

ANNEX II

Germany

INTRODUCTION

As part of its mission to compare European public employment services (PES), the mission chose to study the German PES in that it :

- ◆ is part of the territory of the first European economic power, first commercial partner of France and border country;
- ◆ is based on a national agency, the *Bundesagentur für Arbeit (BA)*, which is present throughout the country, as in France;
- ◆ has contributed to a threefold reduction in the unemployment rate between 2005 - the year the third Hartz Act reorganizing the *Bundesagentur* was passed - and 2021, from 11.5% to 3.6%.

Germany was finally explicitly mentioned by the sponsors in the mission letter.

The mission focused its analyses on the German PES through the five central themes of the comparison (coordination of PES actors, diagnosis of the initial situation of jobseekers, support, monitoring of job search, services to companies), making use of field visits and the study of public documents or documents transmitted by German PES actors.

The field visits in October and November 2022 lasted six full days, between Nuremberg (headquarters of the *Bundesagentur für Arbeit*), Berlin and the state of Brandenburg. The mission was able to meet with teams from :

- ◆ of the main PES operator, the *Bundesagentur für Arbeit (BA)*, including management teams, subject managers (international affairs, IT), call center managers, telephonists, teams from two agencies and three *Jobcenters*;
- ◆ managers of *job centers* run by the local authorities (*Kreise*);
- ◆ a municipal integration structure, collaborating with the other actors of the PES (see appendix "People met").

A total of 25 people were met in interviews and presentations, in addition to visits and observations of advisors from agencies and *job centers*, as well as from integration structures.

The mission then focused its qualitative and quantitative analyses on :

- ◆ analysis of internal *Bundesagentur* documents provided to the mission;
- ◆ the analysis of public documents of the *Bundesagentur*, in particular relating to its offer;
- ◆ the study of legal texts, in particular the second and third books of the social code governing the law applicable to job seekers;
- ◆ the review of the relevant economic literature in German, English and French on the German labor market and on the impact of activation measures.

This annex is structured in two parts. The first part presents developments in the German labor market since the Hartz laws (2003 to 2005) and provides an overview of the PES actors. The second part details the lessons learned from the mission's work on the five themes mentioned above, highlighting both the strengths and weaknesses of the German PES.

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Germany had an unemployment rate of 3% in October 2022 (seasonally adjusted), as defined by the International Labor Office (ILO). Unemployment insurance is paid by the *Bundesagentur für Arbeit* for 12 months, with a replacement rate of 60% of the reference wage, capped at €2,805.

The German PES is the closest to the French one. **There are two networks for supporting job seekers**, largely run by a national agency, the *Bundesagentur für Arbeit* (BA), whose board of directors is made up of two-thirds of its members by representatives of employees and employers:

- ◆ The **156 employment agencies, which are** exclusively dependent on the *Bundesagentur für Arbeit*, support job seekers during the **twelve months in which they are covered by contributory unemployment insurance** (with a replacement rate of 60% of the reference salary, capped at €2,805);
- ◆ the **406 Jobcenters, which support jobseekers who are not or no longer eligible for unemployment insurance** but for the minimum social benefit, merged with unemployment assistance by the Hartz IV law (*Arbeitslosengeld 2 or SGB II*), regardless of their age and distance from employment. 302 *Jobcenters*, or three quarters, are joint ventures between the local authorities (*Kreise*) and the *Bundesagentur für Arbeit*, which use the *Bundesagentur's* single information system and apply common procedures. In addition, 104 *Jobcenters* are run autonomously by a single intercommunal authority (*zugelassene Kommunale Träger*, or zkT). However, these zkTs are obliged by law to provide the *Bundesagentur* with statistics on their population and their activities.

The *Bundesagentur für Arbeit*, which is responsible for the payment of unemployment and family benefits, employs more than 101,000 full-time equivalents (FTEs) in 2022, to which must be added an estimated 26,000 employees of the inter-municipalities, employed either in the co-managed *Jobcenters* or in the autonomous centers. With an unemployment rate that has fallen sharply in recent years, the German PES appears to be well staffed and has remained relatively stable.

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1. Socio-economic context and organization of the PES: the improvement of the German labor market since the mid-2000s has coincided with important reforms of labor law and a reorganization of the PES

1.1. Socio-economic context: the Hartz reforms of the labor market and the rise of the German export model in a reunified Europe have contributed to a decrease in unemployment and an increase in the employment rate

1.1.1. In the early 2000s, Germany had an unemployment rate of 11.5 percent, after a decade of continuous increase

In 1990, at the time of reunification, West Germany's unemployment rate was 6.5 percent and had doubled since the early 1980s¹. This growing unemployment² was the result of insufficient demand, which was burdened by the restrictive fiscal policies of the 1980s, too high labour costs in some sectors, a hysteresis effect fed by a rise in long-term unemployment in the 1980s, and poor matching (550,000 job vacancies in 1988).

The transition of the former German Democratic Republic (GDR) to a market economy, together with low productivity gains in the West, led to a general increase in unemployment in Germany, reaching 11.5 per cent in 2005. The incorporation of the East German labour force, which was less suited to the open economy, immediately increased the unemployment rate from 6.5 to 9 per cent according to the *Bundesagentur für Arbeit (BA)*³ between 1990 and 1993. The 1990s also saw the privatization of assets in the former East Germany - by the *Treuhandanstalt*^{4,5} - often resulting in the closure of industrial sites because of the lack of rapid investment in modernization⁶. At the same time, low productivity gains and labour market rigidities were characteristic of the former West Germany⁷, and contributed to a high unemployment rate. As a result, the unemployment rate in the sense of the BA increased from 9 percent to 11.5 percent between 1990 and 2004 (cf. chart 1).

¹ KH. Paqué, "Unemployment in West Germany: A survey of explanations and policy options", Kiel Institute of World Economics, 1990 - <https://www.econstor.eu/bitstream/10419/47240/1/25609974X.pdf>

² *Ibid.*

³ Persons aged 15 and over who have not reached the statutory retirement age, who work less than 15 hours during the reference week, who are looking for a job subject to social security contributions and involving at least 15 hours of work per week, who are registered with a *Jobcenter* or agency, who are fit for work and who reside in Germany.

⁴ The West German agency responsible for privatizing the assets of the former German Democratic Republic (GDR) after the country's reunification.

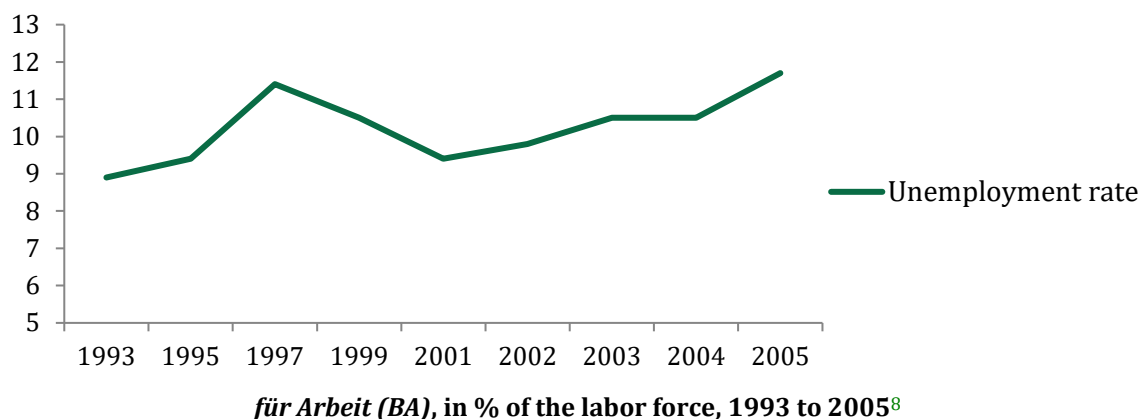
⁵ B. Zielinski, "The Economic Unification of Germany in 1990," *Vingtième Siècle. Revue d'histoire*, 2011 - https://www.cairn.info/load_pdf.php?ID_ARTICLE=VING_110_0097&download=1

⁶ The new *Länder* are the *Länder* of the former GDR.

⁷ KH. Paqué, *op. cit.*

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Chart 1 Unemployment rate in reunified Germany as defined by the *Bundesagentur für Arbeit (BA)*



Source: BA; Mission.

1.1.2. The shock of reunification was gradually absorbed by a supply-side policy and export

Since 1948, the German economy has been characterized by the political choice of a "social market economy", based on the strong decentralization of negotiations on wages and working conditions to the company level and little recourse to tripartite discussions between the state and social partners. After the Second World War, on the initiative of Chancellor Ludwig Erhard (Christian Democrat), the Federal Republic of Germany introduced a social law that left the setting of minimum wages, working hours and working conditions to the branches and companies, which allowed the reunified country to adapt to changes in the economic situation from the 1990s and into the 2000s⁹. The principle of co-decision (*Mitbestimmung*) with employee representatives also exists in companies.

The shock of reunification led to a national political consensus for wage moderation, which *ultimately* improved the price competitiveness of German companies. In order to further integrate the former East German workforce, unit labor costs fell by 4 percent between 1996 and 2006 in real euros, while in France they rose by more than 9 percent over the same period.¹⁰

The enlargement of the European Union to include the Central and Eastern European countries (CEECs), which placed Germany back at the heart of Europe, and the opening up of China to international trade have helped to build the German export model since the mid-2000s. The proximity of the CEECs has enabled the integration of value chains from which Germany has benefited greatly, while the intensification of trade with China has increased Germany's trade balance by offering opportunities to its companies, while domestic demand - due to the low dynamism of wages - has stagnated¹¹.

⁸ Persons aged 15 and over who have not reached the statutory retirement age, who work less than 15 hours during the reference week, who are looking for a job subject to social security contributions and involving at least 15 hours of work per week, who are registered with a *Jobcenter* or agency, who are fit for work and who reside in Germany.

⁹ Robert Schuman Foundation: "*The German Economic Model: a strategy for Europe?*", 2012 - <https://www.robert-schuman.eu/en/doc/questions-d-europe/qe-237-en.pdf>.

¹⁰ Organisation for Economic Co-operation and Development (OECD) *Country Report* 2019, pp. 101 - <https://www.oecd-ilibrary.org/docserver/10f0135f-fr.pdf?expires=1671445950&id=id&accname=ocid35103460&checksum=4570D02E65BDBC387706B8B319180C36>.

¹¹ International Monetary Fund (IMF) 2018 *Country Brief* on Germany, p. 18 - <https://www.imf.org/-/media/Files/Publications/ESR/2018/ContryAssessments.ashx>.

1.1.3. At the same time, the Hartz reforms changed the legal framework of the labor market

1.1.3.1. Unemployment benefits had little incentive before the Hartz reforms

In the early 2000s, the German unemployment insurance system was characterized by high replacement rates for the last salary and by compensation periods that could be unlimited¹², which reduced the incentives for the unemployed to return to work. The Institute for the Future of Work (IZA)¹³ estimated that in Germany, in 2001, the loss of purchasing power for a family with three children if both parents became unemployed was only 11 to 15 per cent in the long term. Similarly¹⁴, activation programs had a high duration relative to other comparable countries and made job seekers *de facto* unavailable for long periods.

In response to these inefficiencies and the high unemployment rate, the federal government of Chancellor Schröder (Social Democrat) launched a process of reorganization of the unemployment insurance system in 2002. box 1). The Hartz Commission was asked in its mission statement to consider a more conditional insurance system, more focused on the return to employment, in particular *through* a stricter control of the *Bundesagentur's* performance.

Box 1 The Hartz Commission

In the spring of 2002, the German federal government launched the Commission for the Modernization of Services *on the Labour Market*, chaired by Peter Hartz, former head of human resources at Volkswagen.

The commission was composed of fifteen experts;

- two academics;
- a representative of an employers' union ;
- a dozen representatives of *consulting* firms and private companies;
- representatives of the Federal Government.

The social partners were thus not included in the process.

The commission issued its report in the fall of 2002, with the following key recommendations:

- reorganization of the *Bundesagentur*: performance-based management of agencies and budgets, simplification of the offer;
- creation of *Jobcenter* dealing with a public eligible for a social minimum under conditions;
- strengthening of sanctions ;
- creation of a legal framework for *mini-jobs* and self-employment.

Almost all of the proposals were included in the so-called "Hartz laws", the first of which was passed in January 2003.

Source: Centre for Policy studies; Mission.

¹² An unemployed person with sufficient contributions could receive 67 percent of his or her former reference wage for 32 months and then up to 57 percent indefinitely. The non-contributory minimum social benefit was 70 percent of the minimum wage in the sector in which the beneficiary considered himself to be a job seeker.

¹³ L. Jacobi and J. Kluve, "Before and After the Hartz Reforms: The Performance of Active Labour Market Policy in Germany", IZA, April 2006 - <https://docs.iza.org/dp2100.pdf>

¹⁴ *Ibid.*

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1.1.3.2. Four laws have taken up most of the recommendations of the Hartz Commission

The work of the Hartz Commission led to the passage of four laws incorporating its recommendations on the public employment service, in parallel with other labour market reforms focused on the labour market (see Box 2). box 2).

The "Hartz I" law (January 2003) strengthened the duties of jobseekers: in particular, the burden of proof now lies with the jobseeker in case of refusal of a job offer. The law also extended the possibilities of temporary work.

The "Hartz II" law (April 2003) created a new aid to facilitate business creation by the unemployed and expanded the range of so-called "marginal" jobs (*mini-jobs*¹⁵ and *midi-jobs*).¹⁶

The "Hartz III" law (January 2004) established a reform of the public employment service, now called *Bundesagentur für Arbeit* (BA), through an overhaul of steering structures at the federal level, greater local autonomy and a reorganization of agencies. It also reduced the minimum period of affiliation required to receive unemployment benefits from 12 months in the three years preceding registration to 12 months in the two years preceding registration.

The "Hartz IV" law (January 2005) merged two similar schemes: unemployment assistance (*Arbeitslosenhilfe*), an allowance reserved for the unemployed at the end of their entitlement and proportional to their reference salary, and social assistance guaranteeing a minimum income, creating the *Arbeitslosengeld II*, and making it conditional on the signing of an integration contract with the BA or the municipal service. This law also "created a new integration scheme in the non-market sector (ein-euro-Jobs): the beneficiary continues to receive his or her benefit in addition to a "compensation" of at least one euro per hour for work in the public interest"¹⁷.

The text also created a social *minimum* for people who are not able to work, regulated by the twelfth book of the Social Code.

Box 2 Main laws reforming the labor market in the 2000s

Several legislative and regulatory texts have been passed in parallel with the laws resulting from the Hartz recommendations, reshaping the labor market:

- in January 2002, Job-AQTIV reform authorizing more advanced qualitative profiling of job seekers in agencies;
- in February 2006, reduction of the duration of unemployment benefits from 26 to 12 months, and from 32 to 18 months for those over 55 years old;
- In January 2007, a three-point increase in value added tax (VAT) in exchange for a reduction in contributions;
- between 2006-2010, gradual end of early retirement mechanisms.

Source: Trésor-Eco n° 110; Mission.

¹⁵ Jobs subject to zero employee contributions and reduced employer contributions. Remuneration cannot exceed 400 €. The pension contribution is optional, as is the health insurance.

¹⁶ Employment subject to lower employer contributions. The remuneration cannot exceed 800 €.

¹⁷ Treasury-Eco 2013.

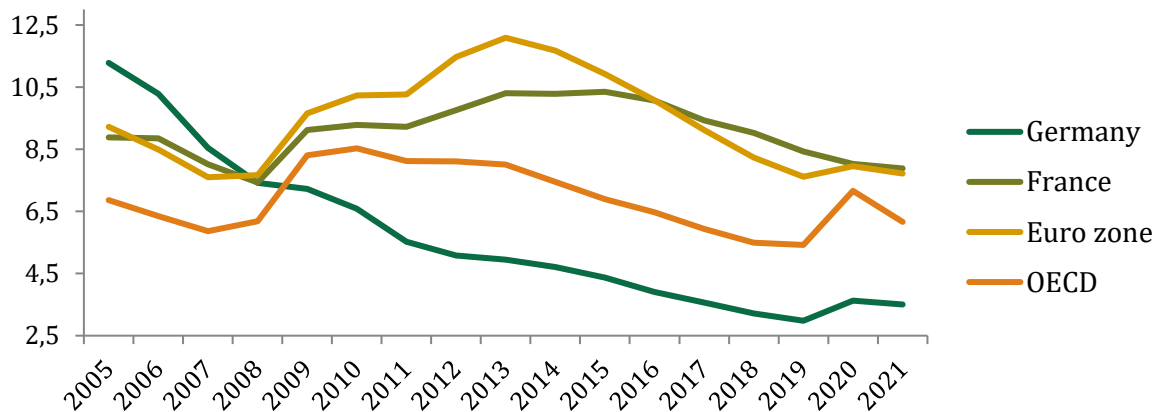
1.1.4. Over the past 15 years, the unemployment rate has fallen sharply, especially among vulnerable populations

1.1.4.1. The unemployment rate has been divided by more than three since 2005

Since 2005, the peak of unemployment in the history of the reunified country and coinciding with the adoption of the so-called "Hartz" laws, the unemployment rate as a percentage of the active population has been divided by 3.5 in the sense of the International Labour Office (ILO, see box 3). box 3)¹⁸ while it remained stable in the EU and OECD countries.

People of working age who have not worked a single hour during the reference week, who are available on the labor market, and who have taken specific steps to find work, represented 3.6 percent of the labor force at the end of 2021, compared with 11.3 percent in 2005 (see chart 2).

Chart 2 ILO unemployment rate as a proportion of the German labor force (2005-2021), compared to France, the Eurozone and the OECD



Source: OECD data.

The decline in unemployment is particularly observable over the decade 2005-2015, including the years following the 2009 recession¹⁹. It is explained by:

- ◆ the strong wage moderation between 2005 and 2012: - 2% increase in real wages in only seven years compared to + 4% in France²⁰;
- ◆ the inclusion of the least productive employees *through* part-time jobs (*mini-jobs*). Thus, while the labor force grew by nearly three million people between 2005 and 2020 (+7%), the number of hours worked per person fell continuously from 1,550 h/head in the early 1990s to 1,400 h/head (-10%) in the early 2010s, causing the number of hours worked to decline slightly;
- ◆ public support for short-time work during the financial crisis (1.5 million workers on short-time work in 2009, or *Kurzarbeit*, i.e., 3% of the active population), as well as the

¹⁸ People of working age who are unemployed, available in the labor market and who have taken specific steps to find work.

¹⁹ See in particular Koch and Massel, "Short-time work in Germany: the 'miracle cure' in the crisis?", *Germany Today*, No. 210, 2014, page 67-85.

²⁰ Evolution of wages in France in constant euros, INSEE - <https://www.insee.fr/fr/statistiques/2381334#tableau-figure1>.

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good economic outlook, thus made it possible to "*retain the workforce*" during the crisis²¹ and avoid any hysteresis effect after the economic crisis;

- ◆ a better functioning of the labor market, as evidenced by a decrease in the number of job vacancies and a decrease in unemployment (shift of the Beveridge curve to the left).

