and accelerated some of the reforms that were being developed by the previous Labour Administration.

Table 2. “Get Britain Working” measures

Measures	Reform	Main Objective
The Youth Contract	The Innovation Fund	Work Choice
Work Experience	Work Trials, Employment on Trial	Skills Training
Skills Conditionality	Mandatory Work Activity	WorkTogether (volunteering)
Work Clubs	The New Enterprise Allowance	Enterprise Clubs
Access to Work (one area)	Sector-based Work Academies	Residential Training Colleges
One Day Initiative	Employment Elements of the Cities Agendas	Innovation Fund

Source: Zimmermann et al. (2014).

The policy areas and instruments related to employment policy include: 1) ALMPs such as basic training, job search assistance, work experience placement; 2) passive labour market policies such as income benefits; economic development/demand-side policies such as subsidies and incentives; and 3) social services and other policies (e.g. family and health). “Get Britain Working” measures or welfare-to-work programmes are the ALMPs established in 2011, and include mainly supply-side measures with only a minority of demand-side initiatives (e.g. wage subsidies and incentive payments) (see Table 2). JCP managers decide which measures will be offered in the local area, and service users do not have a choice of provider or type of provision. For some unemployed individuals, Get Britain Working initiatives are compulsory depending on Department for Work and Pensions (DWP) conditions and their Jobseeker’s Agreement. The Work Programme is the national welfare-to-work policy for the long-term unemployed, which replaces a number of previous programmes.

2. Coordination structure: The decision-making process

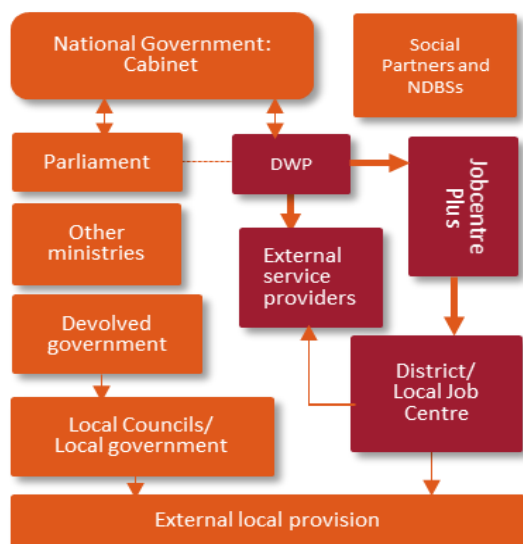
In Germany, decisions about employment policies are left with the Federal legislator. Only implementation is decentralized to the *Länder* level. Every German citizen is guaranteed the same services, even if those are delivered locally. The Federal Ministry of Labour and Social Affairs (BMAS) is in charge of setting the overall employment strategy. The BMAS is responsible for drafting employment policies to be adopted by the Government, setting targets and allocating employment funding. It is also responsible for the supervision of the implementing body, the Federal Employment Agency (FEA), including monitoring, evaluating and inspecting.

Inter-ministerial coordination with other Federal ministries takes place continuously, which aims to align policy coherence in labour, economic, family, TVET and migration matters. For example, the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) is entrusted with issues of work life balance. Meanwhile, the Federal Ministry for Education and Research (BMBF) together with the Federal Ministry of Economic Affairs and Energy (BMWi) and BMAS have founded the Alliance for Initial and Further Training to strengthen the TVET system. These programmes present policy tools increasing the participation and success on the labour market. Moreover, all Federal ministries are regularly consulted and present their own policy proposals on related issues.

Social partners play a crucial role in employment policy making in Germany. First of all, they are central decision makers in designing the TVET systems together with the chambers of industry, commerce and labour and handicrafts. Second, social partners are members on the boards of directors or administrative committees at all levels of the FEA: the headquarters, the so-called *Regionaldirektionen* at Länder level and the local agencies. Third, they are commonly consulted in working groups and represent their constituents in the drafting of policies in the decision making process at the Federal level.

The FEA is the foremost implementing organ of employment policies in Germany. Nevertheless, as a knowledge base for implementation issues, it is consulted in the Federal decision-making process in order to guarantee smooth delivery of services (see Figure 2).

