

IDSS COUNTRY STUDY

GERMANY

Written by Michael Fertig and Philipp Fuchs

Section I: Summary

1. Key features of the reform period

A very general development in the sphere of the economy and labour market first gave rise to a discussion on the need for wide-ranging reform in Germany.¹ During the 1980s and 1990s, Germany experienced a more or less continuous increase in long-term unemployment, as well as comparatively weak overall economic performance as regards its GDP. This in turn led to the country being prominently labelled as 'the sick man of Europe'.

Secondly, the institutional structure for long-term unemployment did not prove effective in dealing with the problems at hand. There were two institutional benefits systems tasked with providing assistance for the long-term unemployed: 1) unemployment assistance, administered by the Federal Employment Agency, for persons with work history; and 2) social assistance, administered by the municipalities, for persons who were able to work but did not have (sufficient) work history. This dual structure also led to an uneven distribution of financial burdens at the regional level. While costs for social assistance were extremely high in economically weak regions of Western Germany, there were huge numbers of unemployment assistance recipients in Eastern Germany. As a result, social assistance caused financial problems for the municipalities, and unemployment assistance was a burden on the Federal Employment Agency. In addition, 'switchyards' were set up between social assistance and unemployment assistance systems, which shifted the financial burden from one institution to another without actually solving the problem.

A third factor was the performance of the existing system of placement processes and active labour market policies. At the start of 2002, the so-called placement scandal of the Federal Employment Agency brought to light common practices of faked integration rates, which shed a highly unfavourable light on the institution's performance. Initial evaluations estimating the net effects of active labour market policies also came to disheartening conclusions, proving them often to be ineffective or even counterproductive regarding the integration of participants into the labour market.

Finally, the political situation of the upcoming general election in the autumn of 2002 was particularly significant. After a change of government in 1998, the new coalition government of the Social Democratic Party of Germany (SPD) and the Alliance 90/The Greens (Green

¹ In the following summary, no literature is cited. Detailed references can be found throughout the rest of the text when the matters in question are referred to and discussed in detail.

Party) failed to bring about significant economic change during its first term in office. To make a claim for economic and labour market-related competency, new approaches to the problems outlined were needed. As activation politics had been implemented over previous years in several other European states, and as Chancellor Gerhard Schröder had developed the general idea of activation in a paper with UK Prime Minister Tony Blair, ideas and approaches for reform in this regard were pretty much on the table.

The combination of an agreed, multi-faceted problem, long-term unemployment; an ineffective institutional structure administering it; a favourable agenda window, the placement scandal; and political pressure from the upcoming general election gave the momentum that opened up the opportunity for a wide-ranging reform that would mark a significant paradigmatic shift in Germany's welfare tradition.

Consequently, the reform had to address a multitude of problems: fundamental institutional reform of the existing benefits systems; new approaches to active labour market policies and activation strategies; and deregulation in the labour market to change the incentive structure, and subsequently increasing the dynamics of the labour market.

As this wide-ranging reform was implemented within a relatively short period of time and owing to a lack of significant reforms in the years prior to it, this reform had to be perceived as a whole, and a more or less uniform process in which several reforms at different institutional levels could be implemented. As regards the relevant precursors to this reform, two attempts must be noted. In 2001, an initial law aimed at labour market reforms was passed, the Job-AQTIV-Gesetz (Job Active Act). This reform had comparatively limited scope, and more or less failed to bring about any significant improvement in the problems it intended to solve. In addition, there were the MoZArT pilot schemes, which started at the beginning of 2001, and constituted an initial trial of the municipalities and the Federal Employment Agency cooperating to serve the long-term unemployed at the local level. The evaluations of these pilot schemes pointed to the possible benefits of cooperation between the two institutions involved.

In the years leading up to the reform, the most important milestones were the evolution of political concepts, as well as the formation of a consensus among important political players on the necessity and nature of possible reform. The agenda of activation and labour market reforms as outlined by Schröder and Blair in their June 1999 paper, can be considered the first major step. Another important process that began in this year was the creation of the Bertelsmann Expertengruppe (Bertelsmann Expert Group). Under the guidance of the liberal think tank Bertelsmann Stiftung, labour market experts from different backgrounds discussed the options and elements for fundamental reform of the German labour market and welfare system.

The reform process gained momentum in 2002, while earlier committees, such as the Bündnis für Arbeit, and reform attempts, such as the Job-AQTIV-Gesetz, had proven more or less ineffective. The first major event was the placement scandal of the Federal Employment

Agency in January 2002, which attracted public criticism, and called into question the effectiveness of the current services to integrate the long-term unemployed. Just weeks later, on 22 February 2002, the Hartz Kommission (Hartz Commission) was set up by Chancellor Schröder, intentionally; this also brought significant public attention. This committee, comprising representatives of major industry players, consultants and experts from the political and administrative spheres, developed reform proposals, which were presented to the public in an official ceremony on 16 August 2002. After the general election of 22 September 2002, which saw the re-election of the incumbent coalition of the Social Democrats and the Green Party, the actual legislative process began. Two ministerial working groups, located within the Federal Ministry of Finance and the Federal Ministry of Labour, were set up. Within these committees, which included various types of experts, plans for the actual reform legislation were drawn up.

On 23 December 2002, two of the four reform packages were passed (Hartz I and Hartz II). These were immediate measures; the former did not require approval from the Bundesrat (upper chamber of the German legislature), while the latter did. These law packages focused on deregulating temporary work and marginal employment, as well as introducing new active labour market policies. Throughout 2003, the legislative process for the third and fourth law packages continued, and a general consensus as to their outline was reached. A crucial milestone in this process was on 22 December 2003. The law packages also required approval by the Bundesrat, which blocked their approval owing to a conflict over the institutions tasked with the new benefits system, Sozialgesetzbuch II (SGB II – Social Code II). During the night of 22 December 2003, a consensus in the mediation committee was reached, and a solution was agreed upon. There would be two (competing) organisational models: one model (the minority), where the sole responsibility for the benefits system lay with the municipalities; and another (the majority), where responsibility lay with a cooperative institution comprising municipalities and the local offices of the Federal Employment Agency.

The two last law packages were passed on 23 December 2003 and came into force at the beginning of 2004 (Hartz III) and 2005 (Hartz IV), respectively. While the third law package addressed the restructuring of the Federal Employment Agency, the fourth law package was by far the most wide-ranging and can be considered the core of the whole reform. This law introduced the new law code, SGB II, by merging the previously separate unemployment assistance and social assistance benefits systems. This included new regulations regarding benefit disbursement, the implementation of activation politics, such as workfare measures, the strict enforcement of sanctions, and the formation of new institutions responsible for the system, cooperative and municipal job centres. The new unemployment benefits 2, UB2; Arbeitslosengeld 2, ALG 2, is a means-tested, lump-sum benefit, while previous benefits either depended on the last wage received (unemployment assistance) or were assessed individually (social assistance). In addition, the concept of a 'household in need' was introduced to assess benefits at the household level, taking into account any form of income

and benefits received, and thus increasing the pressure for all members of the household to look for work to reduce the household's level of need.

Owing to the broad scope of the fourth reform package, there was a delay of a year between the law being passed in December 2003 and coming into force on 1 January 2005. The time between these two dates was needed in order to set up the new institutions, IT systems and processes. However, this proved to be a comparatively short lead time to prepare for the implementation of such a fundamental change. For this reason, in 2004, several working groups at the federal, regional and local levels focused on the various issues involved in the implementation process. One of the main concerns at the national level was the development of a suitable IT system for the UB2 system as a whole to ensure timely disbursement of the new benefits and for uniform indicators on the performance of the newly formed job centres to be collected. The decision was made to base the new IT system on the existing IT solution of the municipalities. This technically risky and time-consuming task was thought to be the only feasible solution but led to a construction process that lasted until almost the last minute before the first payments were due. At the local level, this time was needed to set up the new institutions. This involved the allocation, recruitment and training of suitable personnel, the acquisition of premises to locate the new institutions, arrangements for cooperation between the Federal Employment Agency and the municipality in the cooperative job centres, and the design of the entire placement, case management and benefit disbursement process at the local level.

Another element of the legislative process that is significant is the fact that evaluating every step taken was an integral part of the laws passed. One general reason for this task was to gather empirical evidence on the effectiveness and efficiency of the various elements of the reform. Another reason was in regard to the heavily contested decision on the organisational set-up of the job centres. Their implementation was based on an experimental clause in the SGB II (Paragraph 6c), which aimed at trying out alternative organisational approaches, and thus encouraging organisational competition. The associated evaluation was meant to gather evidence on a possible superior organisational model.

Finally, on 1 January 2005, the fourth law package came into force and the newly formed job centres took up their work; this marked the completion of the legislative reform process.

The following actors/committees can be regarded as crucial to the reform process:

- 1) Chancellor Schröder, and some of his followers within the Social Democrats in political key positions at the federal level were the driving force behind the reform process. This included the Labour Minister Wolfgang Clement and Head of the Federal Chancellery Frank-Walter Steinmeier, today's Federal President. It was Schröder in particular who linked the idea and process of the reform to himself as a political actor, as can be seen in the publication of the Schröder-Blair Paper.
- 2) The Bertelsmann Expertengruppe can also be considered a pertinent committee in preparing the reform process. Beginning in 1999, the committee, comprising labour

market experts from different backgrounds, under the guidance of the liberal think tank Bertelsmann Stiftung, discussed the options and elements of fundamentally reforming the German welfare system.

- 3) As a publicly visible instrument of policy-making, the Hartz Kommission is especially relevant. Although it is often argued that its inception was mainly undertaken for publicity reasons, especially as decisions were made in different committees, the Hartz Kommission strongly embodies the idea of reform for the general public. Also, many of the basic ideas of the reform can be found in its suggestions, although not of all them were implemented on an one-for-one basis, and others were implemented but removed in the years following the reform. As a result, traces of the committee's ideas are relatively sparse in the SGB II in its current form.
- 4) Fundamental to shaping the reform process, and especially the preparation of the legislative process, were the two main ministries involved, the Federal Ministry of Finance and the Federal Ministry of Labour. Of particular importance in this context were the working groups located with the respective ministries, which included expertise from administrative and political experts representing the various interest groups involved. These working groups proved helpful in reaching a consensus as to the nature and details of the reform among different interest groups, as well as numerous technical elements and details of its implementation.
- 5) As the Federal Employment Agency had overall responsibility of the two federal benefits systems, unemployment insurance and unemployment assistance, it represents another major player in the reform process. As a federal agency, it was formally bound by instructions from the Federal Ministry of Labour but owing to its expertise and the agency's key role in the new benefits system, it formed an integral part of the reform process, in particular its practical implementation.
- 6) Another crucial actor in forming the new cooperative job centres were the municipalities. As they are basically autonomous, highly diverse in structure and political outlook, it is impossible to attach a distinct and unified position regarding the reforms to them. Still, at the local level, they were the decisive partner of the Federal Employment Agency in forming the cooperative job centres. Their role was made even more significant in the formation of the municipal job centres, where responsibility for implementing the SGB II lay with the municipalities alone. Larger and more financially strong municipalities had a tradition of local labour market programmes for social assistance recipients, which in turn made them experienced actors in this field, albeit exclusively at the local level.
- 7) Finally, there is the alliance of two political actors which crucially influenced the reform in its final stage on the issue of the organisational solution for the new benefits system: the opposition of the Christian Democratic Union (CDU) and the Free Democratic Party (FDP); and the umbrella organisation of the municipalities, the Deutscher Landkreistag (DLT). As they were both against the idea of attributing

overall responsibility of the SGB II to the Federal Employment Agency, they advocated against this solution. While they were unable to exert any crucial influence in the Bundestag (the lower chamber of the German legislature) owing to their weak position in opposition, this organisational decision was blocked in the Bundesrat via the CDU and the FDP as governments of federal states, especially those of Lower-Saxony and Hessen. It was in this way that they successfully influenced the outcome of the legislative process in their favour. It can therefore be stated that representation of the federal states in the Bundesrat was important to the reform. It was due to the votes of the federal states governed by the opposition which effectively led to this change of legislation.

It should also be noted that the scope of the reform was extremely broad, essentially changing the overall structure of the German welfare system, as well as the general approach to labour market politics. It is for this reason that isolating any single impact of the reform is difficult, in particular because of the many fundamental changes that occurred over a very short period of time.

The first noticeable impact was a sudden and sharp increase in the numbers of people registered as unemployed between December 2004 and January 2005 owing to the new and highly inclusive definition of being 'fit for work'. A considerable number of persons formerly considered 'not fit for work' were now considered 'fit for work', which led to them being counted as unemployed. Furthermore, for many of the former recipients of both unemployment assistance and social assistance, the new benefit – unemployment benefits 2 (UB2) – resulted in a change in the amount of benefits they received. Whether this involved an increase or decrease for the individual household depended heavily on the previous work history and composition of the household of the benefit recipients.

From an economic perspective, one crucial impact of the reform was the substantial growth of the labour market's low-wage segment, especially owing to a growth in temporary work, the use of which was significantly facilitated by Hartz I at the beginning of 2003. This development went hand in hand with an increase in the number of working poor. Connected to this was the formation of a substantial group of more than a million benefit recipients receiving top-up benefits (Aufstocker) in addition to their income generated through labour. Furthermore, there was a sharp increase in atypical work, especially fixed term contracts, and in the uptake of employment inadequate to the employee's formal qualification levels. Also, an increase in willingness of recipients to make concessions could be seen. Another impact was a growth in wage inequality. All of these developments indicated a substantial growth of insecurity.

At the same time, Germany has seen a more or less steady decrease in unemployment since 2005, however, owing to the scope of these macro-level developments, it is difficult to pinpoint how far these developments can be attributed to the reform in general or specific elements of the reform. To summarise this in one very general statement, the reforms

facilitated the creation of new employment opportunities at the expense of a growing employment insecurity, especially among the newly employed and low-skilled workers.

After the completion of the legislative side of the reform process with the fourth law package coming into force in January 2005, there were no immediate further broader reforms planned. Nevertheless, there were smaller changes to some elements of the reform, especially in the sphere of active labour market policies. These changes were based on evidence of the accompanying assessments, and certain decisions were taken on which active labour market policies were to be kept, changed or removed from the services available to benefit recipients.

2. Driving forces, success and failure factors of the reform period

The driving force behind the reform process can be traced back to general economic stagnation, in particular the more or less steady growth of unemployment over the previous 30 years. Following the oil crisis of 1973, the so-called hysteresis effect set in on the German labour market, which led to an increase in the basic level of long-term unemployment in the wake of every subsequent economic crisis. However, the inefficiencies of the existing social assistance and unemployment assistance benefits systems had become more and more obvious with the increase of long-term unemployment. This held especially true for the dual structure of services and benefits. This in turn led to 'switchyards' between the social assistance and unemployment assistance benefits systems. As a result, some recipients who were eligible for both unemployment and social assistance had to register with two different institutions, including all the formalities that this implied, especially means-testing. This could be described as the economic and administrative dimension of a problem that became more and more pressing, especially over the course of the 1990s, and as a result, necessitated a political solution.

The other driving force was at the political level and the coalition between the SPD and the Green Party that came to power after 16 years under a coalition between the CDU/Christian Social Union (CSU) and the FDP led by Helmut Kohl. As the problem of long-term unemployment and a lack of economic dynamics became more and more apparent towards the end of the Schröder's first term in office, it was essential for the SPD to come up with new concepts to solve the problem. In addition, the numerous evaluations and the long-term development of the labour market in general pointed to the fact that the traditional approaches of labour market politics were not able to tackle this problem effectively. This in turn called for new ideas, which were eventually found in the concept of activation politics and the "Third Way", as developed by sociologist Anthony Giddens, an advisor to Tony Blair.

The fact that it was actually a coalition from the political Left – the SPD and the Green Party – that initiated the reform was probably crucial to the fact that such a fundamental deviation from the conservative welfare tradition of Germany was even possible. As the idea of activation politics, which involved deregulating the labour market, and the fact that

relatively strict workfare elements were more likely to come from the political Right, there was no opposition to the reform's general outline during the legislative process. In fact, the Opposition was practically in favour of the ideas presented by the Government. This wide-ranging consensus among almost all political parties was crucial to the momentum the reforms gained from 2002 onwards; the only exception being the former Socialist Unity Party of Germany (PDS), which was not represented in the Bundestag after the 2002 general election. Nevertheless, the decision by the SPD/Green Coalition to carry out these reforms can be considered as politically risky owing to their strong deviation from their traditional politics. It could even be argued that the reforms heavily contributed to the fact that Schröder and his coalition lost the 2005 general election as many of their traditional voters were dissatisfied with outcome of the reforms.