1.1.4.2. *The unemployment rate in Germany is currently 5.6% according to the Bundesagentur für Arbeit and 3% according to the ILO*

According to the *Bundesagentur für Arbeit (BA)*, the unemployment rate in October 2022 is around 5.3%²² of the labor force in Germany, an increase of +0.4 percentage points over the quarter, while it is slightly above 3% in the ILO sense. This corresponds, according to the definition of the *Bundesagentur für Arbeit*, to a total number of job seekers equal to 2,547,344 in August 2022 in Germany.

Box 3 Definition of the ILO and *Bundesagentur für Arbeit* unemployment rate

In order to assess the development of unemployment in Germany, two main definitions can be used:

- as defined by the International Labour Office (ILO): during the reference week, people of working age (over 15 years old), without work, available on the labour market and who have taken specific steps to find work;
- as defined by the *Bundesagentur für Arbeit (BA)*, persons aged 15 and over who have not reached statutory retirement age, who work less than 15 hours during the reference week, who are looking for a job subject to social security contributions and involving at least 15 hours of work per week, who are registered with an agency or *Jobcenter*, who are fit for work and who reside in Germany.

Source: BA website; ILO website.

Among the unemployed, there were on average in 2021²³ :

- ◆ Almost 66% (1.7 million out of 2.6 million on average per year) do not benefit from contributory insurance but from the social *minimum (Arbeitslosengeld 2)*, a population called "SGB II", named after the second book of the social code governing the rights and obligations of this category;
- ◆ A majority of men, women represent 44.3% of the unemployed in Germany and men 55.7%;
- ◆ one-third over 50 years old (33.4%);
- ◆ almost one third of foreigners (30.3%);
- ◆ the unemployment rate is 40% higher in the eastern Länder than in the western Länder.

1.1.4.3. *The unemployment rate for vulnerable categories (youth, low-skilled) has been falling steadily since the implementation of the "Hartz" reforms*

Youth unemployment is now 8% in Germany, compared to 19% in France. Unemployment among 15-24 year-olds considered to be in the labor force has fallen from 12 percent in 2007 to 8 percent in 2021 in Germany, compared with 22 percent in 2005 and 19 percent in 2021 in France (see chart 3).

²¹ J-M Dausin-Benichou and M. Sala, "Why did unemployment continue to fall in Germany after 2007?", INSEE study, March 2013 - https://www.insee.fr/fr/statistiques/fichier/1407994/mars2013_d1pdf.pdf.

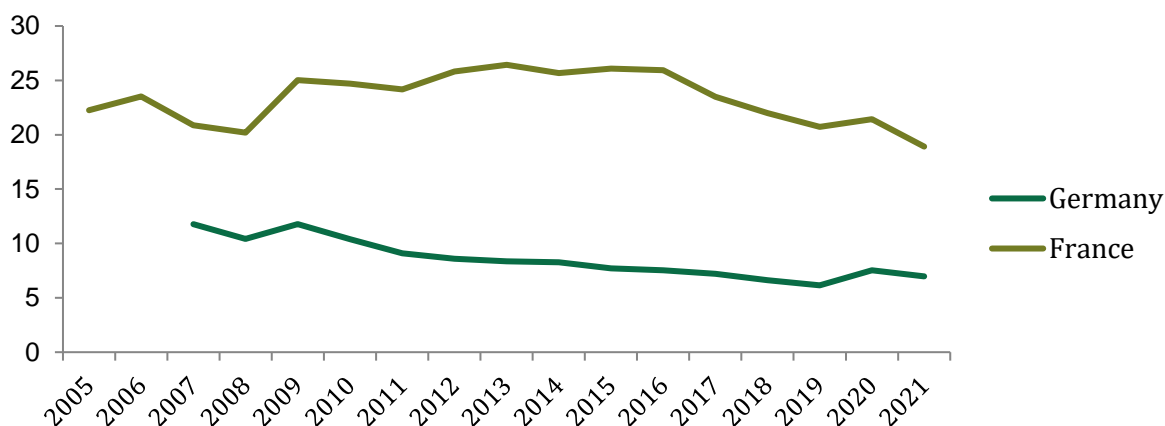
²² The figure depends on whether the adjustment is seasonal or not.

²³ Statistical Report 2021 of the *Bundesagentur für Arbeit* - https://statistik.arbeitsagentur.de/DE/Statischer-Content/Service/English-Site/Generische-Publikationen/German-labour-market-2021.pdf?__blob=publicationFile&v=1.

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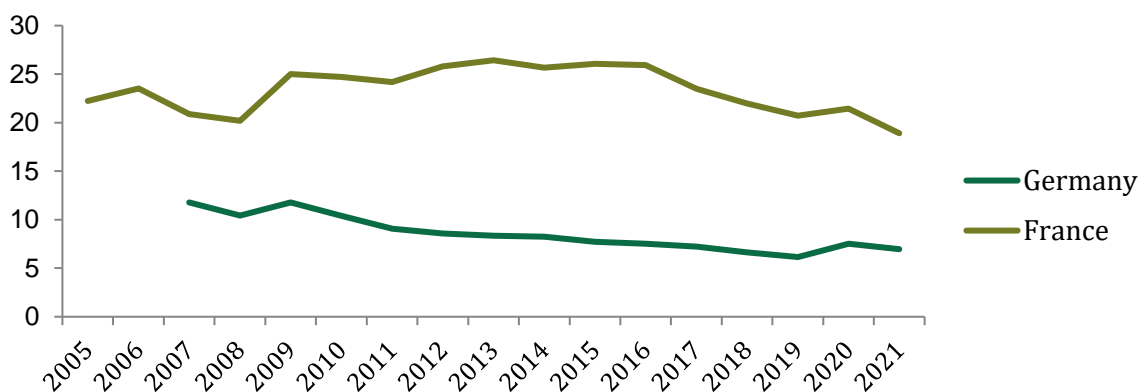
In Germany, this decline is concomitant with the decline in the share of 15-29 year-olds who are neither in employment, training nor education (NEETs, cf. box 4). This share is higher and stable in France (around 15 percent for 15-29 year-olds over the period 2005-2021), but has decreased by one-third in the German case (from 15 percent to 10 percent over the period, see chart 4).

Chart 3 Graph 3: Change in the ILO unemployment rate among the active 15-24 year olds between 2005 and 2021, as a percentage of the active population in France and Germany



Source: OECD data.

Chart 4 Chart 4: Share of 15-29 year olds not in employment, education or training



Source: OECD data.

Box 4 Definition of youth unemployment rate and NEETS used

The youth unemployment rate used by the mission corresponds to the share of young people aged 15 to 24 who are unemployed, available on the labor market, and who have taken specific steps to find work during the reference week, in accordance with the International Labor Office (ILO) definition of unemployment.

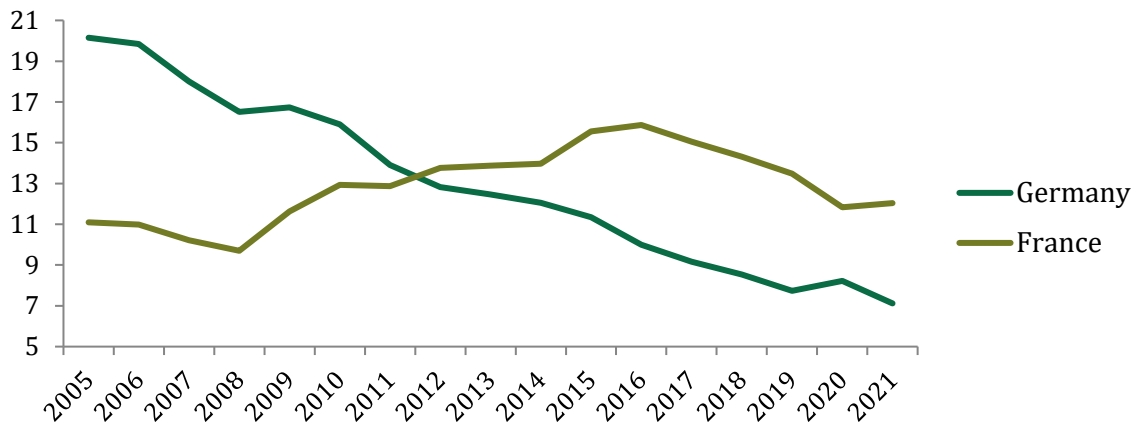
The share of 15-29 year olds being "NEET" (*Neither in Employment nor in Education or Training*) corresponds to the fraction of this age group that is neither in higher education, nor in vocational training, nor in employment.

Source: ILO; INSEE.

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The unemployment rate for the low-skilled has been reduced by a factor of three in Germany between 2005 and 2021. Indeed, the unemployment rate for those with less than a high school diploma fell from 20 percent to 7 percent between 2005 and 2021 in Germany, while it rose from 12 percent to 13 percent in France over the same period (see chart 5). This is primarily due to the retirement of low-skilled and unemployable people, especially in the eastern *Länder*. In West Germany, 27 percent of the population aged 25 to 64 in 1985 did not have a secondary school diploma (*Gymnasium, Realschule or Gesamtschule*), compared with 12 percent in 2016. This population, however, still accounts for the majority of the unemployed population at the end of 2021 in Germany (cf. table 1).

Chart 5 Change in the ILO unemployment rate among people without a secondary school diploma



between 2005 and 2021 in France and Germany (% of the active population)

Source: OECD data.

Table 1 Volume and share of unemployed by degree level in 2021

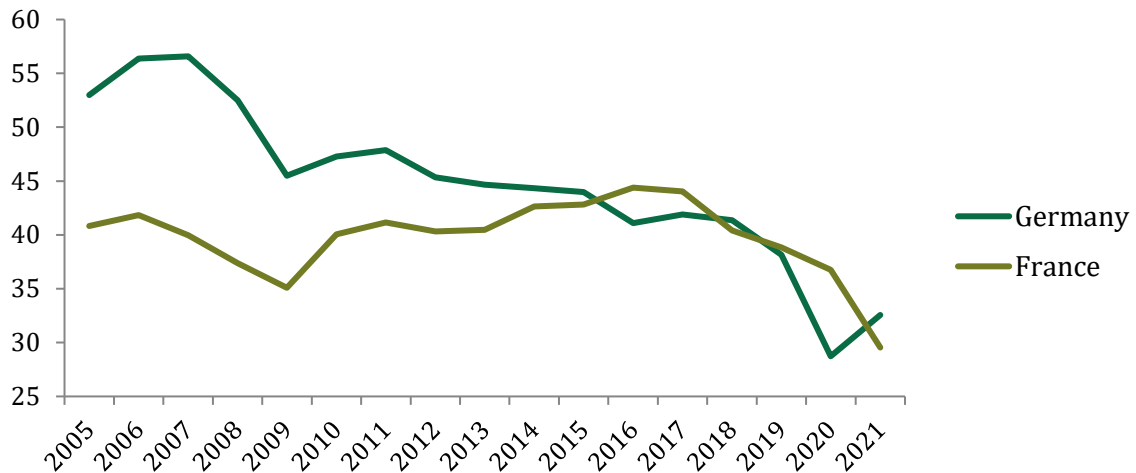
Level of qualification	Volume of unemployed	Share in % of total unemployment
Without completed vocational training	1 414 040	55,5
With school or company training	869 030	34,1
With academic training	227 490	8,9
No indication of the level of training	36 780	1,4
Total	2 547 340	100,0

Source: Statistisches Bundesamt.

Finally, the share of long-term unemployed (more than one year) in Germany fell from more than 50 percent to one-third between 2005 and 2021, while France saw a smaller decline (from 40 percent to one-third) over the same period (see chart 6). This is about 800,000 people). However, as detailed in 1.1.6.2, almost 60 percent of jobseekers in Germany receive the minimum social security benefit after the expiry of the unemployment benefit (one year in the case of two years of prior contributions, eighteen months for those over 55²⁴), or in the case of insufficient contributions for this unemployment benefit (one year). This means that there is an average population of one million unemployed persons in the sense of the *Bundesagentur* who are beneficiaries of social insurance but have never received unemployment benefit before.

²⁴ Information on the duration of compensation in France, by comparison, on the Pôle Emploi website - <https://www.service-public.fr/particuliers/vosdroits/F14860/personnalisation/resultat?lang=&quest0=0&quest1=0&quest2=0&quest>

Chart 6 The evolution of the share of long-term unemployed in the job-seeker population of job seekers (since 2005) in Germany and France



Source: OECD data.

1.1.4.4. Regional differences are still visible, with unemployment in the former GDR still 40% higher than in the rest of the country.

The disparities between the western and eastern *Länder* are still very visible²⁵ (cf. chart 7) :

- ◆ **the unemployment rate** in the former german democratic republic (gdr) is 6.5 per cent in 2019, compared with 4.7 per cent in the former federal republic (frg), despite lower labour costs in the eastern *Länder*²⁶. However, the gap is narrowing significantly, since in 2005 the unemployment rate in the east was 18.4 per cent and 8.5 per cent in the west;
- ◆ **demographic ageing** is more rapid in the eastern *Länder* because of lower fertility rates and the large number of people, especially young workers, leaving for the west. The demographic dynamics are different in the West, which has also received more foreign workers since 2015²⁷ ;

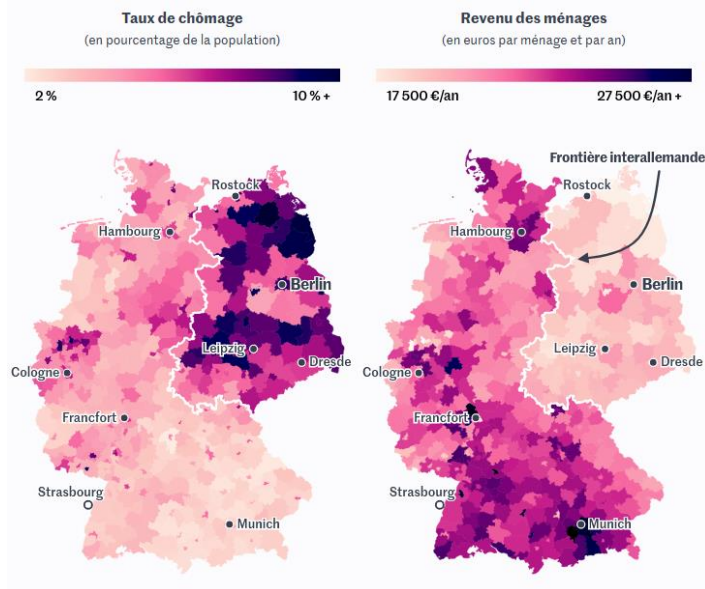
²⁵ Heize and Porzio, "Why East Germans are not taking advantage of the large wage gap between East and West Germany," *CEPR*, 2020.

²⁶ According to the BA, the gross disposable income per capita in euros is 13% lower in the territory of the former GDR.

²⁷ Heize and Porzio, *op.cit.*

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Chart 7 Map of the unemployment rate in 2018 in Germany (left, in % of the population) and map of household income (right, in euros per household per year)

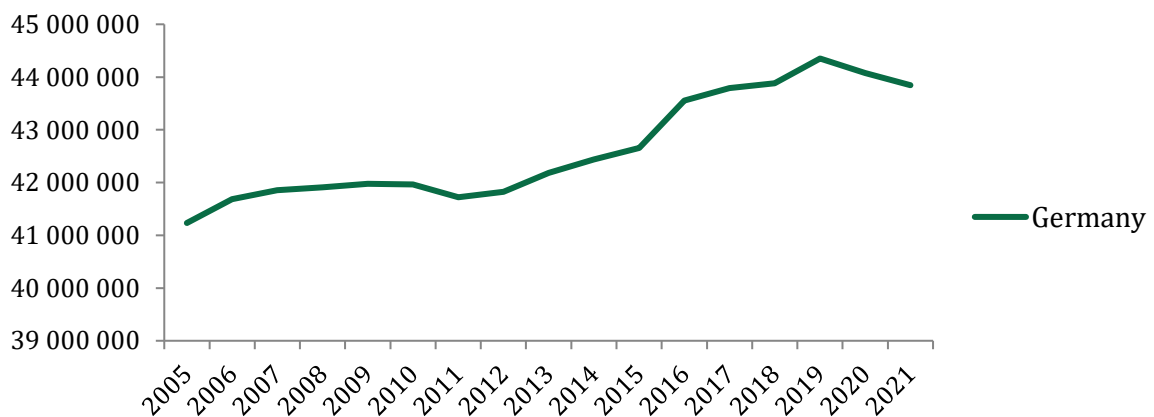


Source: Destatis.de; Zensus.de.

1.1.5. The employment rate increased by ten points between 2005 and 2021, from 65% to 75%

The German labor force grew by 8 percent between 2005 (when the so-called Hartz laws began to be implemented) and 2019, when a plateau was reached (see Figure 8). chart 8). The number of people in employment rose from 41 million to 44.5 million. The end of the early retirement scheme²⁸ and the increase in the legal retirement age (67 for generations born after 1964 since the 2007 law) are the two main reasons for this increase²⁹. The employment rate is now about ten points higher than in France and other European Union and Organization for Economic Cooperation and Development (OECD) countries, as shown in chart 9.

Chart 8 Figure 8: Evolution of the working population in Germany (2005-2021)

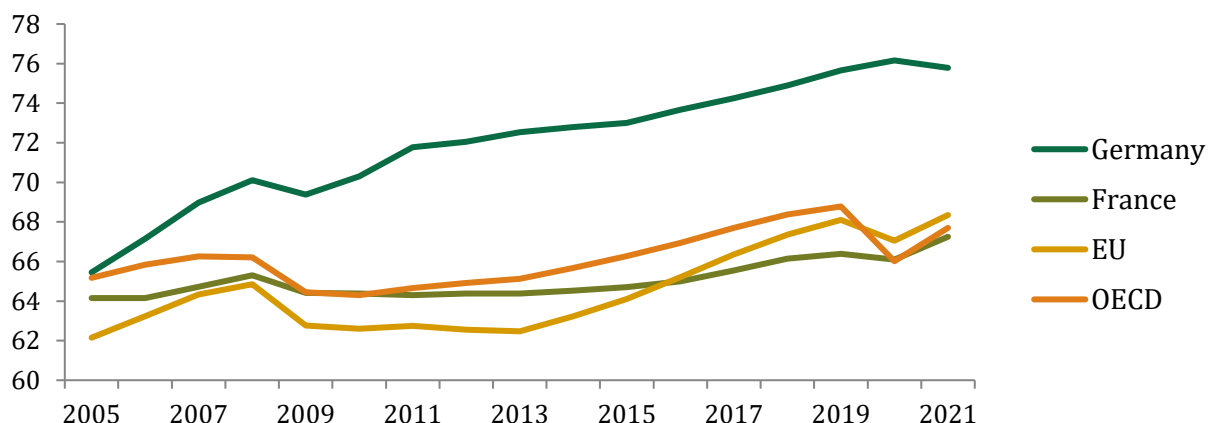


Source: World Bank data.

²⁸ Until the "Hartz" laws, this system allowed employees to receive a specific allowance from the age of 59.