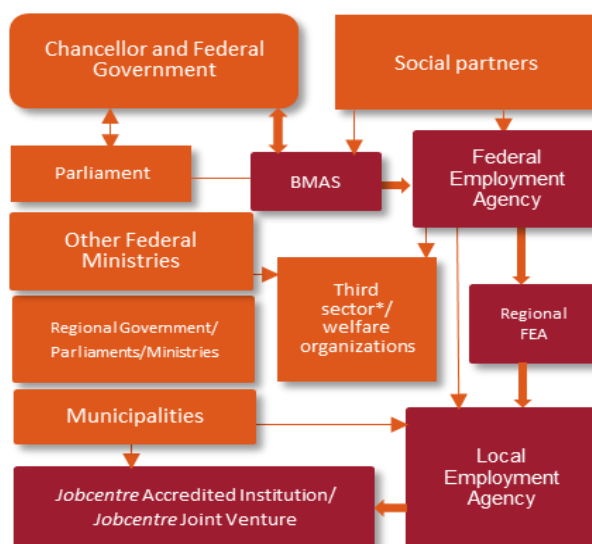
Figure 1. Coordination system in the UK



**voluntary or community organizations*

Source: Zimmermann et al. (2014)

Figure 2. Coordination system in Germany



The United Kingdom is a centralized state with three devolved administrations. Employment is exclusively a UK Government matter, but a number of policy areas are devolved. Local government implements national policy and has a number of policy responsibilities. The Department for Work and Pensions (DWP) is responsible for employment policy which aims to achieve full employment (i.e. an 80 per cent employment rate). The DWP sponsors 14 arm's-length bodies (ALBs) or non-departmental public bodies (NDPBs)³, devises a key action plan to implement government priorities (including Get Britain Working), monitors them (monthly progress implementation reports), and adopts inputs and impact indicators to assess the effects of policies. DWP labour market policy is delivered by the public employment service — Jobcentre Plus (JCP) - and by external service providers (see Figure 1).

Intra- and inter-departmental coordination relies on governance, management or coordination instruments such as boards and advisory committees. There are departmental boards and agency boards that could be used for coordination between public organizations, but most of them are utilized as governance and management vehicles between ministries and agencies within a department. Intra-departmental coordination is expected to increase as a result of JCP being brought in-house, as structures would be streamlined. In terms of inter-departmental coordination, there are three departments with responsibilities in this area: 1) the Cabinet Office is the central coordinating office in the Government; 2) HM Treasury's Public Services Directorate oversees major public sector expenditure; and 3) the Prime Minister's Strategic Unit provides policy advice according to the Prime Minister's policy priorities. Inter-departmental coordination is difficult to assess because of many barriers, such as rigid competencies, responsibilities and funding streams, which influence departmental and agency priorities and aims.

3. Accountability system

In Germany, the most relevant changes in the accountability framework in 2003 were an internal restructuring of the administrative organization, a reform of self-government, the introduction of new management concepts and a broader and systematic inclusion of private providers for training and placement measures. In addition, a contract management system was introduced to govern implementation and service delivery by local FEAs and Jobcenters. This output-oriented approach is characterized by management by objectives. Objectives are defined in terms of target indicators, focusing on reducing passive benefits, increasing integration rates, and reducing the duration and costs of integration. Each local employment agency and Jobcenter has its own objectives. This steering mechanism is now highly professionalized and well implemented. Evaluation of individual employment agencies and Jobcenters are realized on the basis of these objectives through internal evaluation systems. Similarly, the Federal Audit Court evaluates the spending externally. The Organisation for Economic Co-operation and Development (OECD) has figures on expenditure for labour market policies for Member Countries as a share of GDP, which might be helpful to give an idea of the efforts made (see Figure 3).