The only element that caused a major conflict among the political parties did not concern the actual nature of activation politics, but rather the distribution of power and money between the institutions and the different political levels, especially which institution was to have overall responsibility of the UB2 system. Apart from this, the legislative side of the reform process was relatively smooth, and there were no major conflicts or changes to the general ideas of the activation politics as put forward in both the Schröder-Blair Paper and the proposals put forward by the Hartz Kommission. In the public sphere, protests against the labour market and benefit reforms began to form only in the months prior to their completion at the beginning of 2005. However, these protests became more prominent in early 2005 and lasted for several years. There is still heavy criticism of the reforms and its consequences today among significant parts of the German population.

Even though the amount of time allocated to prepare the reform's core element, the formation and implementation of the SGB II, and the institution responsible, was relatively short, the key actors succeeded in carrying out the practical side of the reform process. In the time leading up to the last reform package coming into force at the beginning of 2005, there was a strong cooperative spirit among the relevant actors responsible for its implementation, even if their general interests and perspectives on certain elements of the reform differed; this was probably crucial to the success of the entire process. One reason for this cooperative attitude can be seen in the political pressure applied. Even if there was agreement on the ideas of the reforms, it was obvious that a failure to implement them successfully would have had serious consequences, especially for benefit recipients, and in turn the legitimacy of the system as a whole. While conflicts between actors ensued again after the completion of the reform as to its consequences and justifications, the reform's implementation – understood as the correct realisation of the legislative will – was by and large successful.

3. Good practices and dissemination possibilities in an EU context

A key feature of the reform was the abolition of the dual institutional structure that was responsible for the long-term unemployed in the separate benefits systems of social assistance, led by the municipalities, and unemployment assistance, led by the Federal Employment Agency. Although the details of the design of the new benefits system and its subsequent success can be debated, the reform marked an important improvement in the institutional structure of the welfare system. Although the reform resulted in hardship, especially for former skilled workers, it also led to a level of basic transparency regarding the extent and structure of long-term unemployment. At the same time, it gave all recipients access to uniform services. The idea of introducing transparency into the new benefits system also holds true for the institutions tasked with its implementation. By introducing uniform indicators measuring the performance of every job centre on an equal basis, the reforms promoted comparisons, transparency and the idea of competition between entities. In addition, the abolishment of 'switchyards' between the benefits systems marked a significant improvement. The general idea of introducing transparency and uniform basic support scheme can therefore be regarded as a crucial element. This reform, however, was not exactly innovative as similar benefits systems had been introduced in other countries before, and have been introduced in even more countries since.

A more specific innovative feature of the reform is the idea of organisational competition between the different organisational models with overall responsibility for the new SGB II benefits system. Giving regional actors the choice between two different organisational set-ups for their job centres was thought to open up the opportunity of empirically testing and whether there was one generally superior organisational model. The different organisational models therefore competed with each other as regards their effectiveness in carrying out the tasks they had been assigned. This element was introduced more or less against the original ideas outlined by the Hartz Kommission because the different organisational models were added at the eleventh hour in the legislative process. Still, the testing of two different organisational models that implemented services and disbursed benefits for the long-term unemployed became part and parcel of the reforms. Even more crucial was the fact that evaluating these different models was an integral part of the laws passed. This way, the idea of competition between organisations was promoted systematically and connected with the idea of an evidence-based decision as regards the superior organisational model. This concept can therefore be regarded as innovative in this respect. Efforts to evaluate the performance of these two different models were substantial, as they involved several consortia of research institutes investigating several sub-elements of the reform at the same time and the application a broad range of qualitative and quantitative methods.

One key result of these evaluations was a relatively clear recommendation in favour of cooperative job centres for the organisation model. Some results pointed to a lack of efficiency and effectiveness of various newly introduced active labour market policies, such as specific forms of subsidies for start-ups from unemployment schemes, and especially public employment schemes. At the same time, other findings pointed to positive long-term

effects for participants of more cost-intensive qualification and training measures in enterprises. Regarding the placement process, the findings were ambivalent: elements of a service centre functioning as a clearing point was seen as a significant improvement, while there was relatively harsh criticism of standardised approaches to placement and counselling processes, and sanction implementation. At the macro level, de-regulation brought about a significant increase in temporary work and marginal employment, which in parts was due to substitutional effects.

However, it must be noted that the ultimate political conclusion – the decision of which model to choose based on empirical evidence – was not drawn in the end, even though there was a rather clear recommendation as part of the evaluations in favour of the cooperative job centre model. In the end, political will prevailed, and the two different organisational models continue to exist today.

Section II: Detailed description of the reform episode

Contents

- 1. Setting the scene..... 12
 - 1.1. The broad socio-economic and political context 12
 - 1.2. The activation and poverty alleviation agenda and other relevant political issues 13
 - 1.3. A brief overview of the institutional setting at the starting point of the reform 14
 - 1.4. A brief overview of the benefit system at the starting point of the reform 15
 - 1.5. The main agents involved in managing the benefit system and providing employment and social services 16
 - 1.6. Brief description of the institutional status quo before the reform 18
- 2. Details of the reform episode (initiative)..... 22
 - 2.1. Brief description of the initiative..... 22
 - 2.2. The rationale behind the initiative 22
 - 2.3. Detailed description of the NEW system 23
 - 2.4. Context of the initiative: where did the idea come from? 26
 - 2.5. The political decision phase: the actors 26
 - 2.6. The political phase: the actions..... 28
 - 2.7. The designing phase: the actors..... 30
 - 2.8. The designing phase: the decisions 32
 - 2.9. Who implemented the initiative? 36
 - 2.10. Implementation process 37
 - 2.11. Costs of the initiative..... 39
 - 2.12. Monitoring 40
 - 2.13. Impact assessment and impacts 41
 - 2.14. Any important follow-up measures?..... 41
 - 2.15. Any other detail that seemed important but wasn't mentioned so far? 43
- 3. Assessment and conclusions..... 44
 - 3.1. What external factors helped/hindered the launch of the initiative and its successful implementation?..... 44
 - 3.2. Lessons for the country 45
 - 3.3. Lessons for Europe 45
 - 3.4. Main strengths and weaknesses 46
- 4. References 48

1. Setting the scene

1.1. The broad socio-economic and political context

During the 1990s, Germany experienced an increase in long-term-unemployment as well as a stagnation in the growth of its gross domestic product (Schmachtenberg 2003) which in turn led to its being labelled as “the sick man of Europe”. This situation was caused in parts by the aftermath of the German reunification and its high costs. Another factor was the “hysteresis effect” which led to an increase of the basic level of long-term unemployment with every economic crisis from the oil crisis of 1973 on (Möller 2010). Also, the distribution of the financial costs these developments caused was uneven. On the one hand, municipalities in economically weak regions experienced a massive financial burden due to their financial responsibility for the benefit system of social assistance. On the other hand, the payment of unemployment assistance throughout Eastern Germany caused considerable costs on the federal level since this benefit was tax-funded from the federal level and disbursed by the Federal Employment Agency. To add to this, first comprehensive studies on the net effects of employment schemes had called the existing approaches to active labour market policies into question. They estimated no significant positive or even substantial negative net effects for the participants in various support schemes (Fitzenberger/Speckesser 2000). These developments first gave rise to the discussion for the need of a reformed benefit system from the mid-90s on. This included approaches of New Public Management (NPM – cf. Bach/Jann 2010), which in Germany harked back to an influential committee called Benchmarkinggruppe (“Benchmarking Group”). This committee was incepted in 1998 by the new federal government when it came into power and was to develop new approaches in labour market politics by including numerous experts from various scientific, administrative and political fields.

A first political attempt at initiating a reform process was marked by a petition of the Liberal Democrats (FDP) to abolish the benefit system of unemployment assistance in 1995. On a practical level the “MoZArT” pilot schemes, which started in the beginning of 2001, constituted a first trial of cooperation of municipalities and Federal Employment Agency in serving long-termed unemployed on a local level. Evaluation results of these pilot schemes pointed to an increased efficiency through a more thorough cooperation of municipality and Federal Employment Agency (Hess et al. 2004). A third element which would turn out to be of importance to the reform process was a working group located with the liberal think tank of Bertelsmann Stiftung (“Bertelsmann Expertengruppe”) which consisted of labour market experts and ministerial bureaucrats from different spheres and took up work in 1999.

While these political and economic developments formed the general background of the reform process there were two events that can be considered crucial to the actual implementation of the reform process from 2002 on. Firstly, in January 2002 the so called “placement scandal” of the Federal Employment Agency was revealed. The main accusation levelled at the organisation said that massive and systematic manipulations of the official numbers of placements had taken place over the last years thus covering up a massive lack of effectivity of the organisation’s placement services. This in turn led to a strong crisis of legitimacy on behalf of the Federal Employment Agency, which was in charge of the unemployment assistance. Secondly, the general election was coming up in September 2002. While four years before, the Social Democrats led by Gerhard Schröder had succeeded in bringing about a change in government after 16 years under a coalition of Conservative Party and Liberal Democrats, they had failed in delivering on their crucial promise of significantly reducing unemployment during their first term.

Probably recognizing a political window of opportunity opened by the placement scandal, in February 2002 Chancellor Schröder incepted the so called Hartz Kommission to develop new

concepts for a wide-ranging labour market reform, intentionally gaining a broad level of public attention. Peter Hartz, the man after whom the commission was named, was at that Human Resources director with VW and had achieved a reputation of an innovative manager in the field of employment.²

The work of this almost hastily incepted committee culminated in the handing over of the its suggestions in the French Cathedral of Berlin on 16 August 2002 just weeks prior to the general elections of 22 September 2002. At the core of these new concepts lay suggestions for several active labour market policies, de-regulation of certain types of a-typic labour, especially temporary work and fixed-term contracts, an organisational reform of the Federal Employment Agency as well as a fusion of the formerly distinct benefit systems of unemployment assistance and social assistance. These concepts in turn served as a relevant point of reference for the reform process that was initiated by Chancellor Schröder and his coalition of Social Democrats and Green Party immediately after their re-election.

1.2. The activation and poverty alleviation agenda and other relevant political issues

In the context of labour market politics in the broader European scheme Germany can be considered a latecomer. Up until the late 1990s the German welfare system and in turn its approach to labour market politics remained a prime example of the Conservative welfare state regime (Esping-Andersen 1990). Due to stagnation of the economic growth and high unemployment in Germany, activation politics, as already implemented in the UK or the Netherlands, as well as the Scandinavian welfare model seemed promising new approaches. Adding to this was the fact that evaluation results pointed out the extent to which employment schemes as traditional approaches to active labour market politics had failed to increase the participant's labour market integration. At the same time, these employment schemes constituted a core of the Social Democrat's idea of labour market politics. Their lack of success called for an alternative which in turn made activation politics – in spite of its controversial connotations especially for Social Democrats – the more promising for the Social Democrats.

The so called "Schröder-Blair-Paper" of 1999 (Schröder/Blair 1999) can be considered a key text in this paradigmatic shift. In it one finds outlined the ideas of a new activating labour market regime that was heavily indebted to the ideas of sociologist Anthony Giddens, then advisor to UK Prime Minister Tony Blair, and his conception of a "Third Way" of welfare and labour market politics (Giddens 1998). This paper also informed the "Agenda 2010" of the German government, a wide-ranging reform concept implemented between 2003 and 2005. These reforms in the sphere of labour market and social politics marked a significant shift in several respects, since relations between state and citizen were re-adjusted.³ This process, associated in the field of labour market politics with the Hartz reforms in general and the phrase "Fördern und Fordern" ("promoting and demanding" or "carrots and sticks") in particular, can be regarded as a shift from an accommodative welfare state to an activating welfare state (Dingeldey 2007). This included the strict enforcement of sanctions as part of the placement process, the introduction of workfare measures ("One-Euro-Jobs"), the introduction of means-tested benefits and benefit disbursement based on household concepts

² Ironically, Hartz was awarded the Federal Cross of Merit in 2002, while he more or less fell from grace in the years immediately after the reform: He was charged with breach of trust in 2005 and sentenced in 2007. Subsequently he returned the Federal Cross of Merit and has more or less disappeared from the public sphere.

³ One could argue that the reform of the disability benefit system of the early 2000s followed a similar basic idea. It aimed at a stronger labour market inclusion of this group of citizens by implementing more (negative) incentives for employers to employ disabled persons on the one hand while aggravating access of disabled persons to certain types of „passive“ benefits on the other hand.

(“Bedarfsgemeinschaften” – households-in-need) as well as a new definition of ability-to-work which was particularly inclusive. Especially the final measure was supposed to offer new opportunities to a broader group of unemployed by giving them access to active labour market policies and support systems aimed at their labour market integration. Furthermore, especially sanctions and welfare elements constituted new approaches in dealing with the allegedly “lazy unemployed”, a prominent and recurring figure of speech in the context of labour market politics in general that was once more revived while discussing activation politics (Oschmiansky 2003).

Apart from these activation goals there were four more dimensions to the reform. Firstly, the introduction of a lump sum benefit was meant to facilitate the disbursement of benefits. Secondly, this process involved a wide-ranging restructuring of the Federal Employment Agency which underwent a transformation from a classic bureaucratic body into a service provider modelled after the principles of New Public Management. Thirdly, the idea was to create a one-stop shop in charge of all recipients of unemployment benefits, not only UB 2 benefits, as it was eventually the case. The rationale behind this was to reduce switchyards between the old benefit systems while at the same time increasing the quality of services provided by these newly created agencies. Finally, the financial burdens involved in providing services and disbursing benefits for the long-term unemployed were re-distributed between municipalities and the Federal State.

1.3. A brief overview of the institutional setting at the starting point of the reform

Public institutions (directly managed by a ministry)

Federal Ministry for Labour and Social Affairs (BMAS): the ministry responsible for central employment policy. Due to the federal structure, German federal ministries are small and have more limited responsibilities than ministries in other OECD-countries. Their key role is to take part in the policy-making and legislative process, but they are not directly involved in its implementation or in control of it (Wegrich et al 2013). During the second term of the Schröder administration between 2002 and 2005, most of the Ministry’s responsibilities were delegated to the newly established Federal Ministry for Economics and Labour (Bundesministerium für Wirtschaft und Arbeit, BMWA), which, in turn was dissolved when the CDU-led government gained power in 2005.

Other national level organisations (e.g. insurance agencies)

Bundesagentur für Arbeit / Federal Employment Agency (BA): before the 2005 reform, Bundesanstalt für Arbeit or Arbeitsamt. The BA is the central body in charge of public employment service (PES) in Germany. The organisation is structured along three main levels of administration: a central office in Nuremberg, 10 regional offices that supervise and coordinate the local offices for one or more federal states, and 156 local offices with more than 600 sub-offices delivering services. The Federal Employment Agency is funded exclusively by compulsory social insurance contributions by employers and employees. The degree of control enacted by the federal government (via the Federal Ministry of Labour and Social Affairs) is limited to ensuring the BA’s compliance with the statutes and all other legal requirements. But there is no official influence on operational business or resource allocation. Although the level of contributions and amount of benefits are set by the federal government, the BA has the autonomy of setting its own targets and performance goals independently. The BA is responsible for the disbursement of benefits, implementation of active labour market policies, counselling services and job placement.

Regional level organisations

Cooperative Jobcenters (called Arbeitsgemeinschaften [ARGEn] until 2010): the joint agencies established in 2005 by the Hartz IV reform, responsible for the labour market integration, placement

process, active labour market policies, social services, and disbursement of benefits - of the ‘basic income support scheme for able-to-work persons in need’ (the newly established UB II benefit). Consortia of the Federal Employment Agency’s local branches and the municipal social administrations were formed to administer these benefits and related services. Until 2010, the official name for these organisations was ARGE (Arbeitsgemeinschaften – working communities). In 2010, following a constitutional change they were renamed as “gemeinsame Einrichtungen” (shared facilities).

State-level governments and ministries (Länder)

The Federal Republic of Germany is made up of 16 federal states, each of them with their own unicameral legislative body (Landtag) and government. Federal-state governments are responsible for the regional economic development. The states also delegate representatives to the Bundesrat, the upper chamber of the German federal parliament, in which a federal state’s number of votes is proportional to its population. The states thus have the possibility to shape employment policy and legislation at the federal level through their veto rights but have less influence on the implementation of policies.