²⁹ M. Tambarin, "Les retraites en Allemagne: une réforme exemplaire?", *Revue française des affaires sociales*, 2015 - <https://www.cairn.info/revue-francaise-des-affaires-sociales-2015-4-page-61.htm>

Chart 9 Comparison of the evolution of the employment rate between 2005 and 2021 in Germany, France, the EU and OECD countries



Source: OECD data.

However, the proportion of employed people considered poor (with incomes below 60 percent of median income) increased from 7 percent to 9 percent between 2010 and 2021, an increase of over 20 percent. Employees on temporary contracts (14%) and part-time workers (12%) are more affected than full-time employees (6%). This contained increase in in-work poverty masks the fact that a significant fraction of ALG2 (social minimum) beneficiaries work part-time, and therefore have their income supplemented by this minimum. This category concerns about one million people³⁰.

The increase in employment is reflected in the rise in the number of jobs in most industries (see table 2), although **the pace of growth varied from sector to sector**. For example, the number of jobs in scientific, educational, health care, and transportation/logistics activities have increased by nearly 20 percent since 2010, twice as fast as the total volume of jobs (+9 percent, see table 2), while jobs in real estate, energy, and agriculture have declined, and manufacturing, administration, and tourism have increased only slightly. The adaptation of the labor market (and thus of the public employment service) to these upheavals has justified the 2019 law on vocational qualifications, which aims to provide greater incentives for workers in sectors whose share of value added is declining to reorient themselves (cf. 2.3.1.2).

Table 2 Employment trends by sector of activity since 2010

Activity sector	Volume of jobs (in thousands) in 2021	Change compared to 2010 (in %)
Agriculture	510,5	-20,0
Mining and extraction	68,2	-29,5
Manufacturing production	8 012,7	4,1
Electricity and energy	327,3	-9,6
Water and waste	257,0	15,7
Construction	2 859,6	11,0
Total primary and secondary sectors	11 524,8	5,2
Retail trade	5 780,4	10,5
Transport and logistics	2 141,5	16,7
Tourism	1 586,1	7,7
Information and communication	1 369,1	10,6
Finance	1 249,2	-3,1
Real estate	213,6	-20,7

³⁰ BA "Statistics" homepage and ALG 2 basic insurance vademecum, p. 12 - https://www.arbeitsagentur.de/datei/merkblatt-algii_ba015397.pdf

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Activity sector	Volume of jobs (in thousands) in 2021	Change compared to 2010 (in %)
Scientific and technical activities	2 470,1	23,0
Administrative support activities	2 144,2	5,2
Public and social administration, defense	2 906,6	5,9
Education	2 882,5	19,1
Health and sanitation	5 614,0	17,8
Culture	589,9	11,5
Other	1 182,3	6,7
Total tertiary	30 363,2	11,6
Total	42 398,5	9,3

Source: OECD.

Note: the difference in total employment volume with the graph in 1.1.5. is explained by the different accounting methods of the OECD and the World Bank.

Due to demographic aging, the Bundesagentur für Arbeit expects the potential labor force to fall by seven million people³¹ by 2035 (i.e., by 6 percent), without labor immigration (see Box 5). According to the Bundesagentur's forecasts, **net immigration of 400,000 people per year would thus be needed by 2035 to maintain the level of the working population.** This is the reason for the pro-active approach of the BA's International Affairs Directorate, which is seeking to establish partnerships in foreign countries³². Increasing the number of women in the labor force (the labor force participation rate is 8 points lower than that of men³³) is another area of work for the BA³⁴.

Box 5 Bundesagentur projections of the German labor force in 2035

At the headquarters of the Bundesagentur für Arbeit, the mission attended a presentation by the management team entitled "Labor market tensions and strategic immigration from the European Union and third countries".

This presentation noted a projected decline in the potential working population - that is, including the inactive able to work - of 7 million by 2035, or 40 million compared to 47 million today. This decline is understood to be all other things being equal. If the employment rate were to increase and immigration were to increase by 100,000 people per year, the Bundesagentur für Arbeit estimates that the potential working population would only decrease by 3 million by 2035 (median scenario). In the longer term, the agency estimates that the potential working population would remain stable for the next four decades only if net migration were to increase by 400,000 per year.

For this reason, the Bundesagentur für Arbeit is multiplying the placement agreements with third countries (Mexico, Colombia, Tunisia, Bosnia, Jordan, India, Philippines, Indonesia, negotiations with Morocco, Egypt, Vietnam, Brazil) aimed at facilitating the granting of visas and recruitment by companies prior to migration in certain sectors, such as personal assistance or industry.

Source: Presentation to the mission in October 2022.

³¹ Labour force plus inactive persons who are considered employable.

³² Presentation to the mission in Nuremberg, October 2022.

³³ World Bank data on Germany -

<https://donnees.banquemondiale.org/indicateur/SL.TLF.CACT.FM.ZS?locations=DE>

³⁴ Visit of the mission in Nuremberg in October 2022.

1.1.6. In Germany, the benefit system distinguishes between the active (SGB II and III) and the inactive (SGB IX and XII), and there are two networks of accompaniment towards employment depending on whether people are insured against unemployment (SGB III) or are on the social minimum (SGB II)

1.1.6.1. Jobseekers receiving unemployment insurance are covered by SGB III and are taken care of by the BA agencies

In Germany, jobseekers who have been unemployed for less than 12 months are entitled to contributory unemployment benefits (*Arbeitslosengeld 1*), which is the equivalent of the allocation d'aide au retour à l'emploi (ARE) in France. The legislative provisions applicable to their situation are contained in the third book of the Social Code (SGB III). This population is called "SGB III" within the public employment service.

These unemployment benefits are financed by employer and employee contributions (1.25 percent of the cost of living for the employer, 1.25 percent of the gross salary for the employee), based on all gross salaries below €6,700 per month in the western *Länder* and €6,150 per month in the eastern *Länder*.

In order for unemployment benefits to be paid, according to § 38 of SGB III, individuals must register no later than three months before the planned end of their employment contract, or within three days of learning of the date of the end of that contract, e.g. due to dismissal.

The daily amount of ALG 1 is 60% of the former net daily wage if the beneficiary has no dependent children, 67% if he or she does not (see Table 3). table 3), **with a ceiling of €2,625 per month** for the eastern and **€2,805 per month for the western *Länder***³⁵. In 2021, €19.5 billion³⁶ in unemployment benefits were paid out to an annual average of about 800,000 unemployed people, or an average monthly benefit of €2,030 gross. **This total amount represents 0.5% of GDP, compared to 1% of GDP in France**³⁷. The duration of compensation cannot exceed twelve months (except for those over 50) and depends on the length of affiliation, as shown in table 3.

The support of SGB III jobseekers is provided by the local agencies of the *Bundesagentur für Arbeit (BA)* at more than 600 locations throughout Germany.

³⁵ Unédic 2019 study.

³⁶ Presentation of the BA Regional Director to the mission.

³⁷ For Germany, €19.5 billion out of €3,500 billion of gross domestic product in the year 2021, according to data from the European Central Bank (ECB). -

https://sdw.ecb.europa.eu/quickview.do;jsessionid=C6DAD94C42B165777536D1AC322197D8?SERIES_KEY=320.MNA.Q.N.DE.W2.S1.S1.B.B1GQ.Z.Z.EUR.V.N

For France, €39.8 billion in 2021 according to the annual report of Unédic, out of €2,500 billion of gross domestic product for the year 2021, according to data from the European Central Bank (ECB) - <https://www.unedic.org/a-propos/comprendre-le-financement-de-lassurance-chomage>

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Table 3 Parameters for calculating unemployment benefits as of February 1^{er} 2023, compared to France

	Germany	France
Maximum compensation period	12 months (15 to 24 months for those over 50)	18 months (36 months from age 57)
Basis of calculation	Net daily wage	Gross salary
Replacement rate	60% or 67% (in case of family responsibilities)	From 57% to 75%.
Social security contributions and taxes	No	Yes
Degressivity	No	Yes, under income conditions

Source: National regulations; MISSOC (European Commission); Bureau of Labor Statistics.

Table 4 Duration of affiliation and compensation to benefit from unemployment insurance (assuming the application of a modulation coefficient of 0.75 on February 1, 2023)

Duration of affiliation in months	Duration of compensation in months	Reminder: duration of corresponding compensation in France
12	6	8
16	8	12
20	10	15
24	12	18
30 (for those over 50 years old)	15	18
36 (for those over 55 years old)	18	27
48 (for those over 58 years old)	24	27

Source: UNEDIC, 2019.

1.1.6.2. Working people who are no longer entitled to unemployment insurance can benefit from a minimum social security benefit governed by the SGB II and are taken care of by Jobcenters

Jobseekers who have been unemployed for more than 12 months, or persons with less than six months of contributions, who are deemed able to work at least three hours per day (by a medical service described in 2.2.3) **are eligible for the social minimum applicable to the working population (*Arbeitslosengeld 2*)**. The legislative provisions applicable to their situation are contained in the second book of the Social Code (SGB II). This population is called "SGB II" within the public employment service. However, not all ALG 2 holders are jobseekers, as defined by the ILO and the BA. Indeed, people in employment - especially part-time employment - may need additional income to support their "communities of need" (household in the actual sense of the term)³⁸. The *Jobcenters* are also responsible for the payment and monitoring of benefits to the needy employed population, which allows them to monitor populations that are *a priori* in social difficulty and that may subsequently become job seekers.

This social minimum is financed by federal taxes. In 2021, €21.7 billion in ALG II benefits were paid to an average of 1,455,000 unemployed beneficiaries per year, representing an average gross monthly benefit of €773. These people also receive housing and heating

³⁸ BA *Vademecum* on ALG 2, p. 12 - https://www.arbeitsagentur.de/datei/merkblatt-algii_ba015397.pdf.

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subsidies from the *Kreise* (comparable to the inter-municipalities) for their living community³⁹, amounting to €11.3 billion in 2021⁴⁰. In total, this represents €33 billion, or 0.94% of GDP.

The procedure for granting the ALG 2 is more cumbersome and reflects the conditionality of eligibility. As stipulated in § 37 of the second book of the Social Code (cf. box 6) This applies to people who are able to work three hours a day (as determined by a doctor) and have no other income to support themselves. While the application is made on a three-page form, the assessment procedure is rigorous, in accordance with the *vademecum* published by the BA⁴¹.

Box 6 Processing of applications for *Arbeitslosengeld 2* by the *Jobcenters*

The following are taken into account for the benefit of ALG 2, in accordance with the second book of the Social Code:

- the composition of the community of life, a broader concept than the French notion of fiscal household. It takes into account the persons with whom the person lives, including roommates or a cohabitant;
- the composition of the family household, for example if the applicant has to pay alimony;
- the ability, certified by a physician, to work at least three hours ;
- the cost of housing and heating, which must be "reasonable";
- special treatments or diets necessary for good health;
- Book purchase needs, in the case of follow-up training;
- ancillary income (financial, including savings books);
- physical assets. The applicant may have a strong incentive to sell an asset so that the need for transfer income decreases⁴².

The notion of income and assets, which allows for the reduction of the minimum social income, is broader than in the French case, where income from work and transfers are mainly taken into account⁴³. However, this understanding should become looser with the introduction of the *Bürgergeld*, the new citizen's income, from January 2023. Occupied primary residences will no longer be included in the cost of housing, as will pension contracts and current accounts (up to 15,000 euros).

Source: Second book of the social code; specialized site Finanztip; mission; translation deepl.com.

Box 7 Second book of the Social Code, paragraph dealing with the application for rights *Arbeitslosengeld II*

§ 37 Requirement for an application

(1) The benefits provided for in this Book shall be granted on application. The benefits referred to in Article 24(1) and (3) and the benefits to cover the needs referred to in Article 28(5) shall be claimed separately.

(2) Benefits under this book shall not be paid for periods prior to the filing of the claim. A claim for livelihood benefits is retroactive to the first day of the month.

³⁹ This concept is different from that of the French tax household, in that it takes into account the persons actually living with the beneficiaries (roommates, cohabitants).

⁴⁰ Presentation to the mission by the BA management team, October 2022.

⁴¹ *Vademecum of the procedure to obtain the ALG 2* - https://www.arbeitsagentur.de/datei/ausfuellhinweise-zum-antragsvordruck-arbeitslosengeld-ii-englisch_ba147466.pdf

⁴² Interview with a counselor at the Barnim *Jobcenter*, November 2022.

⁴³ French Family Allowances website - <https://www.caf.fr/allocataires/aides-et-demarches/droits-et-prestations/vie-professionnelle/le-revenu-de-solidarite-active-rsa>. An evaluation of the lifestyle is carried out for the calculation of the RSA in which certain elements of the movable or immovable assets held in France or abroad by the members of the household are taken into account: built or unbuilt property owned or occupied by the household; work, utilities and maintenance costs of buildings owned by the household; automobiles, pleasure boats and motorcycles owned by the household; household appliances, sound-hifi-video equipment and computer equipment owned by the household; travel, stays in hotels, seasonal rentals, restaurants, entertainment costs, cultural, educational, communication and leisure goods and services.

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Source: Gesetze-im-Internet; deeppl.com.

Since January 1, 2022, the amount of the ALG 2 is €449 for a single person (compared to €598 for the RSA) and €808 for a couple (compared to €898 for the RSA). A supplement per dependent child, depending on age, is granted: it ranges from 285 to 376 € between 0 and 25 years old⁴⁴. These allowances are in fact *maximums* and depend on the additional income the beneficiaries may have. As long as the beneficiary meets his or her behavioral obligations, he or she can receive ALG 2.

Jobcenters, managed either by the Bundesagentur für Arbeit (BA) and the intermunicipality or by the intermunicipality alone, provide support to SGB II jobseekers. The BA is the main player in the German PES and is a federal agency present throughout the country, with 100,000 FTEs and extended powers since 2005.

1.2. Organization of the public employment service (PES): the German public employment service is based on the Bundesagentur für Arbeit, which has broad powers since the Hartz reforms, and the municipalities (Kreise)

1.2.1. The Bundesagentur für Arbeit (BA) is a federal agency, the main operator of the public employment service (PES), governed by a tripartite system

1.2.1.1. The national agency was created in 1927 and is responsible for placing and compensating the unemployed

A national agency has been responsible for job placement and compensation since 1927, although municipal employment offices were formed from the 1920s onwards at the instigation of the trade unions⁴⁵. Founded in 1927 as *Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung*⁴⁶, the operator was renamed *Bundesanstalt für Arbeitsvermittlung und Arbeitslosenversicherung*⁴⁷ in 1952 and *Bundesagentur für Arbeit*⁴⁸ (BA) in 2003. After reunification, this operator of the Federal Republic of Germany (FRG) was extended to all German Länder. Regional offices were established in the former German Democratic Republic (GDR).

A separation existed between the federal agency (responsible for the placement and compensation of contributing jobseekers) and the municipalities responsible for social welfare since the formation of the German Federal Republic⁴⁹. In this way, the employment agencies did not take over the responsibility for jobseekers once their benefit period was over.

⁴⁴ Website of the German Federal Ministry for Social Affairs - <https://www.bmas.de/DE/Arbeit/Grundsicherung-Arbeitslosengeld-II/Arbeitslosengeld-II/artikelseite-arbeitslosengeld-2-sozialgeld.html>

⁴⁵ Krämer: *Die Berufsberatung in Deutschland von den Anfängen bis heute. Eine historische Skizze.* IBV, 2001 - https://doku.iab.de/ibv/2001/ibv1601_1097.pdf.

⁴⁶ Imperial Employment and Unemployment Insurance Office.

⁴⁷ Federal Agency for Employment and Unemployment Insurance.

⁴⁸ Federal Labor Agency.

⁴⁹ Inspection générale des finances (IGF), *Etude comparative des effectifs des services publics de l'emploi en France, en Allemagne et au Royaume-Uni*, 2010.

In addition, there was a separation between the referral, compensation, and general administration departments in the agencies⁵⁰. Each of these services had its own hierarchy at the regional and federal level, which hindered collaboration between teams and multiplied objectives. In addition, a "placement scandal"⁵¹ in 2002, in which the trade press revealed statistical manipulation of the placement rates communicated to the public, occurred at the same time as the Hartz Commission on the functioning of the main PES operator was preparing to make legislative recommendations on the functioning of the PES.

1.2.1.2. With the Hartz laws, the Bundesagentur für Arbeit has strengthened its competences in supporting jobseekers who are entitled to benefits, while at the same time it now shares social assistance with the municipalities

The Hartz laws (cf. 1.1.3.2The Hartz laws (see 1.1.3.2) **maintain for the BA the exclusive competence of the contributory unemployment insurance scheme under the third book of the Social Law Code (SGB III).**

By amending the second book of the Code of Social Law (SGB II, cf. 2.2In the 2000s, the BA also became responsible for the support of jobseekers and households in precarious situations (allocation of the minimum subsistence income *Arbeitslosengeld II* and the associated contract for the SGB II) **through the "Hartz IV" law.)**

Finally, the functions of the BA can be classified into six categories with regard to the public employment service (see Box 8). box 8) :

- ◆ intermediation and placement of job seekers ;
- ◆ services to employers and apprentices ;
- ◆ career *coaching*, career guidance to job seekers and employed people⁵² ;
- ◆ labour market information;
- ◆ Activation programs for job seekers (training, internships, job shadowing, subsidized employment in the market sector);
- ◆ the payment of indemnities.

⁵⁰ *Ibid.*

⁵¹ *Spiegel* article in 2013 on the subject - <https://www.spiegel.de/wirtschaft/soziales/arbeitsagentur-manipuliert-laut-rechnungshof-vermittlung-statistik-a-907356.html>

⁵² As noted in a 2010 report by the Inspectorate General of Finance, "*the Bundesagentur für Arbeit is also responsible for the vocational guidance of young people and adults wishing to enter the labor market (§ 29 SGB III). Services for employers include recruitment and employment advice, intermediation, financial support for the hiring of apprentices and jobseekers who are far from the labor market*" ⁵²

Box 8 Tasks of the *Bundesagentur für Arbeit* as of 2005

The tasks of the *Bundesagentur für Arbeit* are :

- **to conduct specific activation programs**, such as immersion courses, assisted contracts, apprenticeships (articles 1 and following of SGB II and SGB III);
- **Service for employers and trainees.** The laws require the *Bundesagentur für Arbeit* to develop a service offer for employers, job seekers, employed persons wishing to change jobs, vocational training institutions (§ 3 SGB III), as well as for persons receiving social benefits (SGB II);
- **intermediation and placement.** The BA is entrusted by § 6 of the second book of the Social Code with the role of integrating job seekers into the labor market and, in this capacity, provides a placement role for EDs. This role applies to both SGB II and SGB III. The BA thus ensures that the level of service is "*uniform*", whether it is provided in the agencies or in the *Jobcenters* co-managed with the intermunicipalities. The final placement on the labor market is at the heart of the objective and strategy following the diagnosis for each job seeker;
- **career guidance** (§ 29 of the third book) to "young people and adults who participate or wish to participate in working life". Before 2020, career guidance was concentrated on young people (students, high school students, apprentices)⁵³, while from 2020 onwards an offer was launched for all people accompanied by the ED, so that the latter would have access to guidance "throughout their working life"⁵⁴;
- **payment of indemnities**, as detailed in § 29 of the third book and § 19 of the second book;
- **information on the labor market**, an obligation for the agency under Chapter 7 of the third book of the Social Code.