Figure 3. Public expenditure on labour market policies by main categories as a percentage of GDP in 2015

Programmes	PES and administration	Training	Employment incentives	Sheltered and supported employment	Direct Job creation	Start-up incentives	Out-of-work income maintenance	Early retirement	Total	Total	
										Active measures (10-70)	Passive measures (80-90)
Country											
Australia	0.14	0.01	0.01	0.06	0.01	0.00	0.68	0.00	0.91	0.23	0.68
Austria	0.17	0.46	0.04	0.02	0.05	0.01	1.37	0.12	2.23	0.74	1.49
Belgium	0.20	0.16	0.16	0.14	0.06	0.00	1.20	0.51	2.43	0.72	1.71
Canada	0.12	0.07	0.01	0.01	0.01	0.00	0.62	0.00	0.86	0.24	0.62
Chile	0.03	0.08	0.00	0.00	0.05	0.00	0.36	0.00	0.53	0.17	0.36
Czech Republic	0.12	0.02	0.13	0.10	0.06	0.00	0.19	0.00	0.62	0.43	0.19
Denmark	0.39	0.60	0.28	0.78	0.00	0.00	1.08	0.20	3.33	2.05	1.28
Estonia	..	..	..	..	..	..	..	..	..	..	..
Finland	0.15	0.48	0.12	0.12	0.13	0.01	1.93	0.00	2.94	1.00	1.93
France	0.25	0.37	0.05	0.09	0.22	0.03	1.97	0.00	2.98	1.01	1.98
Germany	0.36	0.20	0.02	0.03	0.01	0.01	0.86	0.02	1.51	0.63	0.88
Greece		0.09	0.10	0.00	0.04	0.02	0.45	0.04			0.49
Hungary	0.10	0.01	0.04	0.00	0.74	0.00	0.25	0.00	1.15	0.90	0.25
Ireland	0.09	0.23	0.05	0.01	0.20	0.00	1.24	0.01	1.83	0.58	1.25
Israel	0.02	0.06	0.05	0.03	0.00	0.00	0.52	0.00	0.68	0.16	0.52
Italy	0.10	0.17	0.23	0.00	0.00	0.02	1.28	0.01	1.80	0.51	1.29
Japan	0.07	0.01	0.06	0.00	0.01	0.00	0.17	0.00	0.32	0.14	0.17
Korea	0.04	0.04	0.04	0.02	0.20	0.02	0.32	0.00	0.67	0.36	0.32
Latvia	0.04	0.06	0.03	0.00	0.02	0.00	0.41	0.00	0.56	0.14	0.41
Luxembourg	0.06	0.05	0.39	0.00	0.15	0.00	0.53	0.15	1.34	0.66	0.68
Mexico	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00
Netherlands	0.25	0.07	0.05	0.39	0.02	0.00	1.82	0.00	2.62	0.77	1.82
New Zealand	..	..	..	..	..	..	..	..	..	..	..
Norway	0.13	0.10	0.10	0.18	0.00	0.00	0.46	0.00	0.97	0.52	0.46
Poland	0.08	0.01	0.13	0.17	0.02	0.05	0.15	0.13	0.73	0.46	0.27
Portugal	0.07	0.27	0.16	0.01	0.04	0.00	0.98	0.02	1.55	0.55	1.01
Slovak Rep.	0.04	0.01	0.08	0.04	0.02	0.01	0.21	0.13	0.53	0.20	0.34
Slovenia	0.08	0.04	0.02	0.00	0.09	0.00	0.53	0.00	0.76	0.24	0.53
Spain	0.14	0.12	0.07	0.07	0.10	0.10	1.90	0.02	2.52	0.60	1.92
Sweden	0.26	0.15	0.60	0.26	0.00	0.01	0.55	0.00	1.82	1.27	0.55
Switzerland	0.11	0.18	0.07	0.23	0.00	0.00	0.65	0.00	1.25	0.59	0.65
United Kingdom	..	..	..	..	..	..	..	..	..	..	..
United States	0.02	0.03	0.01	0.03	0.00	0.00	0.18	0.00	0.28	0.10	0.18

Note: n, Nil or less than 0.005

Source: OECD.stat database (2017), available at: <https://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP>

A ranking system exists for both local employment agencies and local Jobcenters. Their performance measured against key indicators is compared to that of other agencies with similar socio-economic environments. Moreover, a comprehensive statistical reporting system has been introduced. These statistics are very detailed (covering, e.g., target groups, integration measures, expenditures and participants) and the data is publically available to a great extent.