Local governments

Municipalities: Before the Hartz IV reform, municipalities were in charge of the support of social assistance recipients as well as the disbursement of these benefits. This included carrying the financial burden of this system on the one hand as well as a wide-ranging autonomy in implementing the related services and disbursement of benefits. Furthermore, especially the wealthier municipalities implemented their own active labour market policies and became important players in the sphere of labour market politics in their own rights, at least on a local level. Other municipalities simply lacked the funds required for comparable efforts or were simply less involved in this field. Due to these discrepancies and a lack of systematic data on municipal programmes and their outcome the whole field of municipal active labour market policies was highly opaque. After the reform, municipal Jobcenters were formed as an alternative organisational structure to the cooperative Jobcenters in charge of the UB 2 system. Here, the municipalities remained fully in charge of implementing this benefit system, while most of the funding came from federal-level taxes.

1.4. A brief overview of the benefit system at the starting point of the reform

Before the reform of 2005, there were three benefit systems in Germany: Unemployment insurance, unemployment assistance and social assistance, of which only the latter two were means-tested. Unemployment insurance was financed via compulsory unemployment insurance payed by employers and employees while unemployment assistance and social assistance were tax-funded from the federal and municipal level respectively (for further details on all three systems cf. Blien et al. 2002).

The qualifying period for unemployment insurance was fulfilled by those who were employed for at least 12 months in the reference period of the last 3 years prior to registering as unemployed. The wage replacement rate was 60 percent of the last wages/salary after normal statutory employee deductions (income tax, social security contributions). The rate was 67% in the case of a recipient with at least one dependent child. The duration of entitlement to this benefit depended on the duration of the former employment as well as the age of the recipient and ranged from 12 to 32 months. The entitlement further required that the recipients actively registered with the local PES. The activation requirements were very moderate since it allowed for recipients to decline job offers

not deemed acceptable. The beneficiaries of this system basically included most persons losing their jobs and were subsequently highly diverse in their sociodemographic characteristics.

From the time when the eligibility for unemployment insurance ran out, the benefit of unemployment assistance was paid to those that actively registered with the PES. The wage replacement rate was 53 percent of the last wages/salary after normal statutory employee deductions (income tax, social security contributions) and 57 percent in the case of a recipient with at least one dependent child. The duration of the benefit's payment was potentially open-ended until the age of retirement but conditional on an annual means-testing. The activation requirements were very moderate, as was the case with the unemployment insurance. Due to the means-testing and the condition of exhausted entitlement to unemployment insurance the recipients of unemployment insurance were mostly of lower qualification and often long-term unemployed. Before the reform, this was especially the case for skilled workers who couldn't find a new job due to structural changes and low-skilled workers.

Finally, the third benefit of social assistance which was paid to persons neither eligible to unemployment insurance or unemployment assistance but without any means to support a living. This system was means-tested and its recipients were obliged to accept any reasonable work that was offered. The benefit was individually assessed for every recipient based on his or her individual situation and needs. The point of reference of the benefit disbursed was for it to cover food, housing, clothing, body care, household goods, heating and the personal things needed in daily life. The activation requirements were comparatively strong on a formal level: Anyone who refused to accept a job offer deemed acceptable ran the risk of losing their entitlement to cost-of-living assistance. In a first step, the assistance was reduced by at least 25 percent of the applicable standard rate. Still, these rules were usually not strictly enforced and there is a lack of systematic data on the actual activation due to the de-centralized system of municipal responsibility for administering this benefit system. This system covered about one fourth of all persons unemployed in Germany since they were not eligible to either unemployment insurance or unemployment assistance. Due to the rules of eligibility the recipients of social assistance can be – on average - considered furthest from the labour market among the unemployed, although there were also for example university graduates looking for their first job among the recipients since they usually lacked any work history covering insurance payments. Again, systematic data is missing to verify this generally agreed upon estimation.

1.5. The main agents involved in managing the benefit system and providing employment and social services

There were actually four relevant agents in managing the benefit systems and providing employment and social services.

Federal Ministry of Labour

The duty of the Federal Ministry of Labour and Social Affairs acting on behalf of the federal government is limited to ensuring that the Federal Employment Agency complies with the statutes and all other legal requirements. The ministry has no official influence on operational business or resource allocation. This holds true for the UB1 as well as the UB2 benefit system. For the latter though, this responsibility is limited to the part of the Federal Employment Agencies in the cooperative Jobcenters. Furthermore, there is a cooperative committee located with the Ministry consisting of representatives of the 16 federal states, the Federal Employment Agency and the Federal Ministry of Labour (Bund-Länder-Ausschuss). This committee coordinates the efforts of managing the UB2 benefit system between the national and federal state level. In total, the

ministry's influence on the actual management of the benefit system is relatively low, especially given the fact that the UB2 is mostly funded by federal taxes (ISG/Steria Mummert 2013).

State Ministries of Labour

For the UB2 benefit system the ministries of the federal states play a certain role regarding the supervision of the municipalities. But the heterogeneity between the ministries and the scope of their statutory supervision as well as the actual practice of it is quite high (ISG/Steria Mummert 2013). Still, the influence on the system overall is relatively small and mainly confined to a limited formal supervision and consultations with the municipal level.

Federal Employment Agency

The Federal Employment Agency is more or less completely in control of the unemployment insurance benefit UB1 via the local Employment Agencies (cf. 1.3). This organisation has a high degree of autonomy in administering the benefits as well as implementing active labour market policies although it is formally under the supervision of the Federal Ministry of Labour. Active labour market policies are usually contracted out via the organisation's regional purchase centres (REZ – Regionale Einkaufszentren) on the level of the Federal Employment Agency's regional offices, for both the UB1 and the cooperative Jobcenters of the UB2 benefit system. Regarding the UB2 benefit system, the Federal Employment Agency has a shared responsibility with the municipalities only for the cooperative Jobcenters while there is no involvement with the municipal Jobcenters. For the cooperative Jobcenters a controlling function of the Federal Employment Agency is exercised via the local Supervisory Board of the Jobcenters ("Trägerversammlung") in which the director of the Federal Employment Agency's local branch holds a seat.

Municipalities

Regarding the municipalities there are three levels of involvement in managing the UB2 system. Firstly, in the case of cooperative Jobcenters there is a shared responsibility with the Federal Employment Agency for active labour market policies, case management and placement services as well as the disbursements of benefits. Here, the autonomy is limited, since these organisation's actions are based on agreements between both stakeholders, municipality and Federal Employment Agency. Secondly, in the case of the municipal Jobcenters the responsibility for the UB2 system lies exclusively with the municipality although it is mainly funded via taxes from the national level. The resulting degree of autonomy is relatively high. Thirdly there are social services open to all UB2 beneficiaries – debt counselling, socio-psychological counselling, drug counselling as well as the care for minor children and domestic care for elderly relatives (§ 16a SGB II). The municipalities remain in charge of providing these services regardless of the organisational setup of the local Jobcenter.

Social Service Providers

Due to a tradition that reaches back to the 19th century, social service providers (religious as well as secular) play a significant role in providing all kinds of social services. These services have been delegated to welfare organisations more or less from the beginning of the German welfare state (Heinze/Olk 1981). There are six big national service providers (Arbeiterwohlfahrt, Diakonie, Caritas, Rotes Kreuz, Paritätischer and Zentralwohlfahrtsstelle der Juden) employing more than 1.5 million people servicing more than 3.6 million people, although these numbers include various social services such as care for elderly people, support for homeless persons but also services for UB2

recipients (Heinze/Schneider 2013).⁴ Apart from that, there are several private companies offering labour market services. The infrastructure of social service providers can be considered essential to the implementation of active labour market policies. In order to put these infrastructures to use, however, these organisations still depend on the contracting-out of the Federal Employment Agencies' regional purchases centres as well as on contracts assigned to them by the municipal Jobcenters.

1.6. Brief description of the institutional status quo before the reform

⁴ It has to be noted that the wide range of diverse tasks and services carried out by social service providers covered by these numbers doesn't allow for immediate conclusions regarding the ratio between recipients and staff. Still, the number gives an impression of the economic and general relevance of Social Service Providers for the German welfare state.

	provision type 1 (or client group)	provision type 2 (or client group)
Name of provision (benefit or service)	Unemployment Assistance	Social Assistance
Main purpose of the benefit/service	Supporting unemployed persons with a former work history whose entitlement to unemployment insurance has run out.	Supporting persons who lack other means to support themselves, both formerly employed and never employed. This is a social “safety net” for all persons without sufficient income or entitlement to other benefits. Furthermore, this included the services of debt counselling, socio-psychological counselling and drug counselling.
Main access criteria (insured, means-tested, other criteria, e.g. age, family status, etc.)	All formerly insured unemployed are basically eligible, but this benefit is means-tested.	This benefit is means-tested but any person without any other means of support is entitled to this benefit.
Target group and its size in proportion to total non-working active age population	Insured unemployed; about 12 % of the total non-working active age population	Disadvantaged persons, both able-to-work and not-able-to-work; about 22 % of the total non-working active age population
Who is the main actor that determines the client journey?	The local branch of the Federal Employment Agency structures the client journey but is bound by certain regulations from the central office of the Federal Employment Agency.	The local municipality autonomously structures the customer journey.
Who evaluates claims for this benefit / decides on who can participate in this service (if the service is open to all, please indicate that)?	The service workers of the benefits department of the local branch of the Federal Employment Agency evaluates the claims which are in principle only open to persons who were formerly entitled to	The social workers at the municipal social service department evaluate the claims. They are basically open to any person without other ways of financially supporting themselves sufficiently.

	unemployment insurance benefits.	
Who enforces the activation (job search, accepting job offer, etc.) requirements (if these exist)?	In principle, the local placement officers of the branch of the Federal Employment Agency, although this practice was not strictly enforced prior to 2005.	In principle, the social workers of the municipality, although this practice wasn't strictly enforced prior to 2005.
Who decides on sanctions (in case of non-compliance)?	In principle, the local placement officers of the branch of the Federal Employment Agency, although this practice was not strictly enforced prior to 2005.	In principle, the social workers of the municipality, although this practice wasn't strictly enforced prior to 2005.
Who pays the benefit / delivers the service?	The local branch of the Federal Employment Agency	The municipality
Who provides the funding behind (e.g. local government using their own revenues or local gov. using a per capita subsidy from the central budget)	Tax-funding from the federal level	Tax-funding from the municipal level

A first inefficiency was the fact that due to the different funding of social assistance (municipal taxes) and unemployment assistance (federal taxes) switchyards between these systems were created. By giving recipients of social assistance access to employment via publicly subsidized employment that was also subject to social security payments they became eligible for unemployment assistance. This shifted the financial burdens from municipal level to federal level. This practice was an obvious inefficiency since it gained popularity from the 1980s on when social assistance became an increasing burden on municipalities especially in economically weak regions. So there was an incentive to remove the social assistance recipients from the municipal payroll to the federal payroll even it meant that the basic problem of unemployment persisted.

Secondly, the placement scandal⁵ of the Federal Employment Agency from 2002 called the organisation's services and competency regarding the placement of unemployed into question. The whole apparatus was widely considered as highly bureaucratic, inefficient and sluggish.

Furthermore, there was an increasing number of benefit recipients who were entitled to both unemployment and social assistance. This stemmed from the fact that the level of benefits received by some recipients of unemployment assistance was below the subsistence level thus entitling them to additional social assistance. As a result, they had to register with both the municipality and the Federal Employment Agency in order to receive sufficient benefits. This in turn led to the formation of a dual structure in the welfare system and caused considerable bureaucratic efforts for the persons applying.

Evaluations pointed to a fourth inefficiency of the benefit system: First systematic evaluations using control group designs found most active labour market policies to be either without effect or even having negative effects on the participant's chances of integration into the labour market (Fitzenberger/Speckesser 2000). These results caused heavy doubts whether these "traditional" to active labour market politics were still valid. Also connected to this was the matter of a lack of systematic data on the recipients of social assistance due to the exclusive responsibility of the municipalities for this benefit system. Indicators measuring the developments among its recipients and the performance of the administration servicing them were missing completely for this benefit system subsequently causing a legitimacy deficit.

A fifth and final inefficiency was the fact that able-to-work recipients of social assistance didn't have systematic access to active labour market policies as implemented by the Federal Employment Agency. To them, only the measures of the local municipality were available. Since the size and quality of these measures varied strongly depending of the municipality's financial situation and priorities, this can be considered a structural inequality between recipients of social assistance and recipients of unemployment assistance.

⁵ A detailed chronology of the scandal can be found online: <http://www.anstageslicht.de/themen/arglist-und-betrug/gefaelschte-statistik-arbeitsamt-erwin-bixler/chronologie-die-manipulationen-in-den-aemtern/>

2. Details of the reform episode (initiative)

2.1. Brief description of the initiative

One crucial aim of the initiative was to fuse the formerly distinct benefit systems of unemployment assistance and social assistance thus reducing the existing duplication in services between municipalities and Federal Employment Agency.⁶ This fusion was also meant to abolish the need for some recipients to apply for two different benefits. Apart from that, a wide-ranging reform of the organisational structure of the Federal Employment Agency was undertaken, re-shaping the administration according to the principles of New Public Management (management by objectives, contractual management and privatization among others, cf. Bach/Jann 2010). This organisational change was to bring about an increase in efficiency and quality of the Agency's services and was supported by two further changes. On the one hand, de-regulations on the labour market were undertaken while on the other hand new labour market policies were introduced to replace traditional approaches that had empirically proven to be non-efficient. This included the introduction of workfare measures and the strict enforcement of sanctions in cases of non-compliance of benefit recipients in the job search process as elements of activation politics. Finally, the new UB2 benefit was conceived as a means-tested, lump sum benefit to facilitate the administration of benefit payments. In the past, the disbursement had proved particularly complicated in the former system of social assistance where each benefit was individually assessed. In addition to that, the UB2 benefits were based on a household concept (Bedarfsgemeinschaft – household in need) which increased the pressure on all its members to look for work.

The initiative of the reform process was launched in earnest in February 2002 with the inception of the Hartz Kommission although one could argue that the "Bertelsmann Expertengruppe" formed in 1999 was a crucial precursor that paved the way for the initiative. The actual legislative process that eventually led to the reforms started in September 2002 after the Social Democrats and Green Party had been re-elected. Instrumental to its implementation on the legislative side were two working groups located with the Federal Ministry of Labour and the Federal Ministry of Finance respectively. On a practical level, the implementation was on the one hand carried out by the Federal Employment Agency and on the other hand by the local municipalities which formed the municipal Jobcenters as well as the cooperative Jobcenters in cooperation with the local branch of the Federal Employment Agency.

2.2. The rationale behind the initiative

Firstly, the creation of the new benefit, UB2, was to reduce switch yards and duplication in dual services by introducing a new and unified welfare system for the long-term unemployed based on the fully reformed Social Code II (SGB II). This way, all able-to-work persons in need would not only have a single agency in charge of disbursing the benefit – as opposed to formerly (potentially) two agencies – but they would also gain systematic access to support schemes promoting their integration into the labour market since this was not generally the case for former recipients of social assistance. As a point of reference regarding the level of the UB 2 benefits, the level of socio-economical subsistence was chosen. This was meant to increase incentives for its recipients to take up any kind of labour, thus raising the willingness to make concessions in the job search process. The

⁶ In the recommendations of the Hartz committee (Hartz et al. 2002) the idea of fusing the responsibility for all benefits – unemployment insurance, unemployment assistance and social assistance – in one new organisation was put forward. This way, a one-stop-shop solution for all persons unemployed was to be created. This idea, however, didn't become reality and is thus not discussed in detail here.

same held true for the introduction of a household-based concept for the benefit disbursement, potentially subjecting all its members to activation measures.

Linked to this was the newly introduced, very inclusive definition of ability to work.⁷ This was meant to offer opportunities of employment via new services to people which had been formerly neglected by the old welfare systems with regard to their efforts at integration into the labour market, at least according to the official political rationale.

The organisational reform of the Federal Employment Agency was expected to bring about a boost in efficiency via the implementation of placement services applying principles of New Public Management (Bach/Jann 2010) thus making it more desirable for the agency's employees to work efficiently. A key element of this change process was the newly introduced management by objectives. The introduction of inner-organisational competition was thought to promote the individual performance, subsequently enhancing the organisation's overall performance. The same idea held true for the performance-based payment of the Agency's employees that was also part of the reform.