Source: Second and third books of the social code.

The Hartz III Act of 2003 reorganized the internal functioning of the BA by :

- ◆ renovating the administrative organization of the BA. A three-headed executive management (director and two deputy directors) has been established and the regional management has been strengthened in its autonomy of means;
- ◆ introducing new performance-based management tools for the agencies;
- ◆ simplifying compensation law and remedies;
- ◆ simplifying the tools available to the BA.

1.2.1.3. Tripartite governance characterizes the BA at all levels

Tripartism characterizes the governance of the *Bundesagentur für Arbeit*, especially at the federal level. The Board of Directors is composed of equal numbers of representatives of the federal and *state governments*, employees' representatives and employers' representatives (seven members in each case with alternates, cf. box 9). The members are appointed for a period of six years, and the term of office of the members is set by the Federal Council, which is the only one of its kind in Germany. The members are appointed for six years (§ 375 of the third book of the Social Code).

The executive committee⁵⁵ is composed of an executive director, a director of regions, a director of resources, a director of services and services.

⁵³ Inspection générale des finances, *Etude comparative des effectifs des services publics de l'emploi en France, en Allemagne et au Royaume-Uni*, 2010, p. 30.

⁵⁴ BA, *Annual Report 2021*, p. 48.

⁵⁵ Official website of the BA.

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Box 9 How the governance of the *Bundesagentur* works at the federal level

All members of the Board are formally appointed by the Federal Ministry of Labour and Social Affairs. The members of the "group of public entities" were at the end of 2021 three representatives of the federal ministries (labour and social affairs, education and research, economic affairs and energy), who can be replaced by representatives of the federal ministries of finance and labour and social affairs. The other representatives of the group are from the ministries of the *Länder* responsible for economic affairs - two members, the association of German cities and the metropolis of Hamburg.

The board of directors supervises the executive committee and approves the budget as well as the strategic plans prepared⁵⁶ by the executive committee (§ 71a of the fourth book of the Social Code). It also votes on amendments to the articles of association, which must, however, be approved by the federal ministry responsible for labor⁵⁷. **The Board of Directors also votes on the nomination of the director or general manager to the President of the Republic⁵⁸.**

To ensure that the Board of Directors and the Executive Committee work well together, there is a *praesidium* composed of the Chairman of the Board of Directors, the Vice-Chairman and a "spokesperson" for the group of public entities⁵⁹.

Source: Annual Report; BA presentation to the mission in October 2022.

At the regional level, the three groups mentioned above (public entities, employee representatives, employer representatives) are also represented in an advisory council, which the regional directorates must rely on.

1.2.1.4. The Bundesagentur für Arbeit has 100,000 FTEs throughout Germany, pays out €36 billion in benefits and spends €22 billion on return to work

1.2.1.4.1. The BA has over 100,000 full-time equivalents by 2021

As of September 2022, the BA has 101,040 full-time equivalents (FTEs), including 56,000 serving the so-called SGB III population (on unemployment insurance) and 39,484 at SGB II (on social minimum).

Table 5 Number of FTEs at the *Bundesagentur für Arbeit* (2020)

2021	Legal district SGB III	Legal district SGB II	Family Allowances	Total
Number of FTEs	56 000	39 484	5 556	101 040
<i>of which senior managers</i>	4 301	N.D.	N.D.	N.D.
<i>of which specialized experts</i>	29 907	N.D.	N.D.	N.D.
<i>of which specialized assistants</i>	20 311	N.D.	N.D.	N.D.

Source: Social balance sheet of the Bundesagentur für Arbeit, September 2022.

⁵⁶ BA presentation to the mission, October 2022, Annex II - https://www.arbeitsagentur.de/datei/annual-report-2021_ba147543.pdf

⁵⁷ *Id.*

⁵⁸ SPIEGEL Politik, "Nagles offiziell als Arbeitsagentur-Chefin vorgeschlagen", April 2022.

⁵⁹ *Id.*

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The total number of BA staff has changed little with the change in the number of clients: the number of FTEs has decreased from 105,000⁶⁰ in 2010 to 101,000⁶¹ (-4 percent) in 2020, while the number of unemployed persons counted by the BA has decreased from 3.2 million⁶² to 2.6 million (-19 percent, see table 6).

**Table 6 Development of the number of job seekers
in relation to the number of FTEs employed by the *Bundesagentur für Arbeit***

	2010	2015	2020
Number of job seekers (in millions, BA definition)	3,2	2,8	2,6
Number of BA FTEs (in thousands)	105	95	101
Job seekers per FTE	30	29	26

Source: Inspection générale des finances (IGF), Etude comparative des effectifs des services publics de l'emploi en France, en Allemagne et au Royaume-Uni; BA annual reports; mission.

The general level of education of the staff is high. The levels of responsibility of the employees, on which the salary levels of the *Bundesagentur's* civil servants and contractual employees depend, are summarized by the "activity level" (*Tätigkeitsebene*). More than half (29,907 out of 56,000) of the SGB III staff (agency staff, head office, support function) are at activity level I to IV, i.e. with *at least* a university degree⁶³.

In September 2022, 7.4% of the workforce was on fixed-term contracts, while approximately 3.7% of the workforce was in training or apprenticeship. Finally, a quarter of the workforce is over 55 years old.

The 101,300 FTEs are distributed in Germany in :

- ◆ **the central offices in Nuremberg;**
- ◆ **10 regional offices ;**
- ◆ **156 employment agencies, with 600 sites. In comparison, Pôle Emploi has 915 sites in France⁶⁴ (see Box 10). box 10) ;**
- ◆ **302 job centers managed in cooperation with the intermunicipalities.**

In total, more than 90,000 FTEs are located in the regional directorates or agencies (cf. table 7).

⁶⁰ Inspection générale des finances (IGF), *Etude comparative des effectifs des services publics de l'emploi en France, en Allemagne et au Royaume-Uni*, 2010.

⁶¹ BA, *Annual Report 2021*.

⁶² BA figure quoted by the *Bundeszentrale für Politische Bildung* in a blog post - <https://www.bpb.de/themen/deutsche-einheit/lange-wege-der-deutschen-einheit/47242/der-lange-weg-zur-einheit-die-entwicklung-der-arbeitslosigkeit-in-ost-und-westdeutschland/>.

⁶³ Job offer for a *Jobcenter* mentioning the qualifications required to apply - https://www.jobcenterkoeln.de/wp-content/uploads/2021/05/Ausschreibung_Infrastruktur_05-21-1.pdf.

⁶⁴ Key figures" page of the Pôle Emploi website - <https://www.pole-emploi.org/poleemploi/chiffres-cles/nos-chiffres-cles.html?type=article>.

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The distribution of staff per *Land* is a function of the number of unemployed to be supported: the correlation coefficient between the number of unemployed in a *Land* and the number of BA staff in that *Land* is over 0.9⁶⁵. The number of unemployed (SGB II and SGB III⁶⁶) per FTE of the BA ranges from 22,000 to 1 (Bavaria) to 33,000 to 1 (North Rhine-Westphalia), but with a standard deviation of 4,000 to 1. This means that at the regional level, the number of BA staff in relation to the number of unemployed is relatively comparable from one *Land* to another⁶⁷.

The remaining 11,000 FTEs at the BA are made up of FTEs employed by the *Zentrale*, 1,500 FTEs at the central computer office (see Table 1), and the remaining 1,500 FTEs at the central computer office (see Table 2). table 7), the FTEs of the service center management (call center, 1,500 FTEs), and the training and think tank institutes under the BA.

Box 10 The Pôle Emploi network in France

Pôle Emploi has 915 local branches and Pôle emploi relays throughout metropolitan France and in the overseas territories.

The network is steered in a top-down manner, by a general management assisted by support departments, regional, departmental, territorial departments and agencies. A dose of autonomy, *via* the "performance through trust" approach was introduced in 2018.

In 2021, the 52,417 agents represent 48,221 full-time equivalent employees (FTE). Of these, 67% are in the "service relations" sector, and 5,726 are dedicated to corporate relations. Around 79% of the workforce in 2021 will be working in the agencies.

Source: Pôle Emploi website.

⁶⁵ Calculations of the mission, based on the figures of the number of unemployed in 2021 per *Land* available on the website of the *Land* of Baden-Württemberg - https://www.statistik-bw.de/Arbeit/Arbeitslose/AL_arbeitslosenQuote.jsp As the regional directions of the BA do not correspond exactly to the boundaries of the *Land*, only the territories with an exact correspondence (7 regions) have been taken into account.

⁶⁶ The mission was not able to obtain the number of mediators per *Land*.

⁶⁷ However, the calculations do not take into account the impact of the differentiated presence of *Jobcenters* run solely by an intermunicipal authority in a *state*. By construction, a large number of independently managed *job centers* will have a negative influence on the number of FTEs of the BA in the region.

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Table 7 Geographical breakdown of the *Bundesagentur's* workforce in September 2022

Region	Total	of which permanent jobs	of which temporary staff	of which students	of which apprentices	of which trainees
Germany	101 040,2	93 826,4	7 213,8	1 531,1	2 228,2	169,3
Central	1 138,1	1 125,8	12,3	-	-	3,0
North	9 228,8	8 825,6	403,2	120,0	155,0	-
Lower Saxony-Bremen	10 498,2	10 015,7	482,6	169,5	235,0	43,0
North Rhine-Westphalia	21 421,6	19 858,8	1 562,8	389,6	443,0	3,5
Hesse	5 359,3	4 866,7	492,6	98,0	136,0	68,0
Rhineland-Palatinate-Saarland	5 777,7	5 303,4	474,3	116,0	165,4	15,5
Baden-Württemberg	9 616,4	8 655,7	960,7	143,0	278,8	6,0
Bavaria	11 897,1	10 952,8	944,4	174,0	313,0	3,0
Berlin-Brandenburg	10 809,9	10 160,2	649,7	189,0	157,0	1,0
Saxony-Anhalt-Thuringia	6 478,6	5 889,9	588,7	56,0	146,0	16,6
Saxony	5 175,5	4 716,0	459,5	58,0	101,0	5,0
Call center center	1 528,8	1 471,9	56,9	-	-	-
Caisse d'allocations familiales, direction	213,9	211,2	2,7	-	-	-
IAB (institute)	311,2	211,3	99,9	-	-	4,7
Computer systems company	1 498,1	1 480,2	17,8	18,0	96,0	-
Culture and Arts Academy	686,8	627,8	59,0	-	-	-
Applied University	166,9	132,5	34,4	-	-	2,0
Training Academy	86,9	81,1	5,8	-	2,0	-

Source: BA Social Balance Sheet, September 2022.

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From a business point of view, the mission - in the absence of precise data on the FTEs employed in the "SGB II legal district" - can only analyze the distribution of agents dealing with the SGB III population, i.e., recipients of contributory unemployment benefits.

Of the 55,367 permanent FTEs responsible for managing the SGB III population, 51% (28,464) are in direct or indirect customer support operational functions (September 2022 figures). Of these, 18,337 are in broadly defined mediation services, and this includes job placement (10,202 FTEs), career counseling (4,371) and employer services (3,970). The service centers, regionalized call centers, employ more than 5,000 FTEs. On average, BA estimates that placement staff have portfolios of 115.4 job seekers on average among SGB III⁶⁸

At the same time, 11,275 FTEs are responsible for administrative functions related to clients, i.e., case processing, appeals, collection, administrative formalities related to activation programs (20% of the workforce). The remaining FTEs are employed in internal management, support and IT services (13% of staff), family allowance management (8%), and other services including medical and psychological services (3,543 FTEs, 6% of SGB III FTEs).

Table 8 Breakdown by function family of FTEs under the SGB III regime, within permanent jobs, in September 2022

Type of mission	Number of FTEs	As a % of total
Operational	28 464	51 %
Administrative for customer and collection	11 275	20 %
Internal and IT	7 429	13 %
Other of which medical	3 543	6 %
Family Allowances	4 656	8 %
Total	55 367	100 %

Source: BA social balance sheet of September 2022; mission calculations.

1.2.1.5. The Bundesagentur für Arbeit pays out more than €36 billion in benefits and admits €22 billion in costs for supporting jobseekers, of which about 60% is activation expenditure ^{*69}

In 2021, the Bundesagentur's revenues will consist of approximately 85% social security contributions (about €30 billion), 12% reimbursement by the federal government of the administrative costs of administering social assistance (about €3.5 billion) and miscellaneous revenues (3%). Although the BA pays out the majority of the *Arbeitslosengeld II* benefits (€16.7 billion out of €21.7 billion⁷⁰), these financial masses are not recorded in its balance sheet as income or expenditure. A similar observation can be made with regard to family allowances, which correspond to €47.7 billion in benefits in 2021 (i.e., 1.4% of GDP) and are paid out by funds managed by the *Bundesagentur* (4,000 FTEs in 2021).

⁶⁸ In comparison, this ratio is 114.9 among SGB IIs over age 25. For social minimum recipients under age 25, the ratio is 58.7 applicants per placement officer.

⁶⁹ The scope of expenditures in the Bundesagentur's accounts is different from that in the European Commission's and OECD's labor market expenditure accounts.

⁷⁰ BA written response, January 2023.

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In 2021, excluding compensation for short-time work, insolvency and family allowances, the *Bundesagentur* will pay out €36.2 billion in benefits⁷¹ and will allow €18.3 billion of expenditure to be earmarked for the public employment service (see table 9 This does not include partial unemployment.) From a simplified point of view, this corresponds to :

- ◆ 36.2 billion in conditional benefits to job seekers:
 - 19.5 billion in contributory benefits;
 - 16.7 billion in non-contributory allowances, €5.0 billion in ALG 2 being paid by the zkt⁷² ;
- ◆ 9.5 billion in activation expenses and various aids, including :
 - 2.2 billion in continuing education ;
 - 2.7 billion for work participation of able-bodied disabled workers;
- ◆ 8.8 billion in operating costs⁷³ including :
 - 6.0 billion to support SGB III ;
 - 2.8 billion to support SGB II.

Table 9 Detailed accounts 2020, 2021 and 2022 (budget) of the *Bundesagentur für Arbeit* (BA), in thousands of euros

	2020	2021	2022
Revenue - Chapter 1	33 678 141	35 973 823	36 908 970
Contributions	28 235 644	29 544 000	30 779 000
Reimbursement of administrative costs SGB II	3 507 697	3 815 405	3 693 539
dar: SGB II services in chapter 5	706 545	860 900	800 900
Winter Employment Levy	450 099	455 000	506 000
Levy for insolvency compensation	629 803	1 316 000	1 013 000
Reimbursements and administrative revenues	854 898	843 418	917 431
European Social Fund (ESF)	100 103	65 900	34 900
Reimbursement of administrative costs	480 085	527 390	577 968
Resources from the compensation tax	117 200	93 400	112 600
Interest and income	2 755	1 800	350
Administrative revenue and other refunds	154 754	154 928	191 613
Expenses	61 013 363	45 622 425	38 244 561
Active promotion of work (sum of chapters 2 and 3)	30 271 505	15 586 150	12 108 278
Promotion of continuing education (Chapters 2 and 3, without rehabilitation)	1 588 243	2 191 000	2 240 000
Chapter 2	2 922 929	3 553 000	3 505 678
Decentralized budget	2 869 988	3 533 000	3 480 678
is represented. Continuing Education Budget	1 538 784	2 000 000	2 000 000
of training. Continuing education for employees	542 966	890 000	900 000
Activation and job placement § 45 SGB III	282 617	350 000	350 000
Insertion Grants	301 189	340 000	340 000
Assisted training	34 961	45 000	120 000
Innovative approaches	890	5 000	5 000
Promotion of Youth Homes	3 952	10 000	10 000
Basic course § 421 SGB III	371	0	0
Chapter 2 SodEG Grants	47 728	5 000	10 000
Chapter 3	27 348 577	12 033 150	8 602 600
Promotion of professional training	465 105	501 500	502 600
Vocational and Secondary Education Assistance BAB	291 214	319 500	312 600
Costs of the bvB measure	173 891	182 000	190 000

⁷¹ 6 billion in partial or seasonal unemployment benefits (*Kurzarbeit*) were paid in 2021, compared to more than €20 billion in 2020, as the periods of administrative confinement were less important

⁷² BA management presentation to the mission, October 2022.

⁷³ These costs include human resources and IT costs.

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	2020	2021	2022
Participation of people with disabilities in the workplace	2 567 345	2 710 050	2 737 200
Unemployment benefit for continuing education	1 269 419	1 370 000	1 420 000
Promotion of professional diplomas after the fact	49 459	191 000	240 000
Benefits in the event of cyclical short-time working	22 067 599	6 050 000	2 260 000
Partial unemployment benefit (Kug)	12 576 394	3 560 000	1 482 000
First OAS contributions in case of an allowance or seasonal allowance (beitr.fin.)	9 491 205	2 490 000	778 000
First, training costs in case of family allowances	-	60 000	40 000
Benefits in the event of seasonal short-time work	255 418	320 000	380 000
Transfer services	207 691	259 000	450 000
Investment bonds	5 080	15 000	15 000
Expenses refinanced separately	460 042	554 450	555 600
is. Promotion of year-round employment	356 396	430 000	430 000
Winter Allowance	168 369	180 000	180 000
SA Reimbursement for Seasonal Allowances (financial breakdown)	188 027	250 000	250 000
Promotion of people with severe disabilities	101 235	120 000	120 000
Others in chapter 3 (Atg, HSA, Inst. Förd.)	1 418	2 150	2 200
Chapter 4	21 959 156	20 829 000	16 911 500
VR and PV Reimbursements	128 464	130 000	134 000
Unemployment benefits / first payment to foreign insurance institutions	20 617 175	19 099 000	15 877 500
Insolvency compensation	1 213 517	1 600 000	900 000
Administration (Chapters 5 and 6)	8 782 701	9 207 275	9 224 783
<i>for the record: third party financial participation 2) for</i>	<i>3 987 782</i>	<i>4 342 795</i>	<i>4 307 190</i>
<i>Family allowance funds (and other mandate issues)</i>	<i>480 085</i>	<i>527 390</i>	<i>577 968</i>
<i>Performance of tasks and services SGB II</i>	<i>3 507 697</i>	<i>3 815 405</i>	<i>3 693 539</i>
<i>Digitization of the administration and continuing education portal</i>	<i>0</i>	<i>0</i>	<i>35 683</i>
Chapter 5	6 076 389	6 330 538	6 384 244
Reimbursement of moving expenses	481 063	481 064	481 065
BA Administration and SGB Services III	5 595 326	5 849 474	5 903 179
Personnel costs (including administrative assistance)	4 134 833	4 317 100	4 329 412
Direct personnel expenses	3 889 167	4 208 860	4 226 822
Indirect personnel costs	94 102	108 240	102 590
Allocation to the BA Pension Fund	151 565	0	0
Other administrative expenses (excluding administrative assistance)	1 460 492	1 532 374	1 573 767
Infrastructure	577 512	550 810	564 110
Information Technology	672 403	688 474	722 200
Other operating expenses	210 577	293 090	287 457
Chapter 6	2 706 313	2 876 737	2 840 539
Staff costs for core tasks SGB II ³⁾	2 697 748	2 842 580	2 801 761
are represented. Endowment of the BA Pension Fund	19 554	0	0
Supralocal tasks SGB II (üKo - without staff) ⁴⁾	8 564	34 157	38 778
dar. Information Technology	3 066	27 524	32 800
Financing balance	-27 335 222	-9 648 602	-1 335 591
Contribution (+) / withdrawal (-) of reserves financed by distribution	-566 808	-334 209	99 257
Allocation (+) / withdrawal (-) to general reserves	-19 855 727	-5 968 000	0
Repayment of federal loan (+) / loan / grant (-)	-6 912 687	-3 346 393	-1 434 848

Source: BA.