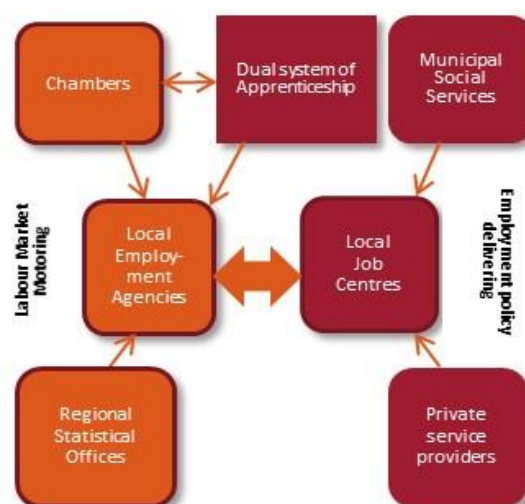
Those accountability measures provide a very high level of transparency. Detailed figures are available online for each employment agency and Jobcenter on spending and usage of different instruments granting access to the labour market. Additionally, the performance of the public employment services in terms of key indicators is also publicly available.

Figure 4. The UK employment policy accountability system (Jobcentre Plus)



Source: Zimmermann et al. (2014)

Figure 5. The German employment support system



Source: Zimmermann et al. (2014)

In the United Kingdom, the Department for Work and Pensions (DWP) has adopted an open data strategy: the input and impact indicators to assess the effects of employment policies and reforms are regularly published online. JCP targets are published in their annual business plan and are agreed with the Secretary of State for DWP. The performance management framework (PMF) focuses on two priority outcomes: 1) quickly moving people off benefits into jobs (off-flow into employment measure); and 2) reducing fraud and error losses by making accurate and timely benefit payments. The PMF is underpinned by a range of additional 'supporting measures'. Five scorecards or "the face of the PMF at operational level" were introduced: one for each operational directorate (Job Centre, Contact Centre, and Benefit Centre); one for "Monetary Value Fraud and Error"; and a Group Delivery Network scorecard designed to understand the way in which customers undertake a 'journey' through JCP services.

National and local performance is reported monthly to the JCP Board, DWP, and ministers. JCP information is provided via the JCP Labour Market System or Customer Management System. Performance reporting and monitoring is centralized in the DWP. The DWP requires external providers to provide management information which is used to report on progress to ministers, evaluate and produce statistics on the effectiveness, uptake, and performance of the programmes and contracts. Contractors are accountable to the DWP performance manager and the accounts management team, and are required to take part in provider engagement meetings or group partnership meetings, both led by the JCP either at the district level or covering the contract area respectively (see Figure 4).

4. Support system

The German employment policy implementation system delivers services by means of a centralized Federal Employment Agency (FEA) organ, which sets the main strategies. Ten regional offices, 156 local Employment Agencies and around 600 local offices make up the network of the FEA, Germany's largest public agency. The FEA is led by three executive officers appointed by the Federal Government, while the organs at the regional and local level have a tripartite structure composed of employer and employee representatives. Additionally, in more than 400 local Jobcenters, most of them run jointly by the municipalities and the FEA, municipal as well as federal services are provided for citizens with a minimum income. The advantage is that services can be offered jointly, making the application process more efficient.

The structure of the FEA as it stands today is heavily influenced by corporatism. Since 2004, the Agency has been running like a customer-oriented service company, in which the beneficiaries are encouraged but also required to apply themselves. Activation policies have become more important to the administration. Services have been tailored towards the individual needs of the beneficiaries.

Policy reforms in 2003 brought about crucial changes not only in the implementation by the local authorities, but the integration of municipal social services in the portfolio of employment policies. Citizens who paid unemployment insurance (SGB III) receive benefits and service from the local employment agencies, with programs tailored for a fast reintegration into the labour market. Meanwhile a minimum income (SGB II) is delivered in the Jobcenter by a personal case manager, unifying municipal liabilities such as child care or the payment of housing and heating costs on the one hand, and employment services focusing on the target group on the other hand. In addition, a recent reform of the labour market enables the local Jobcenters and local employment agencies to contract out certain measures such as training services.