The deregulation of the labour market was designed to raise the dynamics of the labour market in general, and specifically to establish a new low-wage sector. One measure was the de-regulation of temporary work which was thought to act as a stepping stone for formerly unemployed into the labour market. New regulations for marginal employment on the other hand aimed at legalising formerly undeclared work, especially in the sphere of household services, thus also creating a new and legal sector of low-paid and often marginal employment. Overall, these measures were all intended to create a significant low-wage sector, especially for formerly long-term unemployed and formerly undeclared work (Klinger et al. 2013).

Further measures included the implementation of activation politics by means of sanctions and workfare measures. Sanctions due to non-compliance of benefit recipients in the placement process were to be strictly enforced in the new benefit system. This was meant to increase the recipients' own integration efforts as well as their participation in the placement process. The same idea held true for workfare measures. The rationale here was that it made being unemployed in general less desirable since every able-to-work person in need could be obliged to participate in these very low-paid workfare measures. Participants received an hourly wage of one more or less symbolic Euro, labelling these workfare measures "One-Euro Jobs". Like the low level of the benefits disbursed, these measures were all aimed at increasing the recipients' willingness to make concessions (Rebien/Kettner 2010, Koch et al. 2009).

A final element consisted in trying out new active labour market policies. The accompanying evaluations of these newly introduced instruments as integral part of the legislative process were to show which of these worked and which didn't. This can be understood as an attempt at implementing evidence-based labour market policies.

2.3. Detailed description of the NEW system

⁷ In Germany a person is considered able-to-work if he or she is found capable of working three hours a day on average. Compared to other countries, this is a very inclusive definition of ability-to-work (Konle-Seidl/Eichhorst 2008). This in turn leads to the observation that persons considered able-to-work in Germany might not be considered so in other countries (Erlinghagen/Zink 2008).

	provision type 1 (or client group)	provision type 2 (or client group)	provision type 3 (or client group)
Name of provision (benefit or service)	Unemployment Benefit I (UB I)	Unemployment Benefit II (UBII)	Social Assistance (New) Sozialhilfe (Neu)
Main access criteria (insured, means-tested, other criteria, e.g. age, family status, etc.)	Insured	Means-tested and assessed as “able-to-work”	Means-tested and assessed as “not-able-to-work”
Target group	Short-term unemployed	Long-term unemployed, disadvantaged and able-to-work-persons	Severely disabled working-age persons and needy persons above the age of 65
Who is the main actor that determines the client journey?	Local Branch of the Federal Employment Agency	Local Jobcenter (municipal or cooperative)	Municipality
Who evaluates claims for this benefit / decides on who can participate in this service?	Local Branch of the Federal Employment Agency	Local Jobcenter (municipal or cooperative)	Municipality
Who enforces the activation (job search, accepting job offer, etc.) requirements?	Local Branch of the Federal Employment Agency	Local Jobcenter (municipal or cooperative)	No activation requirements
Who decides on sanctions (in case of non-compliance)?	Local Branch of the Federal Employment Agency	Local Jobcenter (municipal or cooperative)	No sanctions
Who pays the benefit / delivers the service?	Local Branch of the Federal Employment Agency	Local Jobcenter (municipal or cooperative)	Municipality

Who provides the funding behind (e.g. local government using their own revenues or local gov. using a per capita subsidy from the central budget)	Compulsory social insurance contributions of employees and employers	General taxes at the federal and municipal level ⁸	General taxes from the municipal level
Notes			

The contents of the table are based on Konle-Seidl (2008) and Konle-Seidl et al. (2007)

⁸ The income support and activation measures are completely tax-funded from the federal level as well as one third of the housing and heating costs. The remaining two thirds of housing and heating costs as well as additional social services are funded by municipal taxes.

2.4. Context of the initiative: where did the idea come from?

At the root of the idea that eventually triggered the whole reform process lay the “Schröder-Blair-Paper” from 1999 (Schröder/Blair 1999) in which the two heads of government outlined a new approach to social and labour market politics. Based on Anthony Giddens, sociologist and advisor to Blair, and his Third Way (Giddens 1998) they developed three columns for their new politics: (1) an increase in atypical employment as a stepping stone into the first labour market, (2) the implementation of workfare elements by compulsory participation in workfare measures to enable benefit recipients to take up employment and (3) a wide-ranging inclusion of persons into the definition of ability-to-work and subsequently a better integration into the labour market by ways of improved public placement services. Other influences are considered to be the Bertelsmann Stiftung, a liberal think tank paving the way for these ideas (Butterwegge 2015) as well as conceptual thoughts by Günter Schmid (2004). Early on, Schmid encouraged the implementation of transitional labour markets between different forms and statuses of employment forming a system of “flexicurity” and eventually an employment insurance for the life course.

The need for such a political reform arose on an economic level from the fact that the number of long-term unemployed in Germany after the first Oil Crisis in 1973 increased with every economic recession, the so-called hysteresis effect (Möller 2010). This eventually led to an increase in structural unemployment. On a political level, the government of Conservatives (CDU) and Liberal Democrats (FDP) that had been in power for 16 years until 1998 had proven unable to counter this development. Although there had been first experiences with implementing activation politics in other countries like the UK and the Netherlands, there was no hard evidence whether this initiative could actually bring about the much-awaited change in Germany. For once, these countries came from different welfare traditions that facilitated the implementation of activation schemes while for Germany this idea meant a grave departure from its conservative welfare tradition (Dingeldey 2007). Furthermore, the transfer of possible evidence across countries can be considered highly speculative and thus hardly fit for basing such wide-ranging political decisions on them.

A first step towards a reform can be seen in the JobAQTIV law enacted in 2001 although it wasn’t nearly as broad in scope as the eventual reforms implemented between 2003 and 2005. This law contained the introduction of integration agreements, first deregulations of temporary work and some active labour market policies.

As a political manifesto, the “Agenda 2010” can be considered of importance in this context, although first steps toward the reform taken in 2002 actually preceded it. This manifesto was announced in a speech in parliament by Chancellor Schröder on 14 March 2003 and was mainly based on the ideas of the Schröder-Blair Paper but also took cues from the EU “Lisbon Strategy” of 2002. On 15 June 2003, the manifesto also received a backing of 90 percent of the votes at the national congress of the Social Democrats. In hindsight, it’s remarkable that the conservative and liberal opposition that had been in power for 16 years actually backed the reforms and welcomed its ideas as well. They had proven unable to undertake a comparable reform although it can be considered more in-line with their general politics. This is why they supported their political opponents when they finally did take these steps.

2.5. The political decision phase: the actors

	power	low	medium	high
interest				

low			
medium	Federal Employment Agency	Federal States National Opposition	Trade unions
high	Municipalities and their umbrella organisation Federal Ministry of Labour Social Service Providers		National Government

The most powerful and at the same time most interested actor in completing the reforms according to activation principles was certainly the National Government in general and Chancellor Schröder in particular since he closely linked the whole reform idea and process to himself as a person. Also, the reform’s main ideas were based on a political agenda developed – at least in parts – by himself. Furthermore, he had the legislative power to pass the according laws in the First Chamber (Bundestag). Two things are to be noted: The position of the Social Democrats wasn’t necessarily unanimous on the issue of the reforms although the Agenda 2010 received a strong formal backing at the party congress in June 2003. Parts of the “traditionalists” among the Social Democrats, especially those with a political background in trade unions, as was quite often the case, were more inclined to be opposed to the reform, especially the ideas of deregulation of the labour market. The other aspect of interest is that the opposition on the national level was quite in favour of the reforms. Subsequently there wasn’t much resistance or changes to the general outline of the reforms to be expected from the Bundestag.

The positions among the Federal States which had to pass the reform laws in the Second Chamber (Bundesrat) was divided at least regarding the question as to which organisation was to be in charge of the SGB II. The Federal States of Hessen and Lower-Saxony – both under the government of a coalition of Conservatives and Liberal Democrats – were strongly in favour of the municipalities exclusively administering the new system. Accordingly, they did have an interest in the outcome of the reform although this was limited in scope to the question of the organisational solution. They also did have a certain amount of power due to the fact that the reforms had to be passed by the Bundesrat in which they held a blocking minority. This way, they were able – at least to a certain extent – to influence the outcome of the reform process in their interest by bringing about the need for a mediation committee in the Second Chamber.

A similar position holds true for the opposition on the national level, especially the Liberal Democrats. They were basically in accordance with the reforms but again critical of the idea of putting the Federal Employment Agency in charge of the new benefit system. Their power, though, was limited since they couldn’t influence the legislative process to that effect in the First Chamber, but had the opportunity to do so in the Second Chamber via their votes as members of government in several Federal States.

A very strong interest combined with little power can be seen with the municipalities and their umbrella organisation (DLT). In order to remain significant political players, they had a strong interest

in being appointed in charge of the SGB II since this meant money and power for both the general political level of municipalities as well as in shaping local labour market politics. At the same time, their influence was reduced more or less to lobby work and advocating for their competency behind the scenes while they didn't have any immediate influence on the legislative process.

In a similar manner, the Federal Employment Agency also lacked power to directly influence the political process since they are formally under the supervision of the Federal Ministry of Labour. Still, they were consulted during the legislative process as the organisation has a strong expertise in the delivery of services and disbursement of benefits. Their interest in the reform itself was divided. On the one hand, it was obvious that being in charge of the SGB II meant power as a player in the field of labour market politics. This is why they didn't want to be completely excluded from administering this new benefit system. On the other hand, especially the organisational reform of the Agency itself as part of the reform was not generally welcomed by some of the Agency's leading officials since this implied a lot of change. Also, the outlook of a shared responsibility for the SGB II in a cooperative institutional framework together with the municipalities was not looked upon as favourable when it was finally decided upon as the majoritarian organisational solution.

The Federal Ministry of Labour did have a strong interest in bringing about a reform of the welfare system since its setup had been regarded as a systematic weakness for several years. Thus, the reform marked the opportunity for re-shaping a main sphere under their control which had for a long time been considered inefficient. In the actual process of decision making though, its representatives mainly functioned as consultants and administrative experts while they held no veto power or other formal means of influencing the actual decisions.

Finally, the Social Service Providers had a strong interest in the outcome of the reform because the active labour market policies of both the Federal Employment Agency and the various municipalities constituted a highly significant market for them. But since the status quo before the reform was generally considered as quite favourable they were opposed to the ideas of the reform in general. On the one hand, arrangements between Federal Employment Agency and municipalities for the provision of active labour market policies were well established. These structures were called into question by the reform, especially new regulations of contracting-out. On the other hand, at least parts of the social service providers were opposed to the ideological ideas of activation politics. But the influence of these organisations was mainly reduced to lobbying behind the scenes which proved particularly futile due to the wide-ranging consensus among the remaining political players.

A very divided position can be attributed to the trade unions. Traditionally, they were strongly affiliated with the Social Democrats. But at least significant parts of the national federation of the trade unions (DGB) were highly critical of activation politics. Also, there were strongly competing positions as to this issue among the various individual trade unions. In the end, Schröder won the trade unions over to support the reforms even against strong concerns. In the long run, this decision turned out to be a crucial mistake since it led to a weakened position of the trade unions as political players.

2.6. The political phase: the actions

The labour market reforms played a key role in the agenda of the newly-elected government of Social Democrats and Green Party since long-term unemployment was widely considered one of the country's main problems. But due to the fact that implementing activation politics meant a strong deviation from the country's welfare tradition, parts of the Social Democrats base weren't completely convinced. It is safe to say that the whole decision-making was very much focused on Chancellor Schröder himself, backed by supporters of his with important positions within in the party

and the government (Minister of Labour Clement, Head of Chancellery Steinmeier). The work of the Bertelsmann Expertengruppe (Butterwegge 2015) can be considered important in preparing this decision-making process since it was instrumental in reaching a consensus among experts from various political and practical spheres. Another factor is the Schröder-Blair Paper and its background in the ideas of Anthony Giddens.

At the same time, the opposition on the national level welcomed the idea of the reforms because the general ideas of activation were pretty much in line with their own approach to labour market politics, especially the elements of deregulation. Given this political situation on the national level, the reforms could be expected to pass the First Chamber without any major changes or discussions.

Also on the national level, the Social Partners supported the idea. For the side of the employers this was quite natural given the ideas of deregulation and the options for low-paid and atypical work this implied for them. For the unions, though, the reform seemed more problematic exactly because of the deregulation involved. Two elements can be considered of importance for their final approval of the reform in spite of their basic scepticism: On the one hand, there is a traditionally strong link between Social Democrats and trade unions in Germany. Chancellor Schröder made use of this alliance prior to the general elections of 2002 by drawing up the alternative scenario to his re-election which meant the Conservative Party and Liberal Democrats regaining power. This was hardly in the union's interest. So, in order to prevent this scenario from becoming reality, the unions agreed to support the Social Democrats and their planned labour market reforms, although in some parts this was done reluctantly. The other aspect that served to secure the union's backing was the fact that they were integrated in the process of policy formation via seats in the Hartz Kommission.⁹

The Hartz Kommission was highly important in the political context, especially the part visible to the public. It was accepted to wide attention of the public in February 2002 and its suggestions regarding the shape of the reform were handed over just weeks before the general election in Berlin's French Cathedral (Hartz et al. 2002). Although not all of the suggestions outlined in the paper were actually implemented in the manner described it gave a pretty accurate impression of its basic ideas and crucial elements. At the core of these new concepts lay suggestions regarding active labour market policies, deregulation of certain types of atypical labour, an organisational reform of the Federal Employment Agency as well as a fusion of the formerly distinct benefit systems of unemployment assistance and social assistance.

These elements all aimed at re-vitalising the German labour market and economy, while at the same time improving the services available to long-term unemployed.

Interestingly, there were no significant alternative reform options discussed in earnest, neither in the political sphere, nor publicly. In addition to that, no major changes regarding the ideas of the reform were made during the process of political decision-making. This lack of resistance and/or alternatives was probably due to the fact that there was no serious opposition to the reform suggestions because they came from a party that was considered less likely to undertake them. At the same time, the Social Democrats successfully managed to organise support for the reforms among groups that would have otherwise been opposed to its ideas, especially the unions and parts of its own "traditional" base. This constellation also led to the situation that, for the time leading up to the final

⁹ In this context one has to take into account certain differences between the umbrella organisation of the unions (DGB) and its affiliated unions. Due to different traditions and economic sectors they stemmed from and represented, there were considerable discrepancies between the affiliated unions and their position regarding the reform which can't be discussed in detail here. In the end, though, the general decision was made among the unions to back Schröder and his activation agenda.

phase of the reform coming into power, there was little resistance to its ideas among the electorate or the public in general. At least parts of the welfare organisations can be regarded as main opponents of the reform although they lacked the political power to influence its outcome.

2.7. The designing phase: the actors

The designing phase is actually divided. The first phase took place prior to the general election of September 2002. It can be said to have started with the Bertelsmann Expertengruppe in 1999 and was continued by the Hartz Kommission from February to August 2002. This first phase ran more or less parallel to the decision-making process. The second designing phase started after the general election in September 2002 and ended in December 2003, when the fourth law package was passed. During this time, the four laws which made up the reform were passed, although the last and most crucial fourth package didn't come into power before January 2005.

The government expected the administration, namely the Federal Ministries of Labour and Finance, to transform the suggestions of the Hartz Kommission – and by this the ideas of activation politics – into laws that could be passed quickly and come to power to great effect. Crucial to this process was the Federal Ministry of Labour which had been re-shaped after the general election of 2002 by fusing it with the Federal Ministry of Economics. This new so-called “Super Ministry” had a broad scope of influence and was headed by Minister Wolfgang Clement (Social Democrats), a close ally of Gerhard Schröder who was also very much in favour of the reform and its ideas. That way, the Federal Ministry of Labour was a key player in the designing process. The other crucial Ministry was the Ministry of Finance because matters of distribution of money and funding were of major importance to this wide-ranging reform. The Federal Employment Agency was a third important institution. But given the fact that it was under the formal supervision of the Federal Ministry of Labour the Agency's representatives were mainly confined to acting as advisors. In the end, they would have to carry out the implementation of the political will, regardless of their own position.

Due to the reform's broad scope and the pressing matter of time the legislative process was split up between different measures designed as “law packages”. To properly understand the legislative process, one has to take into consideration the nature of these four different law packages with their different scopes, legislative requirements, times of passing and times of coming into power.