In 2021, the benefits paid to SGB II and SGB III represent about twice the cost of accompanying job seekers. For the population receiving unemployment insurance benefits, the administration costs of the largest operator (the BA in Germany) represent about 30 percent of the benefits paid, compared to about 12 percent in France (cf. table 10).

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Table 10 Comparison between Germany and France of orders of magnitude of annual expenditures for job seekers in 2021

	Germany	France
Annual social minimum expenditure (ALG 2 and RSA in billion €)	21,7	15,0
Contributory unemployment insurance (in billions of euros)	19,1	38,7
Total benefits paid (in billions of euros)	40,8	53,7
Number of unemployed receiving unemployment benefits (in millions)	0,9	2,6
Operating expenses of the BA / Pôle Emploi	5,8	4,5
Ratio of operating expenses of the main operator (SGB III in Germany) / contributory benefits paid	30 %	12 %

Source: Presentation to the Mission in October 2022; Report of the Cour des Comptes on the Active Solidarity Income, 2022; UNEDIC annual report, 2021; BA statistical portal; official site of the Pôle Emploi; DARES employment expenditure review, 2021; Mission.

1.2.1.6. The 156 local BA agencies are the BA's local contacts

The local offices of the Bundesagentur are 156 and spread over more than 600 locations in Germany⁷⁴. Each agency has several locations, all under the same management. The agencies have about 100 FTEs, so that they can offer all the services that correspond to the Bundesagentur's competencies.

The agencies thus have a majority of placement staff in their operational teams in contact with clients. The BA's 2022 social report shows 26,585 FTEs in the operational area of the agencies, of which 17,783 are in direct contact with clients. Of these, 53% are responsible for placement, i.e. 9,506 FTEs, not including the 5,464 FTEs engaged in "general mediation". During its visits to Nuremberg, to the city center branch and to the Häublin *job center*, to the Mitte branch in Berlin, to Barnim (a co-managed *job center*) and to Bad Belzig (a *job center* managed by the local authority), the mission was able to obtain confirmation from the management teams (in particular *through* presentations) of the central role of job placement in their service offer.

The agencies are organized in a similar way at the federal and regional levels: a director is assisted by a director of resources and a director of supply⁷⁵. The latter are responsible for thematic services (specific programs, orientation, coaching) and support services (data, IT, finance).

Customer centers", call centers available without appointment, make it possible to relieve local agencies of logistical and legal questions from policyholders and clients. Thus, while physical reception remains in the agencies, the vast majority of interviews are scheduled⁷⁶, despite the development of appointments by video after the outbreak of the covid-19 pandemic.

1.2.2. The intercommunities manage or co-manage the *Jobcenters*, the local level for jobseekers not receiving unemployment benefits

While the management of social assistance was historically a competence of the intermunicipalities (cf. sidebar 11), the Hartz IV law provided that *job centers* for this SGB II population could be managed:

⁷⁴ In comparison, France has 915 Pôle Emploi agencies and relays and 343 local missions.

⁷⁵ Presentation of the Nuremberg-Center agency to the mission, October 2022.

⁷⁶ Visit to Nuremberg in October 2022.

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- ◆ **jointly by the BA and the communities, which is the case today in three quarters of the cases;**
- ◆ **by the inter-municipalities alone (*zugelassene kommunale Trägern, zkT*);**
- ◆ **by the BA only.**

Indeed, paragraph 6 of the second book of the Social Law Code (SGB II) as amended by the Hartz laws entrusted:

- ◆ The *Bundesagentur für Arbeit*, a federal agency, is responsible for the integration of jobseekers into the labor market (guidance, counseling, placement), as well as for the payment of the *Arbeitslosengeld II* allowance, the latter being financed by federal tax resources;
- ◆ to the *Kommunen*⁷⁷ social assistance services (§ 16a - SGB II), the administration of housing and heating assistance (§ 22), clothing assistance and school transport allowance (§ 23, 3rd paragraph). These competences for the support of people who are able to work are without prejudice to the competences of the local authorities for the social support of the unemployable (*nicht erwerbsfähig*).

However, the Federal Constitutional Court in Karlsruhe ruled on December 27, 2007, that the joint management scheme between the federal level and the municipalities was contrary to the Basic Law, because the pooling of resources was contrary to the separation of powers between the federal state and the *Länder*. The existence of *job centers* run solely by the BA also violated this principle. Although a reform of the Basic Law came into force in July 2010 to allow the maintenance of "job centers" (co-managed *job centers*), the political compromise that made this possible also included an extension of the model of a single-tier municipality (*zkT*) to about 40 new *municipalities* and the disappearance of centers managed solely by the BA.

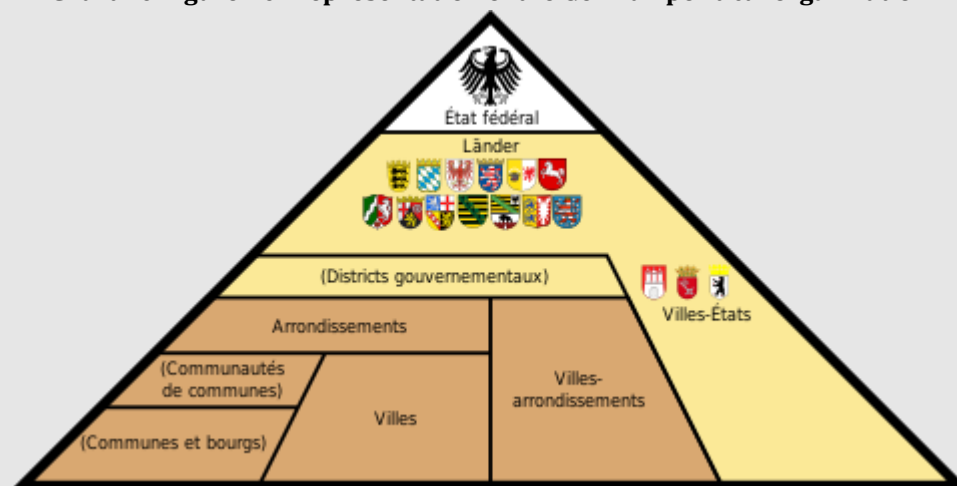
⁷⁷ That is, the inter-municipalities (*Kreise*) and the independent cities (*kreisfreien Städte*).

Sidebar 11 The main administrative levels in Germany

The Federal Republic of Germany is composed of four main administrative levels:

- the federal state;
- 16 *Länder* including 3 city-states (Berlin, Hamburg and Bremen) with the same prerogatives;
- 401 *Kreise*, 294 Landkreise, which group together several municipalities and correspond to the districts, and 107 Stadtkreise, which are cities with the status of a district (e.g. Nuremberg). This level has an average of 200,000 inhabitants and can be compared in France with the term "établissement public de coopération intercommunale" (EPCI) or intercommunality;
- the 10,785 communes (Gemeinde), communes in the French sense.

Chart 10 Figure 10: Representation of the German political organization



Source: Euro-Institute.

Source: Note from the National Center for Territorial Public Service; mission.

Today, the intermunicipalities accompany job seekers receiving unemployment benefits (SGB II) via :

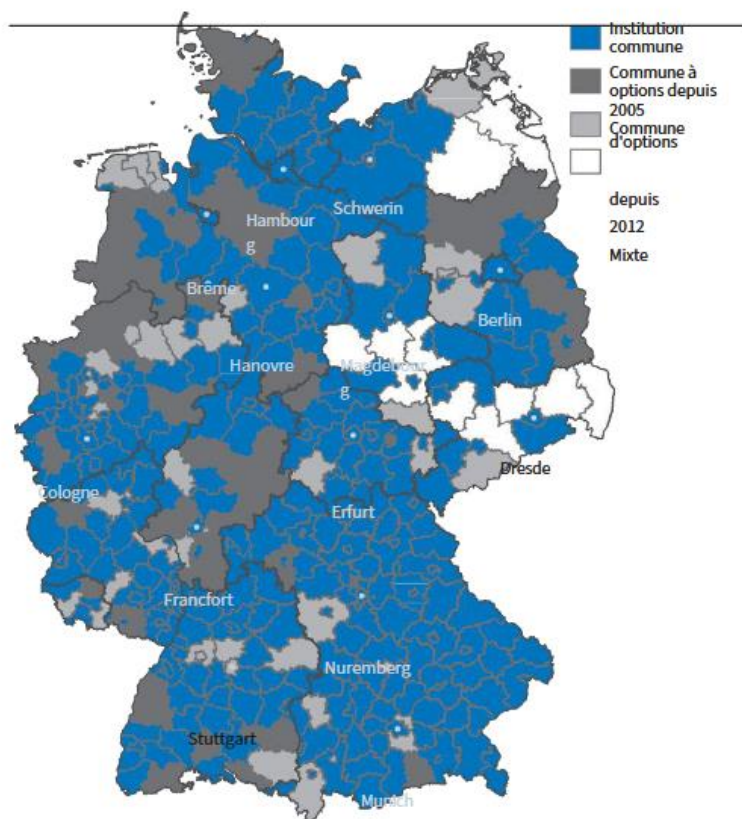
- ◆ **302 Jobcenters co-managed with the BA, bringing together 39,614 BA FTEs and 16,340 territorial staff;**
- ◆ **104 autonomously managed agencies** in all *Länder*. Only the metropolises (city-states) of Berlin, Bremen and Hamburg, whose competences are *almost* identical to those of the *Länder*, do not have zkT-type *job centers* (cf. chart 11). The mission estimates the number of FTEs employed at about 11,000⁷⁸.

⁷⁸ For the autonomously managed *job centers* (*zugelassene kommunale Träger*), the mission was unable to obtain aggregate data. Therefore, a coefficient equal to 104/69 was applied to the number of staff in the inter-municipalities managing the *Jobcenters* alone in 2010, as estimated by the IGF mission of 2010 that studied the staffing of public employment services in France, Germany and the United Kingdom (7,798, p. 26 of annex III of the report), the number of *Jobcenters* co-managed having increased from 69 to 104 since 2010. Then a coefficient of 0.96 is applied to the resulting figure, assuming that the *jobcenters'* staff reductions are proportional to those of the BA. **This results in 11,283 FTEs.**

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Chart 11 Map of *Jobcenters* run solely by local authorities in Germany (data from 2020)

Institutions communes et communes à option dans les 402 Landkreise et villes indépendantes (2012)



Source: IFO Institute; BA.

1.2.3. Other private and public actors play a role in the PES, particularly in the areas of training and integration

1.2.3.1. The intermunicipalities have non-profit integration structures

In Germany, there are limited liability non-profit companies (*gGmbH*, *gemeinnützige Gesellschaft mit beschränkter Haftung*), in which the intermunicipal authorities are the sole shareholders, specialized in the integration of vulnerable people. In effect, this allows local authorities to create more flexible structures - they can, for example, open so-called "solidarity" stores and collect revenues, while bringing together many functions related to social assistance in the same teams (support for the unemployed, language courses for foreigners, support for families).

Sidebar 12 Elements of the *Noris-Arbeit* in Nuremberg

The mission met in October 2022 with the management team of the City of Nuremberg's non-profit limited liability company (*Noris-Arbeit* Nurnberg, or NOA).

Led by an executive director and project managers, NOA conducts three types of projects:

- integration of jobseekers, *through* the opening of *Ein Euro Jobs* reception structures. For example, the UNIKAT store employs several dozen long-term unemployed people for an average of three hours a day, with the aim of helping them find a job. Similarly, workshops in the north of the city dismantle electrical equipment or make furniture from recycled wood for resale. Finally, solidarity cafés employing long-term unemployed people are managed by NOA;
- language courses. On NOA's budget, language courses are organized for non-native speakers, some of whom are redirected by the local *Jobcenter*;
- social assistance services, available to families, dealing with various issues (e.g. transport, housing).

Source: Mission visit to Nuremberg in October 2022; official NOA website.

1.2.3.2. *Chambers of commerce play a central role in the apprenticeship market*

The chambers of commerce play a central role in the apprenticeship market. Thanks to their internal organization - comparable to that of France - the chambers⁷⁹ :

- ◆ Provide training organizations with data on entry-level workforce needs at companies;
- ◆ certify the types of contracts for which the *Bundesagentur für Arbeit* credits;
- ◆ support companies in their search for apprentices;
- ◆ act as mediators in case of conflicts between apprentices and companies.

1.2.3.3. *Facilities must be certified for BA training vouchers to fund training offered by third-party entities*

The placement of vocational training is entirely dependent on external actors, mostly limited companies. In order for the cost of the training to be covered by the BA and for a training voucher (*Bildungsgutschein*) to be issued to the jobseeker, these providers must be certified by a public or private certification body, which in turn is accredited by the Federal Accreditation Body for Training (*Deutsche Akkreditierungsstelle, DAkkS*)⁸⁰ . Thus, the BA finances vocational training for jobseekers from its own budget, taking into account the principle of non-fungibility of expenditure between SGB III and SGB II support⁸¹ , by accredited training institutions (*zugelassene Bildungsträgern*).

⁷⁹ E. Sasse, A. Habisch, *The German Chambers of Commerce and Industry*, Konrad Adenauer Stiftung, 2021 - <https://library.oapen.org/handle/20.500.12657/50410>.

⁸⁰ BA web page dedicated to training accreditation - <https://www.arbeitsagentur.de/institutionen/bildungstraeger/akkreditierung-zulassung>

⁸¹ From social security contributions for SGB III and from a federal government grant for SGB II. This segregation is reflected in the accounts, in the expenditure chapters.

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The policy of approving training providers by certifiers supervised by the *DAkkS* is recommended by an *ad hoc* advisory board, in which the *Bundesagentur* has a seat, provided for in § 182 of the third book of the Social Code. The training providers, most of which are private companies (joint stock companies or public limited companies of all types)⁸², are listed on the BA website.

However, the majority of the costs of workforce training are still borne by businesses and individuals. A 2019 study by the Organization for Economic Cooperation and Development (OECD) estimated that only 20 percent of the cost of job training for working people was borne by public persons, tied between the BA and the federal government and communities. Of the remainder, 53% was financed by companies (only for working people) and 47% by individuals. As of December 19, 2022, the mission does not have consolidated data for job seekers. The cost of continuing vocational training and apprenticeship in France is comparatively more borne by public entities (57 percent) than by companies (34 percent) or individuals (8 percent, cf. table 11).

Table 11 Comparison of the financing of vocational training for the active population in France and Germany

	Germany	France
State and local authorities	10 %	37 %
National PES Operator	9 %	16 %
Companies (in France, via skills operators)	43 %	34 %
Individuals	38 %	8 %
Other	-	6 %

Source: Jaune budgétaire "formation professionnelle" 2022 (2020 data) for France; OECD (2019 data) for Germany; Mission.

⁸² Research by the mission as an example on the BA site in the medical field, December 2022.

2. State of play on the five priority themes of the mission

2.1. Operational coordination of the different PES actors: the good coordination of the German PES is based on the central place of the *Bundesagentur für Arbeit* and its unique IS, as well as on a real accountability of the local authorities

2.1.1. The *Bundesagentur für Arbeit* is decentralized, but has an effective results-based management system

2.1.1.1. *The Bundesagentur's objectives are set annually at the national level and then distributed at the local level*

The "performance dialogue" created in 2004 primarily concerns the national management of the BA and the German Federal Ministry of Labour. The objectives of the *Bundesagentur für Arbeit* are determined by its Director General, a former Federal Minister of Labour, in conjunction with the government, within the framework of a contract of objectives provided for by law. The strategic orientations (*geschäftspolitische Ziele*) decided by the federal government, communicated in a letter of orientation (*Planungsbrief*) and included in a contract of objectives between the agency and the government (*Zielvereinbarung*), are limited in number and do not necessarily give rise to quantitative targets. In the performance dialogue, these targets are known in July, just before the start of the agency's budgeting exercise.

On this basis, a dialogue between the regional directorates and the federal directorate of the *Bundesagentur für Arbeit* takes place on the quantitative targets of the individual regions, especially with regard to the integration rates and the necessary activation and operational cost budgets. A series of budget conferences with counter-analysis at the federal level takes place in the autumn, before the board of directors approves the budget with region-by-region information by the end of the year n-1.

Contracts of objectives are then signed between the regional directorates and national management at the beginning of year n, and then between the regional directorates and the agencies. The process is repeated the following year, with a comparison of performance against objectives. This process does not preclude decisions by the regional directorates, sometimes in conjunction with the *Länder*, on active regional employment schemes⁸³.

2.1.1.2. *Local agencies are incentivized to perform but left free in the means to achieve their goals*

There are no obligations of means for local agencies, only obligations of results. The agencies depend on regional directorates and are subject to individual annual objectives (cf. sidebar 13), the achievement of which has an impact on the remuneration and career development of the management teams⁸⁴. However, the agencies are free to introduce whatever innovations they wish.

⁸³ Written elements transmitted to the mission, in January 2023.

⁸⁴ Interview with a *Jobcenter* manager in Brandenburg, November 2022.

Sidebar 13 List of agency monitoring indicators

Branch and *Jobcenter* managers are financially incentivized to meet performance targets, which are set for the coming year and are based on the local socio-economic context and previous years' results.

On their personal space, they enter the results achieved each month on the same information system, which allows immediate comparability between peers, on the part of the regional directors. This *reporting* frequency also provides the BA with recurring aggregate statistics on its actions.

Agencies are thus evaluated on the basis of:

1/ Socio-economic impact indicators, which account for 65% of the score. This includes:

- the employment avoidance rate (10%), which corresponds to the unemployment avoided for individuals whose future job loss is known (notification of dismissal, non-renewed contract), and for whom a job could be found before the first payment of unemployment benefits;
- the integration rate (25%), which corresponds to the gross percentage of job seekers who became employed (job or training);
- the integration rate after training (10%);
- the occupancy rate after BA proposals (10%), which corresponds to the rate of job seekers accepting the job or training proposals made;
- the sustainable integration rate (10%), which corresponds to the percentage of job seekers obtaining permanent employment.

2/ Management quality indicators (35%). This includes:

- an index of activity with the adolescent public (7%);
- an employee activity index (7%);
- an employer service activity index (7%);
- a customer satisfaction index (9%);
- an employee satisfaction index (5%).

Jobcenters that are co-managed by the municipalities and receive people who are able to work and eligible for the *Arbeitslosengeld II* social minimum are evaluated on three indicators related to the integration rate - for two of them - and the additional long-term unemployment rate (in relation to the socio-economic context).