A broad network of local actors supports the labour market monitoring by the FEA. The FEA also has its own independent research institute, the Institute for Employment Research. Due to the tradition of tripartite governance in local employment agencies, local social partners and other labour market actors, such as chambers of commerce and industry and individual employers, are closely connected to the employment agencies. They deliver considerable amounts of data, in addition to that provided by the FEA (see Figure 5).

The budget of FEA is made up largely by the contributions of employers and employees to the unemployment insurance. The other larger contribution is the Federal budget. Two thirds of the budget are spent on so-called passive labour market policies, namely unemployment benefits and social assistance. The other third is used to deliver active labour market policies (ALMPs).

In the United Kingdom, the supporting system to employment policies are also closely linked to the benefits system. There are two ways of service delivery and policy implementation: 1) Jobcentre Plus (JCP) is the public employment service responsible for providing benefits and welfare-to-work services to short-term unemployed; and 2) external provision is through the contracting-out employment service to long-term unemployed. The new Framework for the Provision of Employment Related Support Services was established in 2012 by the Department for Work and Pensions (DWP).

5. Summary

Albeit at different times and to different degrees, both Germany and the United Kingdom have gone through a reform in the governance of their employment policies, key drivers being the shift towards activation and the contracting out of the delivery of employment services to private and voluntary sector organizations. The move toward an activation approach is characterized in both countries by more reliance on labour market flexibility, conditionality of benefits, and a stronger link between social and employment policies. The combination of employment services and the Benefits Agency into a single entity – Jobcentre Plus – in the United Kingdom aimed to bring employment support and benefits closer. Similar processes can be identified in Germany, where the creation of the Jobcenters merged public employment services (PESs) and municipal social services. Raising employment rates was a priority in the framework of the reform process.

With regard to the coordination system, similarities can be found between the two systems. All employment policy coordination systems are centralized and hierarchical. As clearing houses between administration and politics, ministries play key roles in the two countries in policy making. Nevertheless, in Germany, the FEA has an additional role: its tripartite governance structure encompassing the social partners plays an important role in policy formulation. In the two countries, the de facto policy making bodies are responsible for employment and social policy in Germany, or employment and pensions in the United Kingdom. Inter-ministerial coordination, especially with actors in the field of macroeconomic policies exists in the forms of consultation in Germany, and as boards and advisory committees in the United Kingdom.

The accountability systems are highly similar in the two countries and play a key role in the implementation of employment policy. Germany has an output-oriented approach characterized by management by objectives and benchmarking. Annual work plans are the basis for benchmarking and monitoring. In the United Kingdom, the accountability system for internal or external provision is different, and, especially in internal provision, is moving towards outcome-based performance management, increasing local actors' discretion and flexibility in service delivery. Both countries provide a very high level of transparency and performance management in employment policy implementation.

The support system in Germany is closely linked to the two-tier benefits system. Similarly, services in the United Kingdom are in some ways different for the long- and short-term unemployed. In both countries, public employment services play a key supporting role in terms of labour market information, close contact with other stakeholders and policy delivery. In the United Kingdom, contracting-out is a special feature of the support system, while Germany is reforming to contract out certain services. A broader set of actors are involved in the delivery of employment measures in both countries. However, labour market governance is pretty centralized in the United Kingdom without any inclusion of social partners, while the social partners are substantially involved in Germany.

Endnotes

¹ This research brief is prepared by Yadong Wang based on Zimmerman, K. and Fuentès, V. (2014), *Employment policy implementation mechanism in the European Union, the United Kingdom and Germany* (Employment Working Paper, No.160, Employment Policy Department, Geneva: ILO). Lea-Maria Loebel and Reikittke Verena drafted the parts of employment policy and implementation in Germany. Lehner Lukas provided comments. Annette Niederfranke and Mosler David provided support. Aurelio Parisotto reviewed the research brief.

² The following countries are covered: Argentina, Bosnia and Herzegovina, Burkina Faso, Brazil, China, Republic of Korea, South Africa, and the European Union (EU) including the United Kingdom and Germany. Apart from Argentina and South Africa, the other countries mentioned here have ratified ILO's Employment Policy Convention, 1964 (C122).

³ Executive NDPBs, 4 Advisory, 2 Tribunal and 1 Public Corporation.

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