- Hartz I was passed in December 2002. It contained immediate measures that didn't require approval by the second legislative chamber (Bundesrat), focussed mainly on deregulation of temporary work and came into power at the beginning of 2003.
- Hartz II was passed in December 2002. It contained immediate measures that required approval by the second legislative chamber (Bundesrat), focussed on new regulations for marginal employment and came into power at the beginning of 2003.
- Hartz III was passed in the December of 2003. It required approval by the second legislative chamber (Bundesrat), focussed on the reorganization of the Federal Employment Agency and came into power in the beginning of 2004.
- Hartz IV was passed in the December of 2003. It required approval by the second legislative chamber (Bundesrat), focussed on the fusion of Social Assistance and Unemployment Assistance in the newly created Social Code II and came into power in the beginning of 2005.

Especially for the third and fourth law packages, the Working Group with the Federal Ministry of Labour and a parallel working group located with the Federal Ministry of Finance between fall of 2002 and spring of 2003 can be considered crucial to the designing phase. In these committees, representatives from various stakeholder groups as well as experts participated. This included

representatives from the following organisations and institutions: Federal Employment Agency, umbrella organisations of the municipalities (DLT), Federal State Ministries from several Federal States (Labour, Finance and Social Affairs), Federal Ministries (Finance, State and Labour), umbrella organisation of employers, unions, chamber of crafts and Federal Audit Office.

It's to be noted that the legislative process completely excluded representatives of the welfare organisations and social service providers. Also, there was hardly any participation of the parliament in the designing phase. In general, there was little opposition during the designing phase since potentially opposing actors were involved in the Hartz committee where they reached a general consensus as to the reform's basic design prior to the legislative process.

There were no pilot schemes prior to the actual reforms because time was considered to be of the essence by the political actors involved. Furthermore, the roll-out was nationwide from the beginning on for all four law packages.

There were some ex-ante evaluations that tried to estimate the impact of the reforms (Koch et al. 2005 on the scope of workfare measures, Arntz et al. 2003 on marginal employment). Still, one has to take into consideration that the scope of the reforms was very broad and they took place on several levels at the same time making it hard to isolate or anticipate the impact of any single measure. Furthermore, the time frame was very narrow to conduct these ex ante evaluations making it even harder to come up with robust results. Finally, it was clear that the reforms were a matter of political will. Given these preconditions, the ex-ante evaluations gave first hints at possible effects. At the same time they laid the groundwork – especially with regard to new data sources – for the formative evaluations that were to follow during the reform process itself and were integral parts of the law packages. But the ex-ante evaluations were hardly meant to significantly influence the designing process.

It's remarkable that the first three law packages were hardly contested at all at the time of their passing even though they marked a fundamental change in labour market and social politics. There was little to no public or other protest before the fall of 2004 when the date for the introduction of the new benefit system came into reach. It was then that first public protest arose, although to no avail. One crucial reason for the fact that protest arose very late in the process and was of no consequence can be attributed to the broad political consensus behind the reforms: Employers and unions, Social Democrats, Green Party, Conservative Party and Liberal Democrats as well as parts of the welfare organisations were all more or less in favour of the ideas put forward in the reform process.

But a massive political conflict arose over the question which organisation was to be in charge of the new benefit system UB2 and the services connected to it. This question deeply affected matters of power. On the one hand, there was the option of the Federal Employment Agency as a federal body taking responsibility for the new system, since the organisation already handled unemployment benefits and unemployment assistance. On the other hand, there was the option of putting the municipalities in charge due to their experience in administering the social assistance. It was obvious that the organisation in charge of the UB2 system would become a key player in the welfare system, since it was clear from the beginning that the number of UB2 recipients would be comparatively high. This decision also involved matters of money since the new system was tax-funded and thus would allow for the distribution of federal money on a local level.

Although this matter of organisational responsibility was heavily contested it is safe to say that the overall shape of the reform – with this exception – hardly underwent any crucial changes during the designing phase. Another reason these reforms were largely uncontested was probably due to the

fact that no alternative solutions to a phenomenon widely regarded as a major social problem were successfully put forward by any of the key actors.

2.8. The designing phase: the decisions

The main target groups of the reform were the recipients of social assistance and unemployment assistance. In 2003, this amounted to a relatively large group: There were 4.36 million registered as unemployed which equals an unemployment rate of about ten percent. Of these 4.36 million the largest group consisted of recipients of unemployment assistance (1.81 million), followed by the recipients of unemployment benefits (1.75 million) while about 0.8 million persons were registered as unemployed without receiving benefits. Of these registered unemployed, well over a third (34.8%) – 1.5 million – were classified as long-term unemployed (Bundesagentur für Arbeit 2004). In the highly heterogeneous group of a total of 2.8 million recipients of social assistance, 1.78 million were working age but only 47 percent of these (0.84 million) were at the same time classified as unemployed. Of those classified as unemployed, almost two thirds (63 percent) were classified long-term unemployed, roughly double the share compared to the long-term unemployed among the recipients of unemployment benefits and unemployment assistance (Statistisches Bundesamt 2004).

The two benefit systems of unemployment assistance and social assistance in charge of these persons constituted a dual structure for able-to-work persons with usually a long history of unemployment. Since the recipients shared the problem of long-term unemployment while being subject to distinctive benefit systems the need for a fundamental reform of these systems became obvious. The aim was to create a new benefit system based on the principles of activation politics and its idea of “carrots and sticks” while at the same time changing institutional arrangements via deregulation of the labour market to create a larger low-wage segment. By addressing both sides of the labour market – supply and demand - simultaneously with distinct reforms the German labour market was supposed to re-gain its dynamics while at the same time reducing long-term unemployment.

Given this definition of the problem and the general approach to solving it, two needs of the recipients were to be addressed: the disbursement of a new and unified benefit system for all able-to-work persons in-need and the implementation of new and improved services aiming at their integration into the labour market. Due to unreliable data on the municipal level and the hard to anticipate consequences of the new definition of ability-to-work it was unclear how many persons would be subject to the new benefit system.¹⁰ An educated guess before the final phase of the reform was that it would be well over two million people.

The decision regarding the organisation in charge of the new benefit system SGB II was highly political and was made more or less in the last minute of the legislative process when a mediation committee in the Bundesrat was incepted. In this committee, supporters of a municipal responsibility for the new system scored a major success. Up until December 2003 the general consensus among those involved in the reform process was that the Federal Employment Agency would be in charge of the UB2 benefit in addition to their existing responsibility for the UB1 benefit. But the Liberal Democrats (FDP) and Conservative Party (CDU) blocked the passing of the corresponding law of Hartz IV in the second legislative chamber (Bundesrat) via veto rights they held as governments of several Federal States. Especially the federal states of Lower-Saxony and Hessen proved to be dedicated

¹⁰ It was to be expected that at least parts of the recipients of social assistance hitherto considered unable-to-work would be considered able-to-work under the new and wilfully highly inclusive regulation. Still, it was impossible to foresee to how many persons this change of status would apply.

advocates of a municipal solution. Further support for this idea came from the municipalities' umbrella organisation (DLT).

In the night of December 22 in 2003, a compromise was reached in the mediation committee of the Bundesrat: In general, a cooperative institution of local municipality and the local branch of the Federal Employment Agency was to be in charge of the SGB II. In addition to that, 69 of the 408 municipalities were to be handed a sole municipal responsibility for the new benefit system. The actual number of 69 municipal Jobcenters was derived from the number of votes of the Federal States in the Bundesrat. Both types of newly-formed organisations would be in charge of both the disbursement of the benefit as well as administering services and job placements. Municipalities interested in forming municipal Jobcenters would have to apply for this option.

Up until that moment there was no idea how a cooperation and division of labour between these highly diverse types of administration – Federal Employment Agency and municipal social administration – was to work in practice. This uncertainty stemmed in no small parts from the fact that this option had hardly been considered or even discussed in detail prior to this last-minute political decision. While the funding of the UB2 system and the division of financial responsibilities between federal and municipal level had been decided upon, it remained unclear how the allocation of funds was to work with regard to the two different administrations involved. Other aspects that remained open to debate were the authority to direct issues, the remuneration of the employees of the two employers, the qualification of the employees and the legal form of the cooperative Jobcenters. These issues remained largely unsolved which in turn led to a change in the respective law during the year of 2004 leading up to the inception of the new organisations in the beginning of 2005. As a consequence, the modalities of cooperation had to be worked out mainly on a local level between municipality and the local branch of the Federal Employment Agency while the legislation provided a rough basic framework. This situation caused a high degree of uncertainty in the early stages of implementation on the local level.

In order to promote competition between the local Jobcenters and to implement a benchmarking process on the federal level, three key performance indicators were agreed upon to measure the performance of the new organisations: (1) changes in the sum of benefits paid for livelihood, (2) rate of integration into the labour market and (3) change in the stock of benefit recipients.¹¹ These key performance indicators are gathered and published for all of the 408 Jobcenters, both municipal and cooperative. The data for these indicators stems from a newly implemented IT system that was part of the reform process. Via this channel, data is collected in equal manner for all Jobcenters allowing for comparisons between them. As the indicators mainly focus on matters of money and integration there are no indicators depicting the cooperation of the two administrations. At least to some extent this decision is understandable: For municipal Jobcenters there is no need for cooperation which in turn makes an indicator depicting this dimension for all Jobcenters obsolete. Although the matter of cooperation is of utmost importance on a practical level for the cooperative Jobcenters (which made up the vast majority of Jobcenters) and the approach to implementing it was highly unclear, this dimension is not depicted in the key performance indicators of the new system.

On the issue of autonomy, the consequences of the reform depend on the actual organisational model of the Jobcenter. In case of the municipal Jobcenters they gained autonomy on a local level. They were put in charge of a benefit system that – today – depending on the region covers up to three fourths of all able-to-work persons unemployed. At the same time, municipal Jobcenters have

¹¹ These key performance indicators are complemented by four additional indicators for each key performance indicator, so there is a total of 15 indicators available. For details see: <http://www.sgb2.info/DE/Kennzahlen/Hilfe-Erlaeuterungen/hilfe-erlaeuterungen.html>

a high degree of autonomy in designing major processes and services on a local level. This holds true for the modalities of contracting-out active labour market policies, the design of the customer journey and placement process as well as the division of labour among its employees. Apart from the local municipality, usually personified by the mayor, municipal Jobcenters answer mainly to their Federal State Ministries that – by and large – have little impact on the local practice.

For the cooperative Jobcenters this issue is more complex since they are also part of the centralist supervision of the Federal Employment Agency that makes up about half of the local cooperative Jobcenter. The Supervisory Board in charge of supervising the local cooperative Jobcenters is formed of representatives of both the municipality and the head of the local branch of the Federal Employment Agency in charge of the UB1 benefit. Also, cooperative Jobcenters are all subject to the same controlling and IT-system which sets clear limits to the degree of local autonomy which mainly depends on the framework set by the Federal Employment Agency on a national level. Thus, the autonomy for cooperative Jobcenters is clearly more limited. In favour of the cooperative Jobcenters one could argue that they have access to a considerable central support structure of the Federal Employment Agency with its Federal office and Regional offices to which there is no equivalent for municipal Jobcenters.

During the planning stage, there existed only rough estimations on the national level as to the number and qualification of staff required to run the new benefit system and the resulting costs for Federal Employment Agency and municipality (Arbeitsgruppe BMAS 2003: A73ff). One reason for this was that until the end of 2004 it remained uncertain how many recipients would be eligible to benefits of the new system – not on a national level, let alone on a local level. Because the SGB II was a completely new system there were no clear points of reference for robust estimations anticipating the changes to come. There was a general idea but not a sound basis for an actual planning process, especially on the local level.

It's safe to say that there was no significant influence during the design phase, either from the EU or other countries. The Lisbon Strategy was a basic point of reference in shaping the political Agenda 2010 of the Social Democrats, but not of crucial importance in the actual designing process. Also, first experiences of activation policies were taken into account (UK, Netherlands) as well as ideas of the Scandinavian welfare model. None of these, however, informed the designing phase in a crucial manner also due to the limited cross-national transferability of experiences on such a grand scale.

In the final stage of designing the reform, features of the services that were to be implemented in the new benefit system were outlined with regard to the disbursement of the benefits on the one hand and the requirements of the new services on the other hand. The latter included processes of case management, placement services, job-related placement measures and social and socio-psychological services (Arbeitsgruppe BMAS 2003). These outlines, though, were mainly limited to very general ideas and rough estimations as to the costs implied. Furthermore, the general nature of the services available as well as the modalities regarding the payment of benefits were outlined in the legal text of the SGB II. All of these descriptions and regulations remained on a very general level and did not determine the actual practice in the local Jobcenters. They basically pointed out general requirements.

As a consequence, the local actors in charge of the future Jobcenters only had very rough guidelines available to them while shaping the local organisational structure and its processes. The high degree of uncertainty combined with only rough guiding principles subsequently led to an enormous heterogeneity regarding local service provision. Basically, every Jobcenter had to design the whole local service process and organisational structure “from scratch” inside the given legal framework. This in turn called for a lot of improvisation and hard work for all actors involved in this process.

Exchange between different Jobcenters that was sometimes considerable proved helpful in meeting these challenges. At least in the beginning this exchange was not systematic or formally organised but rather based on personal acquaintance and a shared history of the persons involved. In addition to that, there was an enormous amount of change in both the organisational structure and the delivery of services during the first five years. To this day, both the organisational structure as well as the processes of service delivery remain highly heterogeneous. Due to these circumstances, any description of a customer journey would be misleading, because of both the rapid change over time inside a single Jobcenter as well as the huge differences between Jobcenters.¹² However, there are certain legal requirements that have to be met by all Jobcenters: disbursement of benefits, provision of placement services, case management, active labour market policies and additional social services such as debt counselling, drug counselling, socio-psychological counselling and the care for minor children and domestic care for elderly relatives.

In spite of this enormous heterogeneity in local processes and organisational structure, most Jobcenters work with a profiling tool to classify new customers according to their needs, usually based on their distance to the labour market. In case of the cooperative Jobcenters the system applied is “4PM” (Vier-Phasen-Modell, Four-Phase Model). This system was developed by the head office of the Federal Employment Agency. Based on the data gathered during the first interview with a benefit recipient a classification among six different types of profiles is undertaken by the placement officer in charge. This classification determines the next steps in the placement process (Bundesagentur für Arbeit 2013). The profiling tools employed in the municipal Jobcenters vary in details regarding their approaches to classification but basically serve the same purpose. There remains, however, a certain discretion for the individual counsellor or case manager, for example regarding the assessment of certain skills etc., which in turn can lead to varying outcomes in the classification process. Still, this classification system provides a basic framework and guideline for the whole counselling and placement process which also includes the allocation of active labour market policies and additional services such as debt counselling.

The basic services and measures available to recipients are on the one hand the specialized services offered by the municipality: debt counselling, drug counselling, socio-psychological counselling and care for minor children and domestic care for elderly relatives. On the other hand, there are different types of active labour market policies: workfare measures (“1-Euro-Jobs”), job-related short-term training measures, job application training measures, vocational training as well as publicly subsidized gainful employment. In the cooperative Jobcenters there are also specialized services for certain sub-groups of recipients: vocational rehabilitation teams, teams for severely disabled persons and teams for recipients under the age of 25. The latter specialisation, though, is a general legal requirement which therefore also exists in all municipal Jobcenters. Other specializations for specific sub-groups of clients in municipal Jobcenters vary strongly, for example special teams for self-employed.

While the first mentioned counselling services constitute municipal services, and are thus provided locally by the municipality, the active labour market policies are usually contracted out to private or municipal service providers. The funding for these measures comes from a distinct title of the Jobcenter’s budget (“Eingliederungstitel” / EGT – integrational title) allocated by the Federal Ministry of Labour to all Jobcenters. The conditions of contracting-out and subsequent quality control again

¹² One extreme example for the heterogeneity is the fact that until this day there is still one Jobcenter which offers integrated services of both benefit disbursement and case management by a single case manager. This approach was practiced in the beginning by several other Jobcenters although all of them – with the mentioned exception – changed their approach in the years following the reform in favour of a division of labour between specialized case managers/ placement officers and employees in charge of the disbursement of benefits.

vary with the type of Jobcenter. In case of cooperative Jobcenters contracting-out as well as quality control are conducted by regional purchase centres (REZ) located with one of the Agency's ten regional offices. These organisations publish tenders and gather all bids for active labour market policies as requested by the local cooperative Jobcenters. They also decide upon the contractor and subsequently evaluate quality and success of the measure. In case of the municipal Jobcenters this process is – once again – highly diverse. There is no systematic data on the process of contracting out and measures of quality control although this seems to be – in general – a standard procedure there as well (ISG / Steria Mummert 2013).