Source: Presentation to the mission in October 2022.

2.1.2. Thanks to its extensive human resources and information system, the Bundesagentur is in charge of 81% of the public venues

2.1.2.1. The agencies rely on a common information system, which supports a uniform service offer in the countries

An IT department based in Nuremberg, the location of the BA's national headquarters, develops and maintains an information system based on :

- ◆ applications covering all of the agency's internal activities (placement, orientation, training (see Appendix VII);
- ◆ exposed services for users (websites, smartphone applications) that are in the process of being fully digitized ⁸⁵

This information system supports a uniform service offering in the country.

⁸⁵ Planned for the end of 2022 by the "Online access Act".

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The BA's "Strategy 2025" modernization plan includes a component on information systems, which includes increasing the use of external data based on the upcoming vote on a law to adopt a unique tax identifier (Steuer ID)⁸⁶.

2.1.2.2. In the co-managed Jobcenters, the BA has more staff and manages the business applications

The general management of the co-managed jobcenters is carried out by a manager from the BA or the intermunicipality, without any particular predefined rules. At the beginning of each fiscal year, a summary objective agreement is signed between the branch manager of the intermunicipality and the *job center* manager.

However, BA employees account for about two-thirds of the staff of the co-managed Jobcenters, i.e. 39,614 FTEs in 2021 out of a total of almost 56,000 FTEs⁸⁷. One third of the staff of the *Jobcenters* co-managed by the BA and the intermunicipalities is therefore made up of local government employees on secondment, as stipulated in the regulation⁸⁸ of the Federal Employment Agency on the delegation of powers in the area of civil servant law, pensions and discipline (BAZustAnO). As of December 31, 2021, approximately 16,340 FTEs employed⁸⁹ in the co-managed *Jobcenters* were territorial staff on secondment, in accordance with § 14 of the Civil Servants' Statute Law (BeamtStG).

The presence of local staff in the Jobcenters facilitates the cooperation of the agency with the social services of the local authorities in the area of childcare, psychosocial support, financial support, unemployment support and social housing⁹⁰, which are compulsory and optional responsibilities of the local authorities in Germany⁹¹.

The co-managed Jobcenters hosting the SGB IIs work on the same job seeker management application used by the BA agencies⁹². The applications, servers, middleware and *data centers* are used by both the agencies and the *job centers*. Sections 51 and 53 of the second book of the Social Code (SGB II) make the BA a central data collector⁹³, which explains the BA's predominance over the intermunicipalities in this area.

Thus, the transition of a recipient from SGB III to SGB II status⁹⁴ synonymous with the end of his or her entitlement to contributory unemployment benefits, does not lead to any break in the ability to follow up on the support as long as he or she remains affiliated to a co-managed jobcenter.

⁸⁶ Presentation to the IT Infrastructure Mission, *op. cit.*

⁸⁷ Data provided in writing by the BA in January 2023.

⁸⁸ Regulatory level standard.

⁸⁹ See footnote 78.

⁹⁰ Presentation at the Nuremberg *Jobcenter*, October 2022, p. 5.

⁹¹ Presentation of the competences of the communities by the European Committee of the Regions - <https://portal.cor.europa.eu/divisionpowers/Pages/Germany-Introduction.aspx>.

⁹² Presentation to the mission of the BA IT infrastructure by the IT department, October 2022, p. 13.

⁹³ However, the term data administration does not appear in the code.

⁹⁴ As long as its *Jobcenter* is co-managed by the BA and the intermunicipalities.

2.1.2.3. As everywhere in Europe, the protection of personal data frames the exchange of information between public actors

The General Data Protection Regulation (GDPR) 2016/679 of the European Parliament and of the Council of 27 April 2016 strictly regulates the transmission, between public persons or between public and private persons, of a certain amount of so-called "sensitive" data (health data in particular). Article 9 provides that the explicit consent of the individual is required for any transfer of health data concerning him or her. These principles also appear in the second book of the Social Code, in § 40 (box 14), as well as in the BA's data processing policy⁹⁵.

Thus, while such data may be anonymized and of interest for local, state, or federal study, this legal framework denies counselors the ability to use individually available data on peripheral brakes.

Box 15 § 40 of the second book of the Social Code

§ 40 General information

(1) The employment agency shall provide training and job seekers and employers with the opportunity to obtain appropriate information about training and job vacancies and training and job seekers.

(2) Self-information devices shall be used for counseling, job placement and career guidance. These must be adapted to technical developments.

(3) The employment agency may only include data on training applicants, jobseekers and employers in the self-information systems insofar as they are necessary for the placement and cannot be attributed by third parties to a specific or identifiable person. Data that can be attributed by third parties to a specific or identifiable person may only be incorporated with the consent of the person concerned. Upon request, a printed copy of the recorded data must be sent to the data subject. The employment agency may refrain from including data relating to training and work positions in the self-information devices if these are not suitable.

(4) Paragraphs 1 to 3 shall apply mutatis mutandis to the persons referred to in Article 39a.

Source: Gesetze-im-Internet; Mission.

2.1.3. The law provides for a real accountability of the intercommunalities that autonomously manage 104 Jobcenters

2.1.3.1. The existence of 104 zugelassene kommunale Trägern means that a model of full decentralization and a mixed model of decentralization coexist and raise important coordination issues

Legally, it is the Länder that have authorized an intermunicipal institution to organize and manage the support service for recipients of minimum social assistance on its own. In this way, § 6 of the second book of the Social Code gave the Länder the power to approve communal institutions responsible for the support of ALG 2 recipients, *via* an agreement establishing the *zugelassen kommunale Träger*.

⁹⁵ Article 8.4 of the document - https://www.arbeitsagentur.de/datei/privacy-policy_ba146730.pdf.

The *zkT job centers* are usually a department of the social affairs department of the intermunicipality, with the director of the department also heading the center⁹⁶. However, there are also cases where the *zkT* has functional autonomy from the intermunicipality.

The law (§ 6 of the second book of the social code) states that "*the federal state bears the basic expenses for job seekers, including administrative costs*". The intermunicipalities therefore only finance activation schemes that are distinct from those set up by the BA in a nearby territory, and which remain open to jobseekers who are nationals of the *zkT*⁹⁷.

There is no software at the *zkT*, so all of these structures have their own applications, generally acquired on the market, without interfacing with the BA's information system or that of the other Jobcenters.

In addition, when an SGB II job seeker moves from an intercommunity where he or she is monitored by a *zkT* to another intercommunity where the *Jobcenter* is co-managed, a summary of the support pathway must be edited by the *zkT*⁹⁸. The co-managed *Jobcenter* must then manually re-enter the information into the BA's information system.

2.1.3.2. The law provides for a real system of accountability of the municipalities having made this choice, towards the Länder and the Bundesagentur

At regular intervals, the *Länder* enter into target agreements with the *zkTs* under § 48b of the second book of the Social Code. This agreement must include stipulations on all services provided by the *job centers*.

Finally, the Social Code provides that the granting of benefits may be audited by the Federal Court of Audit (§ 6b of the second book of the Social Code).

The intermunicipal authorities that have decided to manage the PES without cooperating with the federal operator are finally legally obliged to provide the Bundesagentur für Arbeit with precise and complete statistics on their activity and job seekers, in accordance with § 51b of the second book of the Social Code.

These data are, in accordance with § 51b of the second book of the Social Code :

- ◆ standardized information on job seekers;
- ◆ vacancy lists;
- ◆ files of candidates for training courses;
- ◆ financial data on allowances ;
- ◆ statistics on the results of activation measures (e.g. training, apprenticeship).

This obligation allows the BA to have reliable statistics on employment and on the activity and performance of the various centers, and thus to guide the actors towards good practices (cf. sidebar 16). These statistics are compiled by the BA, in its capacity as a centralizing body (§53, cf. box 19), from a common database bringing together information from the Jobcenters and employment data from the social security bodies. The data may only be used on an anonymized basis in accordance with German data protection laws.

⁹⁶ Case in Bad Belzig, where the mission will visit in November 2022.

⁹⁷ Visit of the mission in Bad Belzig, November 2022.

⁹⁸ Visit of the mission in Bad Belzig, November 2022.

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Sidebar 16 Extract from § 51b of the second book of the German Social Code, amended by the law of December 24, 2003 (translation by deepl.com)

§ 51b Data processing by basic insurance institutions for job seekers

(1) The bodies responsible for basic insurance for jobseekers shall continuously collect the data required for the implementation of basic insurance for jobseekers. The Federal Ministry of Labour and Social Affairs shall be empowered to define by regulation, with the consent of the Bundesrat, the data to be collected in accordance with the first sentence, which are necessary for the purposes referred to in paragraph 3, including the procedure for their development.

(2) The communal bodies and the authorized communal bodies shall transmit to the Federal Agency the data referred to in paragraph 1 with an unambiguous identification feature, the personal data records with the customer number and the community of need number in accordance with section 51a.

(...)

(4) The Federal Agency shall, in consultation with the central municipal associations at federal level, determine the exact scope of the information to be transmitted in accordance with subsections 1 and 2, including an inventory report, and the deadlines for its transmission. It shall also regulate the nomenclatures to be used, the method of data transmission, including the data formats, and the structure, allocation, use and deletion periods for customer and community of need numbers in accordance with Article 51a.

Source: Gesetze im Internet; Mission.

Sidebar 17 Excerpt from § 53 of the second book of the Social Code

§53 Statistics and statistical reporting

(1) The Federal Agency shall compile statistics on the basis of the data it receives in connection with the implementation of basic insurance for jobseekers in accordance with section 51b and on the basis of the data submitted to it by the municipal bodies and the approved municipal bodies in accordance with section 51b. It shall be responsible for permanent reports and shall integrate the benefits provided for in this Book into labour market research and vocational training.

(2) The Federal Ministry of Labour and Social Affairs may specify the nature and scope as well as the facts and characteristics of the statistics and reports.

(3) The Federal Agency shall submit the statistics referred to in subsection (1) to the Federal Ministry of Labour and Social Affairs and publish them in an appropriate form. It shall ensure that the short-term information needs of the Federal Ministry of Labour and Social Affairs can also be met.

(...)

(5) The Federal Agency may make available to the Federal Statistical Office and the statistical offices of the Länder data and tables on labour market and basic protection statistics within its area of responsibility for the purpose of planning support and social reporting. It is authorized to transmit anonymized and pseudonymized individual data to the Federal Statistical Office and the state statistical offices for further analysis. (...)

(6) The Federal Agency shall be entitled to pass on data and tables from the statistics on the labour market and basic protection as well as anonymized and pseudonymized individual data (...) for exclusively statistical purposes to the competent departments of the municipalities and associations of municipalities which are responsible for carrying out statistical tasks in their area of responsibility.

Source: Gesetze im Internet; Mission.

2.1.3.3. The quality of service of zkTs compared to co-managed job centers is debated in the literature

One of the objectives of the *Hartz IV* law was to increase the effectiveness of the activation of the long-term unemployed - beneficiaries of *Arbeitslosengeld II* - by making ALG 2 a universal income conditional on the job seeker's efforts to improve his or her employability and return to work.

Some *Länder* have more zkTs as a proportion of the total number of municipalities than others, as shown in table 12. Excluding the extreme values of the city states (Berlin, Bremen and Hamburg), the proportion of intermunicipal areas with a zkT ranges from 10.42% in Bavaria to 50% in Saarland. The standard deviation is high (15%), which shows the regional diversity of the situations. In all the zkTs visited, the management teams told the mission of the quality of the model, due to the knowledge of the local fabric by the managing intermunicipality.

Table 12 Proportion, relative to the number of administrative intermunicipalities, of zkT per *Land*

Free city or <i>Land</i>	Number of zkT	Number of inter-municipalities and city-inter-municipalities	% of intercommunities with a zkT
Bremen	0	1	0,00 %
Hamburg	0	1	0,00 %
Berlin	0	1	0,00 %
Baden-Württemberg:	11	44	25,00 %
Lower Saxony	16	45	35,56 %
Bavaria	10	96	10,42 %
Brandenburg	7	18	38,89 %
Hessen	16	26	61,54 %
Mecklenburg-Vorpommern	1	8	12,50 %
North Rhine-Westphalia	18	53	33,96 %
Rhineland Palatinate	5	36	13,89 %
Saarland	3	6	50,00 %
Saxony and Saxony-Anhalt	12	27	44,44 %
Schleswig-Holstein:	2	15	13,33 %
Thuringia	4	22	18,18 %
Total	105	399	26,32 %⁹⁹

Source: Annex to the ordinance governing the organization of the zkT; Statistik Bundesamt; mission.

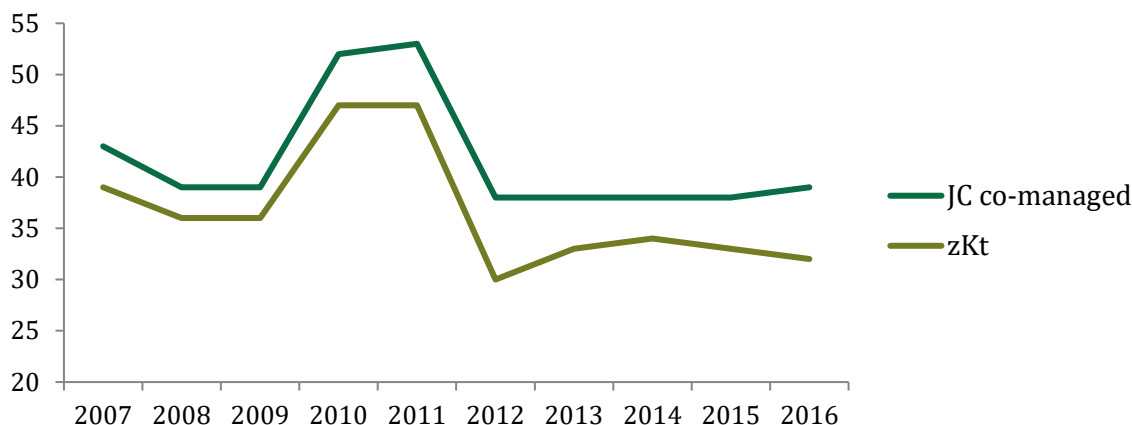
From a regional perspective, and excluding the special cases of city states, the *Länder* whose intercommunalities or city-intercommunalities are most likely to run their *Jobcenters* alone are most often those with the highest unemployment rates. The correlation coefficient between the percentage of intermunicipalities with a zkT and the percentage of the labor force receiving SGB II is positive at 35%, with a *p-value* less than 0.01¹⁰⁰.

⁹⁹ There is not always one *Jobcenter* (or an entity that may have several buildings) per intermunicipality or city-intermunicipality.

¹⁰⁰ Mission calculations.

This relationship is insufficient to prove that the presence of zkTs is unfavorable to employment and favorable to long-term unemployment. L. Mergele and M. Weber thus looked at the 41 co-managed *Jobcenters* that became zkTs after 2012¹⁰¹, over the period 2007-2016, as the treatment group, while the 294 co-managed *Jobcenters* constitute the control group. In the treatment group, "there is a decline in primary labor market placements in the option [communes], accompanied by an increase in assignments to one-euro jobs"¹⁰². This shows that applying corrections¹⁰³ results in a placement differential of 4 per 1,000 DEs per month in 2016.

Chart 12 Monthly gross placement rate in the "primary" labor market of 1,000 SGB II, by legal form of the *Jobcenter* (seasonality neutralized)



Source: L. Mergele and M. Weber; mission.

This lower placement is not compensated (again, applying control variables) by a better average job quality, since zkT placements less often lead to access to compulsory social insurance (unsubsidized wage jobs), lower wages, and shorter contracts (cf. table 13), despite a higher number of detailed consultations (+14%) but fewer total contacts with the counselor (-20%).

Table 13 Effect of management by intermunicipalities on the characteristics of job placements

Dependent variable	The new full-time job is subject to mandatory social insurance	Change in salary from previous job (logarithmic scale)	Employment lasts at least six months
Effect of management by an intermunicipal organization	- 0,003	- 0,005	- 0,029
Control variables	Yes	Yes	Yes
Observations	88 148	88 148	88 148

Source: L. Mergele and M. Weber: IAB data.

¹⁰¹ L. Mergele and M. Weber, "Jocenter: Optionskommunen vermitteln Arbeitlose seltener in Beschäftigung", *ifo online*, 2020. The authors point out that numerous control variables (age, gender, foreign nationality, education level, professional degree, seasonal fluctuations) were used.

¹⁰² L. Mergele and M. Weber, "Public employment services under decentralization: evidence from a natural experiment," *Journal of Public Economics* 182, 2020.

¹⁰³ Idiosyncratic to the gross monthly placement rates of SGB II beneficiaries in the private labor market (38 placements per 1,000 persons in the co-managed *Jobcenters*, 31 in the zkT, cf. chart 12),

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The zkTs, more than succeeding in a permanent job placement, will on the other hand be 30% more likely to favour one-euro jobs (cf. 2.3.3.3.1) according to the same authors. It thus appears that the uniform quality of the placement, once the idiosyncracies specific to the territories are set aside, is not guaranteed by the existence of the zkTs.

2.1.4. At the local level, there is duplication, particularly in the area of training

The BA's role in prescribing and financing continuing education has only recently been expanded (see 2.3.1.2). 2.3.1.2), many local actors have been formed over time.

In the case of vocational training advice, there may be free and paid advisory services in the same territory from :

- ◆ BA (free advice);
- ◆ private institutes (fee-based consulting);
- ◆ municipal and inter-municipal services, especially for refugees;
- ◆ services of the public universities (*Hochschulen*).

A study by the Organisation for Economic Co-operation and Development (OECD) listed all the existing players in Berlin, for example (cf. table 14), which are active in the field of vocational training advice and training places.

Table 14 Stakeholders in adult education in Berlin

Offer	Actor	Target
Career counselling network	Administration of the Berlin Senate (close to a regional ministry)	Without targeting
Career counseling	Administration of the Berlin Senate (close to a regional ministry)	Individuals wishing to obtain a diploma
Success in language and training	Administration of the Berlin Senate (close to a regional ministry)	Migrants
Mobile Training and Career Consulting for Refugees	KOBRA Foundation for Women, Berlin Senate Administration (close to a regional ministry)	Refugees
Professional training for SMEs	Berlin Public Corporation with Social Purpose	SME
Lifelong career guidance	<i>Bundesagentur für Arbeit</i>	Without targeting
Network of adult education centers	<i>Volkshochschule</i> city of Berlin	Without targeting
IQ Network	Administration of the Berlin Senate (close to a regional ministry)	Migrants
Career progression network for women	Administration of the Berlin Senate (close to a regional ministry)	Women
Center for Basic Education	Administration of the Berlin Senate (close to a regional ministry), <i>Volkshochschule</i> city of Berlin	Low-skilled adults

Source: Mission, based on OECD, 2022.

2.2. Diagnosis of job seekers: the diagnosis of all job seekers (SGB II and SGB III) is based on a four-step process conducted during face-to-face interviews

2.2.1. The initial diagnosis is based on a four-phase procedure and the signing of a contract with the job seeker, who has a one-stop shop for his or her situation

All persons who register at a job center or a co-managed *jobcenter*¹⁰⁴ are subject to a four-stage intake procedure (cf. table 15).