The individual requirements of job search behaviour are assessed individually between case manager and recipient, although the mentioned profiling tools function as a guideline in this process. The requirements are formally agreed upon in a so called Eingliederungsvereinbarung (integration agreement or individual action plan) which constitutes a legal act.¹³ This integration agreement can for example entail proof of a certain number of job applications, appointments with specialised counselling or the participation in active labour market policies.

Connected to these agreements is the matter of sanctions. These can be imposed in several cases, the most important of which are according to the relevant paragraph of the Social Code II (SGB II §31f):

- Refusal to sign the integration agreement
- Failure of proof of efforts at integration
- Refusal to take up a work offer deemed acceptable
- Refusal to participate in active labour market policies deemed acceptable
- Failure to show up for appointments at the Jobcenter

For a first breach of duty, a sanction of 30 percent of the benefits is applied, for a second breach of duty the sanction rate is 60 percent and 100 percent for every following breach of duty. In case of a failure to show up for appointments, though, the sanction rate is only 10 percent. These criteria are even stricter for benefit recipients under the age of 25. Usually, the rules are enforced rather strictly as opposed to their enforcement in the former benefit systems of social assistance and unemployment assistance (Wolff 2014). It has to be noted though, that almost half the sanctions are applied following the recipient's failure to show up for appointments at the Jobcenter (Wolff/Moczall 2012). This means that a relatively large share of the sanctions is rather "mild".

2.9. Who implemented the initiative?

There were two major players in charge of the implementation, i.e. the formation of the cooperative and municipal Jobcenters. One is the Federal Employment Agency (for details cf. section 1.3), the other the social administrations of the local municipalities. The structure of the latter is highly diverse since it depends on size and structure of the local municipality.¹⁴ For the Federal Employment Agency, there is a federal and regional structure to back up and support the local process of implementation. This also allows for the implementation of national programmes at least for the cooperative Jobcenters, since this institutional setup provides a shared structure and thus ensures more or less homogenous procedures and standards of implementation and service quality.

¹³ This term is, in a way, a bit ironic since there doesn't have to be an actual agreement between the two parties involved. The case manager / counsellor can ultimately order an agreement if the client doesn't agree, making this agreement essentially asymmetrical (Bartlheimer 2008).

¹⁴ For a general idea of the structural heterogeneity among Jobcenters, both cooperative and municipal cf. ISG/Steria Mummert 2013.

As for the standards of cooperation between Federal Employment Agency and municipality in cooperative Jobcenters, this is mainly based on agreements via the local Supervisory Board of the Jobcenters (“Trägerversammlung”) in which both the Federal Employment Agency as well as the municipality are represented. This Supervisory Board usually includes local representatives of social partners. In this committee, actions as well as terms of cooperation are agreed upon between municipality and Federal Employment Agency. This includes performance-based agreements between Federal Employment Agency (via the director of their local branch of the Federal Employment Agency) and cooperative Jobcenter. This way, the cooperative Jobcenters are part of a process of performance-based controlling and supervision on a national level via the institutional structure of the Federal Employment Agency.

Regarding the institutional structure of local municipalities, the degree of heterogeneity is enormous. This is a result of the relatively large degree of autonomy in the former benefit system of social assistance on the one hand as well as the huge differences in size and structure between municipalities: Among the municipalities involved in cooperative Jobcenters there are major cities like Cologne or Berlin as well as very small counties of just above 20 000 citizens in rural areas. Furthermore, the institutional structure of the social administration of each municipality varies extremely, not only depending on the size of the municipality. The relative autonomy of municipalities in delivering these services has led to highly diverse institutional structures due to specific traditions, local idiosyncrasies or specific regional needs. This is a diversity municipalities tend to be proud of and are thus eager to preserve as institutional identity.

2.10. Implementation process

In general, one has to distinguish between two phases of the implementation process, the first being the year 2004 leading up to the inception of the newly-founded Jobcenters in the beginning of 2005, the second being the early months of 2005 when the Jobcenters took up delivering services and disbursing benefits.

For the cooperative Jobcenters, the terms of cooperation and institutional arrangements between municipality and Federal Employment Agency had to be worked out on the local level. The degree of difficulty of this process mainly depended on the local history of cooperation between these two organisations. This process included agreements regarding the allocation of staff from both organisations and decisions on the legal form of the new organisation. Since the requirements in the sphere of staff were mainly unclear due to the scope of the reform and the complete novelty of the organisations to-be-created, the allocation proved very difficult. In addition to that, in some cases employees were allocated to Jobcenters, by both municipalities and Federal Employment Agency, that were more or less no more wanted in their former positions. In case of municipalities this included cases of former forest rangers, meter maids and sluice-keepers becoming placement officers.

This need for coordination between two organisations didn’t arise for the municipal Jobcenters. Still, they also faced the challenge of finding adequate staff among the existing personnel or otherwise recruiting new staff. This, again, was aggravated by the fact that social administration is often considered the least desirable department of administration in the local municipality making it more difficult to find adequate personnel among the municipalities existing employees.

This highly diverse background of the staff allocated as well as the specifics of the new services of the SGB II in turn led to a severe need for additional training for all Jobcenters, both in 2004 and the first years after the reform. One focus in this context were, of course, professional skills in the specific fields of the employees, especially for the disbursement of the new benefit of UB2. But due to the

difference in organisational cultures some cooperative Jobcenters also strongly invested in team-building measures in order to bridge this cultural gap.

Connected to the matter of staff allocation and qualification was the question of premises for the new Jobcenters. The services as well as the number of clients to be expected caused the need for relatively large premises which in many cases had to be newly acquired during this relatively short span of time resulting in further uncertainties in the first phase of implementation. Since this issue couldn't always be solved appropriately and the number of clients was usually even higher than expected, the Jobcenters still had to improvise in this respect also during the second phase of implementation.

Probably the most pressing matters in the first phase of implementation were the construction of a new IT system and the entry of client's data into them because these were essential prerequisites for both the disbursement of benefits and any efforts at placement and integration. Adding to this was the fact that this new system had to have at least a certain amount of uniformity for all Jobcenters, both municipal and cooperative, simply in order to work with the same agreed-upon indicators to measure the performance of all Jobcenters.

It was finally decided to base the new IT system on the existing IT solution of the municipalities for the administration of social assistance. This system was to be upscaled for a roll-out on a national basis, an approach at the time considered very risky by many experts. But the actors involved in the process simply couldn't think of any other solution that could be made operational until January 2005 when the first benefit payment was to be disbursed.¹⁵ As a consequence, the construction of the system went on more or less until the end of 2004.

At the same time, the data for all recipients had to be manually transferred from paper files to a new electronic system that wasn't fully operational yet, another issue that was problematic to say the least. Because it was obvious that the process of transferring the data would take at least six months, it was decided to begin with this process in June 2004. This involved two problems: On the one hand, there wasn't any legal ground to actually transfer the data, making the whole idea highly questionable. On the other hand, the data had to be entered into a system that was still in the stage of development, which can also be regarded as highly problematic. Still, both problems were solved: The legal authorities turned a blind eye to the legal issue of data entry because they, too, were aware that otherwise the timely disbursement of the benefits would have been at risk. Thus, a failure to complete the task of data entry was overall considered more harmful than turning a blind eye on not exactly legal procedures. In order to accomplish the entry of data on time the transfer was conducted over a six-month period, working three shifts a day, seven days a week with employees sometimes housed in school gyms.

Finally, around Christmas 2004 there was a severe crisis regarding the new IT system and benefit disbursement due to a bug in the system that messed up the bank account numbers of recipients. In a final last-minute effort this issue was solved, which included the delivery of adjusted data to banks via taxi at night. In the end, the disbursement was made on time in the beginning of January 2005. It's of importance to note that this problem involved all Jobcenters because this matter applied to the data structure in general, regardless of municipal or cooperative Jobcenters.

¹⁵ One graphic comparison for this approach and the problem it subsequently caused can be found in an interview conducted: The interviewee compared the new IT system to a garage that was simply much too small to house the extremely large SUV one had recently bought.

Apart from that, additional IT systems were established on the foundation of the outlined basic system: There was one more or less uniform system for the cooperative Jobcenters based on a solution by the head office of the Federal Employment Agency, while the municipal Jobcenters were free to decide on their IT solution and its design individually and locally. So today, there is a basic shared structure for all Jobcenters to allow for basic compatibility and comparability in crucial data, while the system as a whole is customized to a degree that varies depending on the type of Jobcenter. This allows for some basic data sharing between municipal and cooperative Jobcenters as well as between different municipal Jobcenters and full compatibility between all cooperative Jobcenters.

The new definition of ability-to-work led to the fact, that in the beginning of 2005 more than five million people were registered as unemployed, more than half of them recipients of UB2 benefits, while in 2004 there were 4,3 million persons registered as unemployed on average. This effect of the newly introduced ability-to-work definition thus caused a substantial increase in visible unemployment by including persons formerly regarded as unable-to-work. On the one hand, this led to a universalisation of the need-to-work by including formerly unable-to-work persons into the work sphere (Dingeldey 2007). On the other hand, one could argue, that this change of status gave the persons concerned access to new services and active labour market policies, thus helping them with their integration into the labour market.

Basically, the goal to include more people into the work sphere and give them access to new services was accomplished. Still, the relatively stable stock of long-term unemployed until this day raises certain doubts whether all of them actually benefited from this inclusion. A considerable share still hasn't been able to find work over the last ten years in spite of activation politics while at the same time being subjected to its principles of "carrots and sticks" (Seibert et al. 2017). This can be understood as at least in parts a perverted effect of the reform in the long run, which is still heavily debated.

Regarding general adjustments during the early phase of implementation of the new system it can be said that these were relatively small and on a minor scale, at least on the level of legislation. They were mainly confined to details regarding benefit disbursements as well as the various types of newly introduced active labour market policies available to able-to-work persons in-need. At the same time, there was a constant process of change and adjustment on the local level of the individual Jobcenters that addressed organisational structure, placement processes and technicalities of benefit disbursement.

Again, the EU was of no importance to this process.

2.11. Costs of the initiative

In general, there are some costs of the reform which are hard to measure. One involved the clash of cultures of the municipal social administration and the Federal Employment Agency in the cooperative Jobcenters. Although the degree of this "clash" varies quite strongly between cooperative Jobcenters depending on the local tradition and terms of cooperation, arguments regarding differences in the approaches to taking care of benefit recipients continue to this day. These discrepancies gave rise to conflicts especially during the initial phase of implementation. Until this day, due to conditions of cooperation and a twisted overall governance structure of the Jobcenters, employees from municipality and Federal Employment Agency work side by side in cooperative Jobcenters, doing the same job while receiving different wages depending on their formal employer.

The insecurity during the early years of the Jobcenters from 2005 on also resulted in high shares of fixed-term employees in Jobcenters which in turn led to a high fluctuation among employees and repeated loss of knowledge and the organisational costs this implies, for example the need for repeated training.

A completely different matter is that of public protests which started in fall of 2004 and lasted for several months after the reform was completed in the beginning of 2005. Until this day, the criticism of the UB2 system in the public sphere is relatively strong, a fact that is lamented by many interviewees. In this sphere, the costs are mainly on a level of acceptance. The massive deviation from the Conservative welfare regime in Germany undertaken in a very short span of time alienated significant parts of the electorate. This holds especially true for parts of the supporters of the Social Democrats and those who suffered most from the change, i.e. former skilled workers. The fact that a coalition of Social Democrats and Green Party executed this change eventually caused substantial irritation among the party's traditional clientele as well as among the unions. This alienation, one could say, subsequently even led to a separation of parts of the Social Democrats left wing and thus the founding of a new party.¹⁶

2.12. Monitoring

There is a shared system of indicators (cf 2.8) consisting of three key performance indicators and a set of four additional indicators for every one of them, adding up to a total of fifteen indicators. The indicators are agreed upon in a working group of Federal State and National State that is located with the Federal Ministry of Labour (Bund-Länder-Arbeitsgruppe). This committee also includes representatives of the Federal Employment Agency. Firstly, this set of indicators serves as empirical foundation allowing for comparisons between Jobcenters regarding their performance. In order to ensure comparability between the Jobcenters compared these indicators are augmented by a typology of Jobcenters according to their economic situation (Dauth et al. 2013). One main function of the indicators is monitoring and management of the UB2 system on a national level by the Federal Ministry of Labour. Apart from that, they are also applied by the Federal Employment Agency in their national process of controlling and management of cooperative Jobcenters. Another main function is a basic transparency regarding the work and results of the Jobcenters because the data is publicly available.

One official target communicated by the Hartz Kommission prior to the reforms was the reduction of unemployment by 50 percent by the end of 2005.¹⁷ It remains open to discussion in how far this can primarily be understood as an effort at gaining attention and fostering optimism. Although there has been an overall very positive development in the stock of unemployed, this target was far out of reach by the end of 2005 and still hasn't been reached as of this day.

The responsibility for the assessment of the quality of caseworkers lies with the individual Jobcenters. There is a technical supervision of caseworkers on a team-level as well as routines of data quality management. Other instruments of quality control include case reviews and supervision (ISG/Sterner Mummert 2013). Based on these instruments, caseworkers receive an institutional feedback on the quality of their work from their team managers who are in turn subject to mechanisms of quality control from the management level.

¹⁶ This was initially the WASG, which later fused with the PDS, successor of the Eastern German Socialist Unity Party (SED), PDS, subsequently becoming „Die Linke“ („The Left“), today a more or less well established political power, especially in the east of Germany.

¹⁷ <http://www.stern.de/wirtschaft/news/experten-kommission-hartz-uebergibt-reformkonzept-an-schroeder-274411.html>

2.13. Impact assessment and impacts

An integral part of the laws that made up the reform was their evaluation. One rationale was the idea of implementing more evidence-based labour market policies. This held especially true for the evaluation of a relatively large number of newly introduced active labour market policies such as subsidies for self-employed but also state-run temporary work agencies (PSA – Personal Service Agenturen – Personnel Service Agencies). In these cases, the evaluations were to assess whether these instruments actually served their purpose (as examples Brenke et al. 2006 on vocational training and Caliendo et al. 2006 on subsidized start-ups from unemployment). Furthermore, Bender et al. 2006 conducted a study on the re-structuring of the Federal Employment Agency.

As this was the politically most contested issue of the whole reform process, also the different organisational models were subject to an evaluation. This was of particular importance because the idea was to promote organisational competition between the two models and subsequently empirically identify a superior model via the according evaluation. Due to the complexity of the matter at hand this evaluation was divided into several work packages (for an example of a sub-study cf. IAW/ZEW 2008) while a final summary of all work packages of this evaluation was published three years after the introduction of the SGB II (Bundesregierung 2008).

One crucial prerequisite for these evaluation efforts was the provision of appropriate data on the micro level of recipients. The provision of this new kind of data was undertaken by the Institute for Employment Research (IAB), the research institute of the Federal Employment Agency. To this purpose, the existing administrative data of the Federal Employment Agency was edited in order to meet the needs of micro-level data required for econometric analysis. This new data allowed for econometric impact analysis on a broad scale via the application of matching techniques thus estimating net effects to assess the actual impact of active labour market policies.

Apart from these broadly applied approaches of impact analysis all kinds of methods of qualitative and quantitative social research were applied in the course of this large amount of heterogeneous evaluations that were part of the reform process. This included qualitative interviews, questionnaires / surveys, case studies, document analysis as well as the review of existing literature. Still, a focus of most evaluations lay on the identification of net effects of various measures and policies via the application of matching techniques.

2.14. Any important follow-up measures?

The follow-up measures in the aftermath of the completion of the reform process were more or less confined to modifications in active labour market policies. Many of the instruments inducted in the reform process were modified, replaced by others or completely removed from the range of active labour market policies available to recipients. In case of the 1-Euro-jobs, which were very popular in the first years after the reform, there has been a strong decline in their use. Crucial to these decisions were evaluation results pointing out the effectiveness and efficiency of the new instruments.

The basic framework and the major changes of the institutional setup, however, remained intact by and large while there were some smaller changes as well as an ongoing public debate on the new system.

For once, the ratio of one job counsellor for every 75 jobseekers that was initially targeted in 2002 was never reached. Thus, the Social Code 2 set a new ratio of clients per jobseeker of 1:150 on average and 1:75 only for the group of young adults under 25. Although there is no systematic data as to the general development of the actual caseload, there is evidence that the actual caseloads in

2007 were still higher than those already reduced caseloads: 1:178 (over 25) and 1:93 (under 25) (Bundesregierung 2007).¹⁸

One other change concerned the use of publicly subsidized employment. In 2007 an active labour market policy was introduced that aimed at integrating long-term unemployed UB2 recipients lacking realistic chances of labour market integration via high and potentially open-ended wage subsidies. Five years later, though, the programme was cancelled and the option of an open-ended payment withdrawn. This change was part of a more wide-ranging reform of the available active labour market policies in the beginning of 2012 (“Instrumentenreform”).

Apart from that, several other instruments of active labour market policies came and went. For example, workfare measures (“1-Euro-Jobs”) became less prominent while on the other hand the use of vocational training increased over the last years. The counselling process itself has undergone various minor modifications such as the development of new semi-standardized integrational strategies (4PM) and the development of a distinct counselling approach (BeKo – Beratungskonzeption) for the cooperative Jobcenters.

Also, the original organisational form of the cooperative Jobcenters as a core element of the reform was declared unconstitutional by the German constitutional court in the end of 2007. In spite of this court decision it was a political rationale to keep this cooperative structure. In order to ensure the legality of cooperative Jobcenters in their original form, a corresponding constitutional amendment was made three-and-a-half years later. Furthermore, in 2012 another 42 Jobcenters took the legally provided opportunity to change the organisational model from cooperative to municipal resulting in a total number of 108 municipal Jobcenters today.

Finally, there were several legal adjustments to the disbursement of benefits, on the one hand regarding the calculation basis and on the other hand regarding the distribution of its financial burdens between Federal States and national level.

The public discourse concerning the new benefit system remains controversial and heated even 12 years after the reform’s completion. In general, Germany has experienced a sizable decline in unemployment combined with a grow of employment since 2005. Even the financial crisis of 2007 didn’t cause too much damage to the employment situation. Taking a closer look at the developments of unemployment over time, one can see a growth of unemployment for the first 18 months of the reform: Starting from a level of 6.12 million recipients of UB2 benefits in January 2005, the apex was reached in May 2006 when a total of 7.44 million persons received UB2 benefits. From that point on, there was a more or less steady decline until December 2012, when the number of recipients reached an all-time low of 6.17 million recipients. To what degree this success can be attributed to the new benefit system is heavily debated among scholars and researchers, though (Knuth 2014 for a critical perspective, Walwei 2015 and Möller 2010 for a more affirmative view). For the last five years, though, this number of about 6.2 million recipients has remained relatively stable.

Apart from these general trends there are two indisputable problematic developments: For once, the low-wage sector and atypical employment have experienced a strong growth since 2005, especially temporary work and fixed-term contracts. Furthermore, there is a substantial share of long-term unemployed lacking realistic chances of (unsubsidized) labour market integration. As analysis of the duration of unemployment spells show, there is a core of about 1 million recipients that have

¹⁸ Today, though, there are still conflicting opinions regarding the question whether this situation has changed since the method for calculating these ratios is highly complicated and different players come to different results (BIAJ 2017).

continuously received UB2 benefits for ten years: from the beginning of 2005 until the end of 2014 (Seibert et al. 2017). This finding points to a remaining fundamental problem of particularly long-term unemployment.

While these matters concern the empirical developments in the sphere of the labour market, the reform itself is still met with strong criticism, particularly from the left side of the political spectrum, since it fundamentally changed the German labour market. The Social Democrats still haven't recovered from the repercussions of the reform's outcome among large shares of their traditional electorate. Furthermore, the UB2 benefit system and its administration remain a subject of public debate and often heavy criticism – by journalists, scholars, politicians and citizens alike.

2.15. Any other detail that seemed important but wasn't mentioned so far?

No.

3. Assessment and conclusions

3.1. What external factors helped/hindered the launch of the initiative and its successful implementation?

The overall economic situation, especially the steady increase of long-term unemployed, was one crucial factor that put the idea of a fundamental welfare and labour market reform on the public and political agenda in the first place. Secondly, the placement scandal of the Federal Employment Agency opened up a window of opportunity as it called into question the effectivity and effectiveness of the existing benefit system of unemployment assistance and its services. A third more or less external factor was the political situation prior to the general election of 2002. The coalition of Social Democrats and Green Party was in dire need of coming up with a convincing strategy for tackling a crucial economic and social problem in order to provide a sound claim for their re-election (for a multiple streams perspective cf. Zohlnhöfer 2014). This political situation paved the way for activation politics becoming a part of the political agenda of the Social Democrats even though this kind of labour market politics can hardly be considered in line with their political tradition. Furthermore, this change in politics of the Social Democrats included winning over the unions to back this reform, also more or less against their traditional politics.

This led to a very broad consensus among the left political spectrum that was at the same time compatible with the general politics of the opposition of Conservative Party and Liberal Democrats, especially the ideas of activation, workfare and deregulation. In total, there was an almost overwhelming consensus in the political sphere regarding the necessity and basic outline of the reform. This is why the legislative process of decision-making was more or less unanimous. The same holds true for most parts of the designing phase. The crucial actors here worked pretty much consensus oriented. This was facilitated for once by the fact that a general consensus had been worked out even beforehand in the Bertelsmann Expertengruppe. Another factor was the orchestration of the Hartz Kommission by Chancellor Schröder which received wide public attention and spurred hopes for a turn of the tides in the sphere of the labour market. On a political level, the combination of these different elements fundamentally helped launching the reform process and keeping the overall structure of its approach intact over the course of the legislative process.

A critical issue can be seen in the question of the organisational solution for the new benefit system. This caused the biggest political concern in the designing phase and was decided upon on a purely ideological and political basis in the very last minute of the legislative process. At the same time, no one could predict the difficulties and consequences this decision would entail for the governance structure and local implementation. The formation of one new organisation on the foundation of two completely different organisational traditions – Federal Employment Agency and social department of the municipality – was a considerable challenge in the process of implementation, especially given the relatively short span of time to form these new organisations. Time also proved at least critical for the development of an appropriate IT solution (cf. 2.10). Here there was probably a trade-off involved: On a political level, it was considered crucial to implement the reform in as short a time as possible. This was to not only prove the determination of the political actors but at the same time to aggravate the formation of public protest. Especially the latter aspect was actually achieved. On a practical level, this put the actors in charge of the implementation under massive pressure and called for improvisation in the implementation process. Thus, these time constraints worked on a political level but aggravated the implementation at least to a certain extent on a practical level.

3.2. Lessons for the country

The whole reform episode – to me – shows the complexity of prerequisites and conditions required to undertake such a wide-ranging reform that marks a significant deviation from the traditional national welfare regime: the necessity for a broad consensus on the nature of the reform both on a political and practical/implementational level, a suitable tactical occasion (“window of opportunity”) and the ability to carry out the reform process quickly and effectively.

A crucial matter is the organisational model of Jobcenters. On the one hand, the basic idea of promoting competition between different organisational models combined with a sound and independent evaluation as to the competition’s outcome can be regarded as an interesting and even innovative approach. On the other hand, the decision on the different models was purely political and driven by matters of money and power for the institutions involved. Questions regarding the decision’s practical consequences and desirability were completely ignored. This might be the nature of politics, from a practical point of view for the implementation, though, this doesn’t appear exactly rational.

Finally, the resulting governance structure of the SGB II that holds up to this day is highly complex making it hard to coordinate and control the benefit system on a federal level. On a working level, this involves complex processes with diverse actors and interests; a structure that doesn’t always work in favour of the recipients but has to be regarded as an expression of political will.

3.3. Lessons for Europe

Since Germany can be regarded as a latecomer in the implementation of activation politics, the reform in its overall shape can hardly be called innovative. Two elements of the reform, though, might qualify for innovation: One is the experimental clause that allowed for two competing organisational models implementing the reform combined with an evaluation of their performance. Another is the general inclusion of systematic evaluations for all elements of the reform in the legislative process. This marked a significant progress for evidence-based labour market policies, also because it also led to the generation of new high quality micro-level data.

The idea of activation politics in general can surely be deemed transferable, also because it has been implemented in many other European countries. The level of public acceptance probably depends on how strong the reform’s deviation from the national welfare tradition is. The idea of organisational competition also could be transferable.

Since the whole reform was of a very broad scope and rolled out on the national level from the beginning one can hardly imagine expanding its scale on a national level. Also, the very inclusive definition of ability-to-work hardly allows for including even more persons into the UB2 system. But due to the nature of the reform affecting the national welfare system, an implementation on an international level doesn’t seem to make any sense. Other states might look to the German reform for inspiration – if they haven’t already implemented comparable systems – but this doesn’t involve an international implementation since this element of labour market and social politics is essentially part of national politics.

In total, the formation of a basic support scheme can be considered sustainable. It’s hard for Germany to imagine a return to the institutional status before the reform even though the reform and its consequences are still heavily discussed. Even the complex governance structure is still in place while changes in the benefit system are mainly confined to details. Thus, it’s safe to say that for Germany this was a sustainable reform.

3.4. Main strengths and weaknesses

The coordination of job seeker activation has become a lot more thorough after the reform. Via the strict enforcement of sanctions¹⁹, the implementation of workfare measures as well as the inclusive definition of ability-to-work there is a strong activation in the new benefit system compared to the old system. This is also due to the fact that there is now – on a local level – only one organisation in charge of implementing activation politics. Although one could argue as to the normative side of activation one has to concede a strong increase in the coordination of job seeker activation. This can be seen, for example, in the increased willingness to make concessions among benefit recipients, both from the recipients' perspective (Koch et al. 2009) and the employers' perspective (Rebien/Kettner 2010).

The coordination of information exchange and the exploitation of synergies between services isn't that strong. Firstly, evaluations show that municipal services such as debt counselling, drug counselling and socio-psychological counselling are still not very well integrated into the new system even though they are an integral part of it (Kaltenborn/Kaps 2012). Secondly, the dual structure among the Jobcenters still causes problems especially regarding the exchange of data between municipal and cooperative Jobcenters.

Connected to the issue of the municipal services is the response to multidimensional problems since these services are mostly aimed at cases with several obstacles to placement. Empirical data show that for able-to-work persons in-need facing several problems the probability of integration into the labour market is particularly small (Beste/Trappmann 2016). Obviously, the existing approaches at integrating persons with considerable distance to the labour market tend to fall short which might be due in no small parts to the very inclusive definition of ability-to-work. This refers to the difference between being considered able-to-work on the one hand and individual employability that is in demand on the labour market on the other hand.

The access to benefits has been facilitated especially for those persons who prior to the reforms had to apply for two different benefits. Also, the access of former recipients of social assistance to active labour market policies can be said to have increased. Finally, empirical evidence points to a moderate decrease of non-take-up of benefits after the reform (Bruckmeier/Wiemers 2011).

It's hard to assess the innovative capacity of service providers. A wide-ranging consensus, though, seems to be that especially the regional purchase centres of the Federal Employment Agency focus strongly on the financial dimension in their process of contracting-out. In addition to that, the last years have seen a more or less steady decrease of money spent on active labour market policies. This focus on cost-cutting seems to imply a rather low degree of innovative capacity in this sphere.

Regarding poverty, there is a very divided summary on the outcome of the reform. On the one hand, it seems that especially recipients of social assistance experienced a moderate increase in the level of benefits after the reform, while former recipients of unemployment assistance with a background as skilled workers suffered a decrease. Overall, estimations come to the conclusion that a slightly higher proportion of all recipients experienced an increase in the level of benefits received (Arntz et al. 2007). Also, the share of working poor has increased in the wake of the reform (Grabka et al. 2012). The latter effect can be attributed to the intentional creation of a low-wage sector in the course of the reform via deregulation and can be considered ambivalent, to say the least.

¹⁹ From 2002 to 2003, when new principles of „promoting and demanding“ came into power, there was an increase of about 34 percent of enforced sanctions (Bundesagentur für Arbeit 2004).

On the issue of transparency and accountability the reform has surely marked a significant increase in the German benefit system. For once, a relatively broad set of indicators is publicly available depicting the work and results of the individual Jobcenters while at the same time making them comparable. The same basically holds true for the matter of accountability. Especially for the cooperative Jobcenters a system of controlling and quality control has been implemented that tends to be almost excessive. At the same time, this allows for accountability for results down to the level of the individual case worker.

4. References

Arbeitsgruppe des Bundesministeriums für Arbeit: Bericht der Arbeitsgruppe "Arbeitslosenhilfe/Sozialhilfe" der Kommission zur Reform der Gemeindefinanzen, Berlin. Bundesministerium für Arbeit und Wirtschaft (2003): 50.

Arntz, Melanie, Feil Michael und Spermann Alexander: „Die Arbeitsangebotseffekte der neuen Mini- und Midijobs – eine ex-ante Evaluation.“ *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung, Jg. 36, H. 3 (2003): 271-290.*

Arntz, Melanie, Clauss, Markus, Kraus, Margit, Schnabel, Reinhold, Spermann, Alexander und Wiemers, Jürgen. *Arbeitsangebotseffekte und Verteilungswirkungen der Hartz-IV-Reform.* Nürnberg: IAB (2007): 98.

Bach, Tobias und Werner Jann. „Animals in the administrative zoo: organizational change and agency autonomy in Germany.“ *International Review of Administrative Sciences* 76/3 (2010): 443-468.

Bartelheimer, Peter. „Wie man an seiner Eingliederung mitwirkt.“ *Zeitschrift für Sozialreform* 54, 1 (2008): 11–36.

Bender, Gerd, Bieber, Daniel, Hielscher, Volker, Marschall, Jörg, Ochs, Peter und Vaut, Simon. *Organisatorischer Umbau der Bundesagentur für Arbeit: Evaluation der Maßnahmen zur Umsetzung der Vorschläge der Hartz-Kommission: Arbeitspaket 2.* Saarbrücken: ISO, 2006

Blien, Uwe, Walwei Ulrich und Werner Heinz. „Labour market policy in Germany.“ *IAB Labour Market Research Topics* 49 (2002): 1-36.

Bremer Institut für Arbeitsmarkt- und Jugendforschung: Daten und Anmerkungen zum Artikel über Personal und „Betreuungsschlüssel“ der Jobcenter. Bremen: Bremer Institut für Arbeitsmarkt und Jugendforschung, 2017. 24.

Brenke, Karl, Uhlendorff, Arne, Werwatz, Axel, Aust, Folkert, Cramer, Ralph, Gilberg, Reiner, Hess, Doris, Jesske, Birgit, Marwinski, Karen, Prussog-Wagner, Angela, Schröder, Helmut, Smid, Menno, Steinwede, Angelika, Steinwede, Jacob, Kaiser, Lutz, Rinne, Ulf, Schneider, Hilmar, Schneider, Marc und Zhao, Zhong. *Evaluation der Maßnahmen zur Umsetzung der Vorschläge der Hartz-Kommission: Modul 1b: Förderung beruflicher Weiterbildung und Transferleistungen.* Bonn, Berlin: (2006): IZA, DIW Berlin, infas.

Bruckmeier, Kerstin, Wiemers, Jürgen. *A new targeting - a new take-up?: Non-take-up of social assistance in Germany after social policy reforms.* Nürnberg: IAB, 2011: 37 S.

Bundesagentur für Arbeit: Arbeitsmarkt 2003. Amtliche Mitteilungen der Bundesagentur für Arbeit. Nürnberg: Bundesagentur für Arbeit, 2004. 164.

Bundesagentur für Arbeit: Das arbeitnehmerorientierte Integrationskonzept der Bundesagentur für Arbeit (SGB II und SGB III). Nürnberg: Bundesagentur für Arbeit, 2013. 35.

Bundesregierung: Drucksache 16/5556. Betreuungsschlüssel in den Arbeitsgemeinschaften und Optionskommunen. Berlin, 2007. 8.

Bundesregierung. *Unterrichtung durch die Bundesregierung: Bericht zur Evaluation der Experimentierklausel nach § 6c des Zweiten Buches Sozialgesetzbuch*. Berlin: Bundesregierung, 2008.

Butterwegge, Christoph. *Hartz IV und die Folgen: Auf dem Weg in eine andere Republik*. Weinheim: Beltz Juventa, 2015.

Caliendo, Marco Kritikos, Alexander und Wießner, Frank. „Existenzgründungsförderung in Deutschland: Zwischenergebnisse aus der Hartz-Evaluation.“ *Zeitschrift für ArbeitsmarktForschung*, 3/4 (2006). 505-531.

Dauth, Wolfgang, Dorner, Matthias, Blien, Uwe: *Neukonzeption der Typisierung im SGB-II-Bereich: Vorgehensweise und Ergebnisse*. Nürnberg: IAB, 2013.