Table 15 Four-phase model of job seeker follow-up in German

Phase	Principle	Duration
1/ Diagnosis	Analysis of the ED's experience and strengths and weaknesses	45-minute initial interview, ten days after registering onsite or online ¹⁰⁵
2/ Objective	Agree on a realistic career goal	Ideally at the end of the initial interview
3/ Strategy	Selection of trainings, immersions, actions	Generally, second interview
4/ Implementation and follow-up	Contract signature and regular follow-up	Assessment after six months

Source: Presentation of the Nuremberg Jobcenter; mission observations.

The German PES first organizes a diagnosis based on the experience of the job seeker¹⁰⁶, as well as his or her personal strengths and weaknesses. This diagnosis takes place after an initial interview of 45 minutes, which is held within ten days after the registration of the jobseeker¹⁰⁷, during which, after a preliminary preparation, the counsellor will discuss the following topics

- ◆ state of the local labor market;
- ◆ discussion of the applicant's strengths and weaknesses;
- ◆ pedagogy on the various existing measures;
- ◆ if necessary, offer help with administrative matters;
- ◆ creation of the file ;
- ◆ ideally, the conclusion of an objective with associated strategy, recorded on a contract¹⁰⁸

¹⁰⁴ The management of zkT told the mission, particularly in Bad Belzig, that they were inspired by this model in their offer.

¹⁰⁵ Visit to the *Jobcenter* Nuremberg Häublin.

¹⁰⁶ Whether the EDs depend on *Jobcenters*, whether or not they are co-managed by the intermunicipalities and the *Bundesagentur für Arbeit* (BA), and whether or not they serve vulnerable groups, or on BA agencies,

¹⁰⁷ More quickly, for the "boxes", the SGB IIIs whose file is read by a counsellor and whose employability is feared to be very low.

¹⁰⁸ During its visit to the Häublin Nuremberg *Jobcenter*, the mission was told by the management team that the internal goal was to have the strategy set within twelve weeks of registration.

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Once the strategy has been agreed upon, a contract can be signed with the job seeker: this is obligatory in the agencies and in the co-managed *job centers*, but not in the *zugelassene kommunale Trägerinn (zkt)*. These contracts (target contracts for SGB II and integration contracts for SGB III) are provided for in the second book of the social code, § 15, and the third book of the social code, § 37 (cf. sidebar 18, sidebar 19). For SGB IIs, especially those who are farthest from employment and who are accompanied by *case managers*, social support and the removal of peripheral obstacles to employment may be mentioned in the contract.

From the second interview, if and only if the objective - return to employment, training for example - has been defined, it can be :

- ◆ launched the definition of intermediate objectives;
- ◆ Discussed the use of tools and devices open to the ED;
- ◆ defined, for the counselor, a list of third-party contacts (trainers, social and medical services) to contact.

**Sidebar 18 § 15 of the second book of the German Social Code,
amended by the law of December 24, 2003 (translation by deepl.com)**

§ 15 Insertion Agreement

(1) The employment office must determine without delay, together with each person entitled to benefits and capable of working, the personal characteristics, professional abilities and aptitudes necessary for integration (potential analysis). The findings also include the question of whether and under what circumstances integration into employment is likely to be more difficult. The employment agency is not obliged to repeat the findings of which it has been informed in accordance with Section 9a, second sentence, point 2 of Book III, unless there are indications that significant changes have taken place with regard to integration.

(2) The employment agency shall, in agreement with the municipal body, agree with each recipient of unemployment insurance benefits on the benefits necessary for his or her integration, taking into account the findings referred to in paragraph 1 (integration agreement). The integration agreement must determine:

1. any vocational integration or training benefits under this section received by the entitled person,
2. what efforts the employable benefit recipients must at least undertake to integrate into the world of work, how often and in what form these efforts must be proven,
3. how the services of other providers are integrated into the induction process.

The integration agreement may, among other things, determine the activities or fields of activity in which the entitled person is to be placed.

(3) The integration agreement must be reviewed and updated regularly, at the latest after a period of six months. The experience gained up to that point must be taken into account in each subsequent insertion agreement. If an agreement is not concluded in accordance with paragraph 2, the arrangements must be made by administrative act.

(4) The integration agreement may also agree on the benefits to be provided to persons living in community of need with the employable person or persons. These persons must be involved

Source: Gesetze im Internet; Mission.

Sidebar 19 § 37 of the third book of the German Social Code
(German and deepl.com translation)

§ 37 Potential analysis and insertion agreement

(1) The employment agency shall, immediately after the announcement of the application for training or the announcement of the application for employment, determine with the applicant for training or the applicant for employment the professional and personal characteristics, the professional skills and the suitability for placement (potential analysis). The analysis of potential also extends to the identification of circumstances that may make job placement more difficult.

(2) An induction agreement entered into by the employment agency with the training applicant or job seeker shall establish for a period to be determined

1. the objective of insertion,
2. the employment agency's placement efforts,
3. the personal efforts for professional integration that the training applicant or job seeker must at least undertake and how often, and in what form these efforts must be proven,
4. the active employment promotion benefits provided.

The specific needs of people with disabilities and severe disabilities must be appropriately addressed.

(3) A copy of the induction agreement shall be given to the training applicant or job seeker. The integration agreement must be adapted to changing circumstances; it must be renewed if the search for training or employment has not ended during the period for which it was initially valid. It must be reviewed at the latest after six months of unemployment, and at the latest after three months for unemployed youth and youth seeking training. If an integration agreement is not concluded, the personal efforts required pursuant to paragraph 2, first sentence, item 3, must be determined by administrative act.

Source: Gesetze im Internet; Mission.

2.2.2. The unemployment avoidance strategy allows for the use of this diagnosis even before unemployment begins

In Germany, one of the main indicators of success for agencies dealing with people receiving unemployment insurance is "unemployment avoidance. This indicator estimates the number of people who voluntarily or involuntarily leave a job and find a new job without a period of unemployment. It represents 10% of the agencies' economic and social performance index. The achievement of these objectives has an impact on the variable part of the remuneration of branch managers.

It is based on three factors:

- ◆ **the knowledge of the future EDs of their dismissal at a very early stage.** Indeed, the legal deadline for notification of dismissal is long (up to seven months in some cases¹⁰⁹) and thus gives time to complete the formalities for registration with the BA;
- ◆ **the obligation to register with the *Bundesagentur für Arbeit* upon receipt of the notification of dismissal** by job seekers, in order to receive contributory benefits¹¹⁰;
- ◆ **the obligation to inform the BA on the part of companies planning to lay off a certain number of employees** (see Box 20). sidebar 20). In addition, proof of prior consultation of the works council is required. In this context, the notion of "redundancy" is understood in its broadest sense, including non-renewal of contracts. The BA must be informed if:

¹⁰⁹ Winheller law firm's note on the subject - <https://www.winheller.com/en/business-law/labor-employment-law/termination-of-employment/german-notice-periods.htm>

¹¹⁰ See the form https://www.arbeitsagentur.de/datei/merkblatt-5-entlassung_ba015380.pdf, section "Vorwort".

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- the company regularly employs between 21 and 59 people and at least 6 redundancies are planned;
- the company regularly employs between 60 and 499 workers and at least 10 percent of the workers or more than 25 workers are to be laid off;
- the company regularly employs at least 500 people and at least 30 redundancies are planned¹¹¹.

The legal obligations of employers are listed on the employer portal, where notifications can be edited¹¹².

Sidebar 20 Redundancy Protection Act, paragraph 17

Law on protection against dismissal (KSchG)

§ 17 Reporting obligation

(1) An employer shall notify the employment agency before

1. in companies with generally more than 20 and less than 60 employees, more than 5 employees,
2. in establishments normally employing at least 60 and less than 500 workers, 10% of the workers regularly employed in the establishment or more than 25 workers,
3. in establishments usually employing at least 500 workers, at least 30 workers in a period of 30 calendar days. Other cases of termination of the employment contract at the initiative of the employer are considered to be dismissals.

(2) Where the employer intends to make redundancies subject to notification under paragraph 1, he shall provide the works council in good time with the relevant information and inform it in writing in particular of

1. the reasons for the proposed dismissals,
2. the number and occupational categories of workers to be dismissed,
3. The number and occupational categories of workers usually employed,
4. the period of time during which the layoffs are to occur,
5. the criteria for selecting the workers to be laid off,
6. the criteria for calculating any severance pay.

In particular, the employer and the works council must consult on the possibilities of avoiding or limiting redundancies and mitigating their consequences.

Source: Gesetze im Internet; Mission; (deepl.com translation).

2.2.3. In-house medical and psychological services at the agencies and Jobcenters complement the diagnosis to determine the fitness for work of job seekers, including SGB IIs, supplementing the diagnoses

In Germany, fitness for work is determined by a doctor employed by the employment agencies. Fitness for work is defined as the ability to work at least three hours a day¹¹³.

¹¹¹ BA dedicated page - <https://www.arbeitsagentur.de/unternehmen/personalfragen/anzeigepflicht-beientlassungen>).

¹¹² Dedicated page on the BA website: <https://www.arbeitsagentur.de/unternehmen/personal-verwaltung/ende-beschaeftigung>.

¹¹³ Fitness for work is defined as the ability to work three hours a day in § 8 of the second book of the Social Code, a paragraph to which the third book refers in its § 9a.

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The procedure is similar in the network of job centers (for people receiving unemployment insurance, the so-called SGB III) and *job centers* (for people who are unemployed and not covered by unemployment insurance, the so-called SGB II). At the end of 2020, there will be 796 full-time equivalents (FTEs) treating the SGB III population, and 396 treating the SGB II population¹¹⁴.

In the employment agencies (SGB III) (cf. sidebar 21), doctors from the *Federal Employment Agency (Bundesagentur für Arbeit)* determine, at the request of an agency advisor, whether a registered person is fit for work. According to the code, the BA is free to decide how to carry out the examination and can therefore have the diagnosis carried out by a doctor and/or a psychologist. The content of the standard examination is based on a form that has been jointly published by the BA and the German Medical Association, which is regularly updated¹¹⁵.

In the Jobcenters (SGB II) (cf. sidebar 22), doctors and psychologists also determine the vocational suitability of jobseekers receiving *Arbeitslosengeld 2* (social minimum) at the request of the counselor. This suspends the decision and forces a federal authority to give an expert opinion, which is binding for the *Bundesagentur für Arbeit*.

There are also medical services in the zkT¹¹⁶ (*zugelassene kommunale Träger*), the *jobcenters* run solely by the intermunicipal authorities. Legally, the law only requires this institution "to determine the amount of benefits to be paid within its competence".

Any decision of medical unfitness will have the effect of transferring the person to the care governed by the twelfth book of the social code ("SGB XII"), which focuses on people who are unfit for work and people receiving the *minimum* old age pension. Disabled workers are covered by another regime (Book 9 of the Social Code, SGB IX).

The Bundesagentur für Arbeit thus has doctors and psychologists in all agencies and job centers. In 2021, doctors will account for 790 full-time equivalents (FTEs) in agencies and 397 FTEs in *job centers*, or 1.4 percent of the total workforce¹¹⁷. Professional psychologists represent 836 FTEs at the end of 2021.

The mission does not have aggregated data on FTEs mobilized in the zkTs.

If necessary, the doctors of the Bundesagentur für Arbeit can also provide individual counseling during the unemployment period, e.g. in the case of retraining¹¹⁸. This applies to the population receiving contributory benefits ("SGB III") as well as to the population receiving minimum social benefits ("SGB II").

Sidebar 21 § 32 of the third book of the social code (translation by deepl.com)

§ 32 Qualifying Examination

The employment agency shall, with the consent of the applicant, conduct a medical and psychological examination and an expert opinion to the extent necessary to determine vocational fitness or suitability for placement.

Source: Gesetze im Internet.

Sidebar 22 § 44a of the second book of the Social Code (translation by deepl.com)

§ 44 Failure to comply with reporting obligations

(1) The employment agency determines whether the job seeker is fit for work. May object:

¹¹⁴ BA Social Balance Sheet, 2021.

¹¹⁵ BA Standard Medical Form.

¹¹⁶ Presentation of the Bad Belzig JC to the mission in November 2022.

¹¹⁷ BA Social Report 2021, transmitted to the mission in November 2021, p. 8.

¹¹⁸ Dedicated brochure - <https://www.arbeitsagentur.de/bakarriere/arbeiten-bei-der-ba/arbeiten-im-aerztlichen-dienst>.

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1. the communal institution,
2. another institution that would be competent in case of total incapacity for work, or
3. the health insurance fund that should be paying health insurance benefits.

Reasons must be given for the objection. In the event of an objection, the employment agency shall make a decision after requesting an expert opinion. The expert opinion shall be issued by the competent body under section 109a (4) of the Health Insurance Act.

(...)

(4) The employment agency shall determine whether and to what extent the employable person and the members of his or her household are entitled to social assistance.

(5) The municipal institution shall determine the amount of benefits to be paid within its jurisdiction.

Source: Gesetze-im-Internet.

2.3. Support for job seekers: a preference for immediate job placement, implemented relatively autonomously by agencies and *job centers*, and an increase in vocational training

2.3.1. *Through its placement service, but also its financing of training and apprenticeship, la BA aims first and foremost at a rapid return to employment for EDs*

2.3.1.1. Priority has been given so far to the return to employment

The two books of the Social Code governing the rights and obligations of jobseekers, whether or not they benefit ("SGB III") from contributory insurance ("SGB II"), make the return to employment the primary objective of the public employment service. Thus, § 1 of the third book, devoted to the principles of the book, details the objective of "*promoting employment*", while § 1(2) of the second book of the Social Code states that the basic guarantee must "*enable beneficiaries to lead a life in keeping with human dignity*" and that it must "*help beneficiaries who are capable of working to take up or remain in employment*".

The share of jobseekers engaging in vocational training remains, even in 2021, low compared to France, for example. In 2021¹¹⁹, 11 percent of SGB II and SGB III jobseekers (297,000 out of 2,610,000 people) have "*engaged in a vocational training resumption subsidized by agencies or co-managed Jobcenters*"¹²⁰. In comparison, among French jobseekers registered with Pôle emploi (categories A, B, C, or about 5,368,000 people) at the end of 2021, 21% began or completed training during 2021 (1,108,820)¹²¹.

¹¹⁹ BA Annual Report 2021, p. 44.

¹²⁰ This share of jobseekers does not take into account the vocational training financed by the *Jobcenters* managed by the intermunicipalities alone.

¹²¹ Statistics on job seekers available on the Pôle Emploi website - <https://statistiques.pole-emploi.org/formation/publication>.

2.3.1.2. To keep pace with changes in the economy and the labor market, professional and continuing education has become a strategic objective of the BA

The BA's *Strategy 2025*, finalized in October 2018¹²², strongly emphasizes the BA's role in supporting economic and labor market changes, both for job seekers and for the workforce. In its summary presentation made public¹²³, the BA emphasizes the likely growing substitutability of certain sectors (industry, care occupations) and certain types of occupations, especially medium-skilled ones. This is a guiding principle of the "*shaping the training market*" strategy.

Legally, the BA can act in two ways to facilitate training for job seekers:

- ◆ providing training advice in relation to employers' needs and observations of the labor market (§ 34 of the third book of the Social Code);
- ◆ by financing training courses (§§ 3 and 4 of SGB II, § 56 of SGB III) with certificates.

Training advice is provided through a number of channels accessible to all the audiences monitored by the agencies and Jobcenters, by :

- ◆ specialized consultants;
- ◆ career information centers, open to all¹²⁴ ;
- ◆ a complete specialized portal¹²⁵ .

Innovative tools have also recently been developed by the BA to assist in the guidance of job seekers and to develop career counseling. The "New Plan" portal was launched in its full version in 2021 and is aimed at all jobseekers and employees who feel the need for professional reorientation. This portal allows users to review their skills (know-how and interpersonal skills), to consult examples of professions requiring similar skills, as well as job offers.¹²⁶

Any financial and logistical support from the BA to attend training must be based on a prior diagnosis, which concludes that the job seeker or employee needs to attend training. Financial assistance in this case will be automatic for SGB II, as needed, and conditional for job seekers or employed persons (2 of § 56 of SGB III), if they "*do not otherwise have the means to cover their living, transportation and other expenses (total needs).*" This assistance takes the form of a "training voucher."

In total, spending on promoting and financing training will represent €2.2 billion per year in 2021, compared to €1.6 billion in 2020¹²⁷, for both job seekers and employees.

¹²² Summary presentation on the BA website - [https://www.arbeitsagentur.de/datei/ba-2025-
praesentation_ba018006.pdf](https://www.arbeitsagentur.de/datei/ba-2025-praesentation_ba018006.pdf).

¹²³ *Ibid.*

¹²⁴ *Ibid.*

¹²⁵ Portal "Suchergebnisse" - https://www.arbeitsagentur.de/datei/merkblatt-6-weiterbildung_ba015381.pdf.

¹²⁶ *Ibid.*

¹²⁷ BA financial account in 2021, official website.

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The BA's role in financing continuing education for employed persons was also strengthened by law in 2020. Although support for continuing education has been an "employment promotion service" (§ 3 SGB II) since the law of March 24, 1997, the financial support of the BA and, more broadly, of organizations active in continuing education, has remained very low since that date. In 2018, a "Qualifizierungsoffensive"¹²⁸ (qualification offensive) of the Federal Minister was launched to promote vocational training and to prepare for reconfigurations of the economy and the labor market. The Qualification Opportunities Act submitted in 2019, and enacted in 2020 thus aims to "promote continuing vocational education and training in the context of structural change and the development of training support"¹²⁹.

Sidebar 23 Key elements of the federal Qualifying Opportunity Act of 2019

The main objectives of this law are to:

- to develop support for continuing vocational training for employees whose professional activities could be replaced by new technologies, who are threatened by structural change or who aspire to continuing training in a job in tension;
- encourage training regardless of education, age or company size;
- to create an aid for low-skilled employees without a vocational diploma or with a vocational diploma, if they have been working for at least four years in an unskilled or semi-skilled job and are no longer able to work in the job they learned;
- to create a bonus for participants in continuing education, who receive between €1,000 and €1,500 for passing the intermediate or final exam.

The amount of continuing education assistance is :

- up to 100% for employees of very small companies (< 10 employees);
- up to 50% for employees of small and medium-sized enterprises (SMEs, 10-249 employees);
- up to 25% for employees of large companies (less than 2,500 employees);
- up to 15% for employees of large companies.

Source: Bundesagentur für Arbeit; Mission.

2.3.2. Decisions related to support are highly decentralized at the counselor level

2.3.2.1. The advisors have a portfolio of 115 EDs on average per agency and can decide themselves on the financing of activation devices

In 2021, 54.8 percent of the BA's workforce was concentrated in the agencies, i.e. 56,032 full-time equivalents, i.e. an average of 361 FTEs per agency and 93 per site, i.e. more than twice the average number of employees at a Pôle Emploi site¹³⁰. About half of these FTEs have operational functions (cf. table 16). The mediation staff corresponds to 18,337 people. The Bundesagentur estimates that each placement counselor in the branch has an average portfolio of 115.4 applicants¹³¹.