Dingeldey, Irene. „Wohlfahrtsstaatlicher Wandel zwischen „Arbeitszwang“ und „Befähigung“: Eine vergleichende Analyse aktivierender Arbeitsmarktpolitik in Deutschland, Dänemark und Großbritannien.“ *Berliner Journal für Soziologie* 17/ 2 (2007): 189-209.

Erlinghagen, Marcel und Zink Lina. „Arbeitslos oder erwerbsunfähig? Unterschiedliche Formen der Nicht-Erwerbstätigkeit in Europa und den USA.“ *Kölner Zeitschrift für Soziologie und Sozialpsychologie* 3 (2008): 579-608.

Esping-Andersen, Gøsta. *The three worlds of welfare capitalism*. Princeton: Princeton University Press, 1990.

Fitzenberger, Bernd und Speckesser Stefan. „Zur wissenschaftlichen Evaluation der Aktiven Arbeitsmarktpolitik in Deutschland.“ *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung* 3 (2000): 532–549.

Giddens, Anthony. *The Third Way. The Renewal of Social Democracy*. Cambridge: Polity Press, 1998.

Grabka, Markus M., Goebel, Jan und Schupp, Jürgen. *Höhepunkt der Einkommensungleichheit in Deutschland überschritten?*. Berlin: DIW, 2012.

Hartz, Peter et al. „Moderne Dienstleistungen am Arbeitsmarkt. Vorschläge der Kommission zum Abbau der Arbeitslosigkeit und zur Umstrukturierung der Bundesanstalt für Arbeit. Bundesministerium für Arbeit und Sozialordnung, Berlin. (2002).

Heinze, Rolf G. und Schneiders, Katrin. „Vom Wohlfahrtskorporatismus zur Sozialwirtschaft? Zur aktuellen Situation der freien Wohlfahrtspflege in Deutschland.“ *Archiv für Wissenschaft und Praxis der Sozialen Arbeit* 2 (2013): 4–17.

Heinze, Rolf G. und Olk, Thomas: „Die Wohlfahrtsverbände im System sozialer Dienstleistungsproduktion. Zur Entstehung und Struktur der bundesrepublikanischen Verbändewohlfahrt“ *Kölner Zeitschrift für Soziologie und Sozialpsychologie* 3 (1981): 94-114.

Hess, Doris, Schröder, Helmut, Smid, Menno and Reis Claus: *MoZArT Abschlussbericht der wissenschaftlichen Begleitforschung*. Bonn: Infas, 2004.

Institut für Angewandte Wirtschaftsforschung, Zentrum für Europäische Wirtschaftsforschung. *Evaluation der Experimentierklausel nach § 6c SGB II – Vergleichende Evaluation des*

arbeitsmarktpolitischen Erfolgs der Modelle der Aufgabenwahrnehmung „zugelassener kommunaler Träger“ und „Arbeitsgemeinschaft“: Untersuchungsfeld I: „Deskriptive Analyse und Matching“. Mannheim/Tübingen: IAW, ZEW, 2008.

ISG Institut für Sozialforschung und Gesellschaftspolitik GmbH und Steria Mummert Consulting. *Qualitätssicherung im SGB II: Management und Governance.* Berlin: Bundesministerium für Arbeit und Soziales, 2013.

Kaltenborn, Bruno und Kaps, Petra. *Einbeziehung der kommunalen Leistungen in die Zielsteuerung des SGB II.* Berlin: Bundesministerium für Arbeit und Soziales, 2012.

Klinger, Sabine, Rothe Thomas and Weber Enzo. *Makroökonomische Perspektive auf die Hartz-Reformen: Die Vorteile überwiegen.* Nürnberg: IAB, 2013.

Knuth, Matthias: *Rosige Zeiten am Arbeitsmarkt? Strukturreform und „Beschäftigungswunder.* Bonn: Friedrich-Ebert-Stiftung, 2014.

Koch, Susanne, Kupka Peter und Steinke Joß. *Aktivierung, Erwerbstätigkeit und Teilhabe - vier Jahre Grundsicherung für Arbeitsuchende.* Bielefeld: Bertelsmann, 2009.

Koch, Susanne, Stephan, Gesine und Walwei, Ulrich. *Workfare: Möglichkeiten und Grenzen.* Nürnberg: IAB, 2005.

Konle-Seidl, Regina und Eichhorst Werner. *Erwerbslosigkeit, Aktivierung und soziale Ausgrenzung. Deutschland im internationalen Vergleich.* Bonn: WISO Diskurs, 2008.

Konle-Seidl, Regina, Eichhorst Werner und Grienberger-Zingerle Maria. *Activation Policies in Germany: From Status Protection to Basic Income Support.* Nürnberg: IAB, 2007.

Konle-Seidl, Regina. *Changes in the Governance of Employment Services in Germany since 2003.* Nürnberg: IAB, 2008.

Möller, Joachim. „Die deutschen Arbeitsmarktreformen: Nicht perfekt, aber unter dem Strich positiv.“ *WSI-Mitteilungen, Jg. 63, H. 6 (2010): 324-327.*

Oschmiansky, Frank. „Faule Arbeitslose? Zur Debatte über Arbeitsunwilligkeit und Leistungsmissbrauch.“ *Aus Politik und Zeitgeschichte 7 (2003): 10-16.*

Rebien, Martina und Kettner Anja. „Zur Konzessionsbereitschaft von arbeitslosen Bewerbern und Beschäftigten aus der betrieblichen Perspektive.“ *WSI-Mitteilungen, Jg. 64, H. 5 (2010): 218-225.*

Schmachtenberg, Rolf. „Chancen und Risiken einer Zusammenführung von Arbeitslosenhilfe und Sozialhilfe.“ *Wirtschaftsdienst, Jg. 83, H. 5 (2003): 283-289.*

Schmid, Günter. „Soziales Risikomanagement durch Übergangsarbeitsmärkte“, Discussion Paper SP I, Wissenschaftszentrum Berlin für Sozialforschung: Berlin, 2004.

Schröder, Gerhard und Blair Tony. „Der Weg nach vorne für Europas Sozialdemokraten.“ *Blätter für Deutsche und Internationale Politik 7 (1999): 888-896.*

Seibert, Holger; Wurdack, Anja; Bruckmeier, Kerstin; Graf, Tobias; Lietzmann, Torsten: *Typische Verlaufsmuster beim Grundsicherungsbezug: Für einige Dauerzustand, für andere nur eine Episode*. Nürnberg: IAB, 2017.

Statistisches Bundesamt: Statistik der Sozialhilfe. Erwerbsstatus der Sozialhilfeempfänger/innen 2003. Wiesbaden: Statistisches Bundesamt. 2004. 28.

Walwei, Ulrich: Zehn Jahre Grundsicherung: mehr Licht als Schatten. *Wirtschaftsdienst*, Jg. 95, H. 1 (2015). 2-3

Wegrich, Kai, Hammerschmid Gerhard und Oprisor Anca. Coordination Practices in German Employment Services: The Case of Jobcentres. COCOPS Work Package 5 - Coordinating Social Cohesion. Coordination Practice (case studies), 2013. <http://www.cocops.eu/wpcontent/uploads/2013/10/Germany-Employment-Jobcentres.pdf>

Wolff, Joachim und Moczall, Andreas. *Übergänge von Alg-II-Beziehern in die erste Sanktion: Frauen werden nur selten sanktioniert*. Nürnberg: IAB, 2012.

Wolff, Joachim. *Sanktionen im SGB II und ihre Wirkungen*: Nürnberg: IAB, 2014.

Zohlnhöfer, Reimut und Herweg, Nicole. „Paradigmatischer Wandel in der deutschen Arbeitsmarktpolitik: Die Hartz-Gesetze.“ in *Rapide Politikwechsel in der Bundesrepublik. Theoretischer Rahmen und empirische Befunde*, ed. Friedbert W. Rüb. Baden-Baden: Nomos, 2014: 93-125.

Section III: Annexes

A.3. Overview of the existing literature

(1) There is probably one crucial empirical study on the core of the reform episode, which is the implementation of the different organisational models of the Jobcenters. The results of the different sub-studies on this aspect of the reform were eventually combined and summarised in one research report. The focus of the report is on three outcome-dimensions: (1) integration into employment, (2) preservation / improvement of employability and (3) social stabilisation. These are analyses for both organisational models. It's crucial, though, that this involves only a comparison between the different organisational models while the evaluation is not concerned with a general assessment of the outcome of the reform episode via attempting to compare the situation before and after the reform.

In this study, both a broad range of qualitative and quantitative methods were applied and combined, such as interviews, document analysis, surveys, case studies as well as micro-econometric and macro-econometric statistical methods.

The main conclusion regarding the success of the different organisational models is in favour of the cooperative Jobcenters which turn out to be more successful in the field of labour market integration by strictly enforcing activation politics. However, this result was of no political consequence since the dual system stays intact to this day and there has even been an expansion of the municipal Jobcenters.

Bundesregierung (2008): Bericht zur Evaluation der Experimentierklausel nach § 6c des Zweiten Buches Sozialgesetzbuch. Unterrichtung durch die Bundesregierung. Bundesregierung. Berlin. (Bundestagsdrucksache, 16/11488).

http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen/forschungsbericht-f390.pdf?__blob=publicationFile&v=2

Apart from that, there is one anthology that provides a solid and wide-ranging review of the main outcomes of the reform process eight years after its completion. In it one finds a thematically structured review of both the results of evaluations as well as further independent research on the reform process and its outcomes:

Dietz, Martin, Kupka, Peter; Ramos Lobato, Philipp: *Acht Jahre Grundsicherung für Arbeitsuchende * Strukturen - Prozesse - Wirkungen*. Nürnberg: IAB. 2013

(2) The following list contains all official final reports to the evaluations of each element of the four law packages. Thus, these can be deemed a sound basis for further information on any of the several sub-aspects of the reform:

Wissenschaftszentrum Berlin für Sozialforschung gGmbH, infas Institut für angewandte Sozialwissenschaft GmbH. *Evaluation der Maßnahmen zur Umsetzung der Vorschläge der Hartz-Kommission: Modul 1a, Neuausrichtung der Vermittlungsprozesse*. Berlin, Bonn: WZB, infas, 2006.

This report presents the results of the evaluation of the newly-designed placement process. Also included are results regarding placement services by third parties, state-run temporary work agencies, profiling tools, individual action plans as well as sanctions. As is the case with all of the following reports, the results are based on a broad spectrum of qualitative and quantitative methods (cf. 2.13).

Forschungsinstitut zur Zukunft der Arbeit GmbH, Deutsches Institut für Wirtschaftsforschung e.V., infas Institut für angewandte Sozialwissenschaft GmbH. *Evaluation der Maßnahmen zur Umsetzung der Vorschläge der Hartz-Kommission: Arbeitspaket 1, Wirksamkeit der Instrumente; Modul 1b, Förderung beruflicher Weiterbildung und Transferleistungen*. Berlin, Bonn: IZA, DIW Berlin, infas, 2006.

In the above cited report, the results of the evaluation of the implementation of vocational training measures are presented.

COMPASS Gesellschaft für Informationsmanagement und Projektentwicklung, Institut für Medienforschung und Urbanistik GmbH, Institut für Sozialökonomische Strukturanalysen Berlin, Progress-Institut für Wirtschaftsforschung GmbH, Universität Hamburg. *Evaluation der Maßnahmen zur Umsetzung der Vorschläge der Hartz-Kommission: Arbeitspaket 1, Wirksamkeit der Instrumente; Modul 1c, Arbeitsbeschaffungsmaßnahmen*. Berlin, Bremen, Hamburg: IMU, SÖSTRA, PIW, COMPASS, 2006.

This evaluation report summarizes the results of the implementation of public employment schemes.

Zentrum für Europäische Wirtschaftsforschung GmbH, Institut für Arbeitsmarkt- und Berufsforschung der Bundesagentur für Arbeit, Institut Arbeit und Technik. *Evaluation der Maßnahmen zur Umsetzung der Vorschläge der Hartz-Kommission: Arbeitspaket 1, Wirksamkeit der Instrumente; Modul 1d, Eingliederungszuschüsse und Entgeltsicherung*. Nürnberg, Gelsenkirchen, Mannheim: ZEW, IAB, IAT, 2006.

The results of Modul 1d are presented in this research report. This element of the reform focusses on newly-introduced wage subsidies.

Institut für Arbeitsmarkt- und Berufsforschung der Bundesagentur für Arbeit, Deutsches Institut für Wirtschaftsforschung e.V., Gesellschaft für Sozialforschung und Marktforschung mbH, Gesellschaft für Arbeitsmarktaktivierung, infas Institut für angewandte Sozialwissenschaft GmbH. *Evaluation der Maßnahmen zur Umsetzung der Vorschläge der Hartz-Kommission: Arbeitspaket 1, Wirksamkeit der Instrumente; Modul 1e, Existenzgründungen*. Nürnberg, Berlin, Bonn, München: IAB, DIW Berlin, sinus, GfA, infas, 2006.

The effectiveness and effectivity of newly introduced subsidies for self-employment are presented in the above-cited report.

Rheinisch-Westfälisches Institut für Wirtschaftsforschung, Institut für Sozialforschung und Gesellschaftspolitik GmbH. *Evaluation der Maßnahmen zur Umsetzung der Vorschläge der Hartz-Kommission: Arbeitspaket 1, Wirksamkeit der Instrumente; Modul 1f, Verbesserung der beschäftigungspolitischen Rahmenbedingungen und Makrowirkungen der aktiven Arbeitsmarktpolitik*. Essen, Köln: RWI, ISG, 2006.

The above cited publication presents evaluation results on the change of the legislative framework of the labour market and its macro-level effects.

Bender, Gerd, Bieber, Daniel, Hielscher, Volker, Marschall, Jörg, Ochs, Peter und Vaut, Simon. *Evaluation der Maßnahmen zur Umsetzung der Vorschläge der Hartz-Kommission: Arbeitspaket 2, Organisatorischer Umbau der Bundesagentur für Arbeit*. Saarbrücken: ISO, 2006.

The organisational reform of the Federal Employment Agency is the subject of the above cited research report.

Hess, Doris, Steinwede, Angelika, Schröder, Helmut und Smid, Menno. *Akzeptanz der Bundesagentur für Arbeit: Nullmessung im Jahr 2004*. Bonn: infas, 2004.

On a more general level, the acceptance of the Federal Employment Agency is the subject of the research report cited above.

Bundesregierung. *Unterrichtung durch die Bundesregierung: Bericht zur Evaluation der Experimentierklausel nach § 6c des Zweiten Buches Sozialgesetzbuch*. Berlin: Bundesregierung, 2008.

Finally, the last reference summarizes the findings of the evaluation of the experimental clause of the competing organisational models. In addition to that, one can find a total of four more final reports separately summarizing the findings of each research field.

A.4. Good practice examples

Field	Information provided
Country	Germany
Title of the good practice feature (English and original)	Experimentierklausel / Experimentation Clause
Short sentence summarising the practice	The core of this good practice is the idea to promote competition between different organisational models in charge of the implementation of the new benefit system. This was reached by setting up different organisational models (cooperative and municipal Jobcenters) and thoroughly evaluating the performance of both organisational models via a consortium of independent researchers in order to come to a conclusion regarding a superior organisational model.
Rationale	The idea to try out different organisational approaches to the implementation of such a complex new benefit system and subsequently evaluating their performance constitutes a sound approach to promote both competition between different approaches as well as the implementation of evidence-based labour market politics.
Start (and end) date	January 1, 2005 until December 31, 2012.
Which organisation(s) was involved in its implementation?	Main implementer: Federal Employment Agency and municipalities Other important partners: Several independent research institutes in charge of the evaluation
Main elements of the feature	The main idea was to put two different organisational setups in charge of the complete benefit system.
Resources 1: money	There is no data available and no decent guesses can be made.
Resources 2: PES capacity, tools	Due to the complexity of the measure at hand it's impossible to provide any useful data on this issue.
Transferability	In general, this idea seems to be transferable in the case of the creation of any new benefit system with two possible administration to be put in charge of it.
Sources of further information	Bundesregierung (2008): Bericht zur Evaluation der Experimentierklausel nach § 6c des Zweiten Buches Sozialgesetzbuch. Unterrichtung durch die Bundesregierung. Bundesregierung. Berlin. (Bundestags-drucksache, 16/11488). http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen/forschungsbericht-f390.pdf?__blob=publicationFile&v=2