¹²⁸ Federal government press kit on the dedicated plan, on the ministry's website - <https://www.bmas.de/DE/Arbeit/Aus-und-Weiterbildung/Weiterbildungsrepublik/Nationale-Weiterbildungsstrategie/Fragen-und-Antworten/faq-qualifizierungsoffensive.html>

¹²⁹ Dedicated page on the website of the German Federal Ministry of Labour - <https://www.bmas.de/DE/Service/Gesetze-und-Gesetzesvorhaben/qualifizierungschancengesetz.html>

¹³⁰ The IGF tripartite evaluation mission mentioned above estimates, in its appendix devoted to support, that 79% of the workforce will work in agencies out of the 48,000 FTEs employed by Pôle Emploi in 2021. Given that Pôle Emploi has 915 sites that receive the public, this means an average ratio of 41.

¹³¹ Written response to the mission on October 28, 2022.

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Table 16 Distribution by function of BA employees in 2021, responsible for the public SGB III

Year	2021
Operational areas	27 069,3
<i>including the customer portal</i>	4 573,0
<i>of which service center</i>	5 191,5
<i>of which mediation</i>	18 337,1
<i>of which rehabilitation counsellors</i>	997
<i>of which career counsellors</i>	4 371,6
<i>of which placement staff (total)</i>	10 202,3
<i>of which vocational orientation before employment</i>	4 297,6
<i>of which professional orientation in working life</i>	475,5
<i>of which general mediation</i>	5 857,6
<i>of which academic professions</i>	315,6
<i>of which vocational rehabilitation and participation</i>	2 167,2
<i>of which service to employers</i>	3 970,5
<i>of which general placement/AG-S - cross-sectional</i>	0,0
<i>of which SGB III integration consulting</i>	1 207,9
Operational Service	11 061,5
<i>of which AlgPlus</i>	3 519,8
<i>of which AMDL</i>	615,6
<i>including Kug, Ings, AtG</i>	4 227,7
<i>including BAB, Reha</i>	549,7
<i>of which recourse service</i>	632,7
Internal service	5 159,8
<i>of which IS Personnel</i>	3 543,2
<i>of which IS CF (control and finance)</i>	498,8
<i>of which training and convention center</i>	506,6
<i>including statistics</i>	178,5
<i>of which purchase of labour market services</i>	211,9
Family Allowance Fund	4 422,9
RIM (total composite)	0,0
<i>of which RIM (service/IS)</i>	2 272,6
Collection Service	861,3
other areas	3 537,3
<i>of which medical service</i>	797,2
<i>of which professional psychology service</i>	829,9
Total	56 032

Source: Bilan social 2022, BA.

For the SGB II audience, the average portfolio of a *Jobcenter* counselor is 115 jobseekers per counselor above the age of 25, 59 below (cf. table 17). The *job centers* have a total of 22,500 FTEs for counseling and placement. This reflects the strong commitment of the public employment service to a rapid return to employment for jobseekers who have been unemployed for more than one year.

Table 17 Estimates of average job seeker portfolios for placement counselors in agencies and co-managed *job centers* (in 2022)

	Average portfolio per SGB III advisor	Average portfolio per SGB II advisor (+25 years)	Average portfolio per SGB II advisor (under 25)
Written answer BA	115	115	59
Field trip to Nuremberg	150	150	75
Calculations from the social balance sheet	96	N.D.	N.D.

Source: Mission visit to Nuremberg; response to BA mission; BA Social Report; Mission.

Agency or *Jobcenter* counselors may initiate an activation program for job seekers, subject to budgetary sustainability verified by agency management.

2.3.3. Specific support exists for young people who face peripheral obstacles and/or are particularly far from employment

2.3.3.1. In most territories, the Bundesagentur and the inter-municipalities run the Jugendberufsagenturen, one-stop shops for young people

The Social Code charges the BA with a mission of career guidance (§ 29 of the third book) to "*young people and adults who participate or wish to participate in working life*". Prior to 2020, career guidance was focused on young people (students, high school students, apprentices)¹³², while from 2020 onwards an offer was launched for all persons accompanied by the BA so that they could have access to guidance "throughout *their working life*"¹³³.

The provision of vocational guidance for young people has thus developed around the *Jugendberufsagenturen* (cf. sidebar 24) since 2010 and the impetus given by the Federal Ministry of Labor and Social Affairs to a national "youth and career alliance" plan¹³⁴. These are separate from the agencies or *job centers* but are located in the same geographical area (cf. sidebar 25). Career counselors are available by appointment for high school and college students. In addition, walk-in areas provide young people with brochures and tablets detailing the catalogs of training courses and jobs listed in the "Biz" areas in the branches.

Despite local differences in the services provided, the objective of the JBAs, according to the BA¹³⁵, is to provide an extensive offer that allows for the successful transition of young people from training to employment, or to be at the center of the cooperation of the different integration services dealing with young populations in difficulty.

The creation of a one-stop shop has not yet been accompanied by the pooling of the various actors' IT applications. Only ¼ of the JBAs are currently connected to the "jobconnect" platform developed by the BA, with the others managing the redundancy of data between the different information systems.

Sidebar 24 The *Jugendberufsagenturen*

The 353¹³⁶ *Jugendberufsagenturen* (youth employment agencies) are one-stop shops dealing with 15-24 year olds, in most cases:

- academic orientation;
- career guidance;
- training and peripheral barriers to employment for 15-24 year olds.

These counters do not deal directly with job placement, a service provided by the mediator counselors. They are physically located in agencies or *Jobcenters*, whether or not they are co-managed with the intermunicipalities. The agencies and *Jobcenters* decide locally on the actual services provided.

¹³² Inspection générale des finances, *Etude comparative des effectifs des services publics de l'emploi en France, en Allemagne et au Royaume-Uni*, 2010, p. 30.

¹³³ BA, *Annual Report 2021*, p. 48.

¹³⁴ Mention on the official website of the city of Hamburg - <https://www.hamburg.de/pressearchiv-fhh/3416302/2012-05-15-basfi-jugendberufsagentur/>

¹³⁵ Written elements transmitted to the mission in January 2023.

¹³⁶ Internet homepage of the JBA network.

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In the examples observed by the mission (Barnim district, Nuremberg), the young people accompanied by the JBAs reach this desk *via* :

- the ALG 2 application service, if the young person is emancipated (it is possible to be a beneficiary of the social minimum from the age of 15 in Germany);
- general (*Gymnasien*) and technical/vocational (*Realschulen* and *Gesamtschulen*) high schools, where JBA advisors are available on a weekly basis;
- advertisements in other social services and on the Internet.

The Youth Career Agency Network estimates that by 2021, 89% of intercommunities or city-intercommunities were covered by a JBA.

Source: JBA Network homepage; Mission visit.

Sidebar 25 The *Jugendberufsagentur* of the *Kreis Barnim* (city of Eberswalde)

The city of Eberswalde is home to the *Jobcenter* of the intermunicipal district of Barnim (Brandenburg), an entity co-managed by the *Bundesagentur für Arbeit* and the *Kreis*

The mission visited this *Jobcenter* on Tuesday, November 15, 2022 and was able to speak with the management team and representatives of the *Kreis*.

A *Jugendberufsagentur* is located on the 1^{er} floor of the main building, with a distinct visual identity, and addresses all young people under 25 years of age on the tasks of orientation, training, coaching, placement and social issues. In terms of job placement, the "youth" counselors prepare their clients for interviews that are then conducted by the employment mediators. For social issues (addiction, psychology), the JBA teams redirect young people to the intermunicipal staff.

The youth counselors are mobile: they are on duty three days a week at secondary schools in the *district* and hold meetings at the JBA two days a week. All secondary schools in the district are covered by the JBA teams.

Source: Visit on November 15, 2022.

2.3.3.2. For job seekers facing "peripheral obstacles", a range of assistance is also available

2.3.3.2.1. Family services

The German Social Code charges the BA with the payment of benefits to families, i.e. the monthly "child supplements" (229 € per child), the benefits for school meals, for nursery fees.

In 2021, the management of the family allowance funds will mobilize 4,656 FTEs within the BA, including 214 management jobs at headquarters. This integration facilitates the treatment of peripheral barriers to employment related to the family situation of applicants, particularly in the JCs co managed.-

Childcare services in Germany are provided by private and associative actors, and in some cases by the inter-municipalities¹³⁷ . The presence of affordable childcare services (below marginal income) is a key incentive for parents to remain in the labour market, and for job seekers to join it¹³⁸ . The German PES has therefore included financial support for childcare in its activation offer.

¹³⁷ UNESCO comparative study on children's education -

https://unesdoc.unesco.org/in/rest/annotationSVC/DownloadWatermarkedAttachment/attach_import_75caec2b-ba4d-4593-819b-c7fe76f6a7ea? =189211eng.pdf&to=132&from=1#pdfjs.action=download

¹³⁸ Harvard Business Review, "Childcare is a business issue," April 2021.

Expenses for participation in further education measures for the care of children requiring supervision can be granted by the Employment Agency. The Employment Agency considers that "children up to the age of 15 require supervision in the context of employment promotion (Arbeitsförderung)"¹³⁹.

Child care expenses for employment promotion purposes are as follows:

- ◆ kindergarten / nursery school registration fees;
- ◆ expenses for a childminder;
- ◆ Additional costs for supervision by neighbors or relatives;
- ◆ living expenses are not child care expenses.

The Employment Agency covers the expenses of €130 per month per child, regardless of the actual amount of the expenses. However, the effectiveness of this assistance depends on the availability of childcare, which remains uneven across the Länder.

2.3.3.2.2. Over-indebtedness and addiction prevention services in the JC

SGB II § 16a states that "in order to achieve comprehensive and holistic vocational guidance and support, the following services necessary to integrate the job-ready recipient(s) into working life may be provided:

- ◆ (...)
- ◆ **2. Debt counseling,**
- ◆ **3. psychosocial assistance,**
- ◆ **4. dependency counseling."**¹⁴⁰

Nevertheless, the mission does not have a map of debt counseling centers and addiction counseling services in the different JCs as of December 2, 2022. In the co-managed JCs, the degree of integration of these social services varies, and there may be simple collaborations with municipal or inter-municipal services¹⁴¹. The existence of an integrated or communal private debt counselling service with a high degree of involvement provides the jobseeker's counsellor, who since the Hartz IV law has, for example, had the power to cancel certain rent arrears¹⁴², with technical support.

This mission is not mandatory, which explains the maintenance of a network of associative actors in these fields¹⁴³.

2.3.3.2.3. Mobility aids

While job placement or training near the job seeker's place of residence is preferred, mobility assistance is provided when necessary, especially for SGB II. The Jobcenters¹⁴⁴ consider the payment of a driving license (B-license) to be an integration service within the meaning of § 16 SGB II and is therefore financed by the BA.

¹³⁹ Dedicated page on the BA website.

¹⁴⁰ Gesetze-im-Internet website - https://www.gesetze-im-internet.de/sgb_2/_16a.html (translation by deeppl.com).

¹⁴¹ Example in Berlin - <https://www.hilfe-in-berlin.de/en/good-to-know/social-advice>.

¹⁴² Specialized site on Hartz IV - <https://www.hartz4.de/mietschulden>.

¹⁴³ Caritas Germany Private Debt Report, 2019 - <https://www.ohchr.org/sites/default/files/Documents/Issues/Development/IEDebt/ReportPrivateDebt/Caritas-Germany.pdf>.

¹⁴⁴ Specialized site Farhschule123 - <https://www.123fahrschule.de/fuehrerschein/Jobcenter>

Funding for driver's licenses by agencies (SGB III) is rarer and may concern young people¹⁴⁵.

In addition, *through* "placement budgets", the BA can financially support job seekers:

- ◆ in their moving expenses, if required to obtain a new job;
- ◆ in their application costs (travel expenses for interviews, documentation costs).

Mobility aids are also available in the case of training by the job seeker¹⁴⁶. The mileage allowance is €0.20, up to a maximum of €476 per month. In 2021, move-in aid accounted for nearly €500 million¹⁴⁷.

2.3.3.3. Subsidized programs for several years exist for people who are particularly far from employment

2.3.3.3.1. Ein-Euro Jobs in the non-profit sector, a costly scheme that has not proven its effectiveness

The so-called "Hartz IV" law created a scheme for integration into the non-market sector (*ein-euro jobs*), in which the recipient continues to receive his or her minimum benefit (*ALG 2*) in addition to compensation of at least one euro (up to 2.60 euros) per hour for work of public benefit in a non-market structure. Participation in this scheme is optional for SGB II populations. The law (§ 16d para. 7 sentence 2 SGB II) expressly states that one-euro workers do not have an employment contract and therefore do not have the rights and obligations of an employment contract. This employment does not entitle them to social security rights, i.e. pension, health and unemployment insurance.

One-euro jobs are intended to help unemployed persons find a new regular job and are not permanent. According to Article 16d, paragraph 6 of SGB II, the duration of individual assignment may not exceed 24 months over a period of five years, but may be extended once by an additional 12 months.

However, there has been a notable decline in these arrangements in recent decades: in 2019, the number of "*ein Euro Jobbers*" was less than 200,000, compared with more than 800,000 in 2006, concomitant with the decline in the number of ALG 2s over the same period (cf. chart 13).

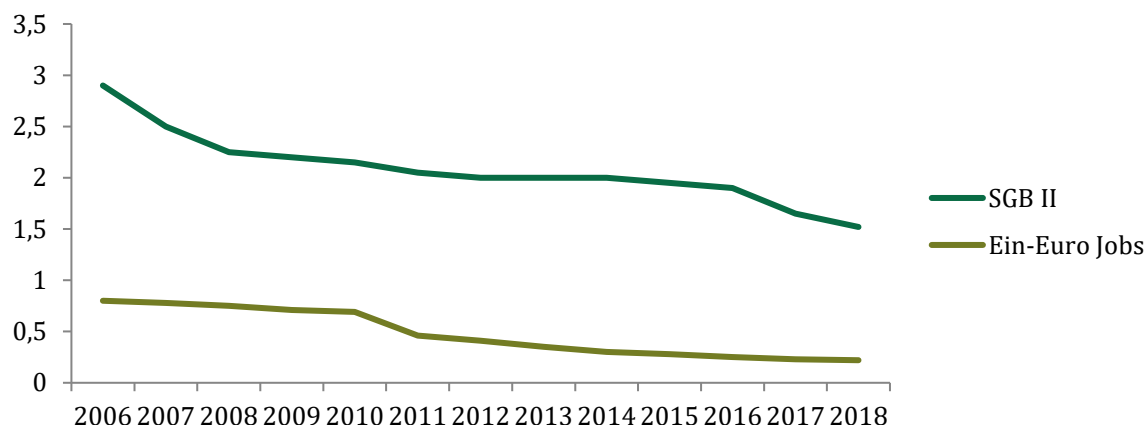
¹⁴⁵ Information site Arbeitsamt - <https://www.arbeitsamt.info/ausbildung-arbeitsamt/fuehrerschein-vom-arbeitsamt-in-der-ausbildung/>.

¹⁴⁶ Dedicated page of the BA website on training - <https://www.arbeitsagentur.de/en/further-training>

¹⁴⁷ Simulated income statement of the BA, 2021.

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Chart 13 Number of beneficiaries of ALG 2 and *Ein-Euro Jobs* over the period 2006-2018 (in millions)



Source: IAB (BA-related research institute); Mission.

As of November 23, the mission was unable to obtain information from the BA on the full costs of these programs in Germany over the past few years, mainly because of the existence of inter-municipal *job centers* and the indirect costs incurred (occupancy of premises, mobilization of social workers). Nevertheless, the mission's visits showed that the full cost cannot be less than several tens of thousands of euros per year, as the supervision rate for *Ein-Euro Jobbers* is close to one¹⁴⁸.

This investment in material and human resources has been shown in internal BA literature¹⁴⁹ (IBO is the internal research organization) to be ineffective, with the employability of program participants deteriorating during and after participation in the program. The labor force participation rate is, relative to a comparable SGB II population, 2 percentage points lower six to 36 months after entering the program. Indeed, the authors of the IBO evaluation of the program refer to a "lock-in effect" due to the duration of the program, which can be up to 24 months¹⁵⁰. The study also shows, intuitively, that the system has fewer negative effects for people who have been receiving the social minimum for more than two years¹⁵¹.

2.3.3.3.2. "16th and 16i" devices are preferred to Ein Euro Jobs since 2019

The "insertion of the long-term unemployed" scheme (§ 16e of SGB II) is a subsidized scheme focused on long-term unemployed who are deemed suitable for re-employment in the market sector but whose employability has declined during the period of unemployment¹⁵².

¹⁴⁸ Visit to three workshops for *Ein Euro Jobbers* in the city of Nuremberg in October 2022.

¹⁴⁹ T. Harrer and B. Stockinger, "Ein-Euro Jobs nach der Instrumentenreform 2012: Zielgruppe besser erreicht," IAB, 2019.

¹⁵⁰ Specialized portal Lebenslauf.net.

¹⁵¹ T. Harrer and B. Stockinger, *op.cit.*

¹⁵² Federal Ministry of Labour website - <https://www.bmas.de/DE/Arbeit/Grundsicherung-Arbeitslosengeld-II/Beratung-und-Vermittlung/eingliederungsleistungen.html>.

The scheme can be offered by Jobcenters, or applied for by any employer who can offer an eligible person a work contract, for a minimum of two years. The duration of the subsidy is 24 months. In the first year of employment, the wage subsidy is a flat rate of 75% of the loaded salary. In the second year, 50% of the salary is taken into account. The worker is provided with comprehensive employment support ("coaching"), with beneficiaries receiving support in the event of professional or more personal problems.

It is also possible to benefit from qualification and further training measures during the entire period of promotion, in accordance with the general rules. The long-term goal is to achieve a transition to sustainable, unsubsidized employment on the general labor market, in particular through the work experience gained.

The "labor market participation" scheme (§ 16i of SGB II) takes this logic a step further and is aimed at the very long-term unemployed¹⁵³. This assistance allows employers to receive a wage subsidy for up to five years if they hire someone who has received SGB II benefits for at least six of the past seven years while subject to social security. In the first two years, employers receive a subsidy of 100% of the applicable industry minimum loaded wage. The subsidy decreases by ten percentage points per year starting in the third year. The employees receive comprehensive support comparable to the "integration of the long-term unemployed" scheme. The necessary qualifications can be subsidized up to 3,000 euros if necessary.

Finally, SGB IIs who are starting or already engaged in a self-employed activity as their main occupation can obtain loans and grants for the acquisition of material goods, up to 5,000 euros. The granting of these benefits is, however, linked to the economic viability of the self-employed activity.

2.4. Control of job search: the current system, which is currently being reformed, is based on a wide range of sanctions, but the main sanction remains the transition from unemployment insurance to a social minimum, the *Arbeitsgeld*, after one year

2.4.1. Since the Hartz reforms, the law has provided for economically insensitive and advisor-controlled sanctions against recipients of minimum social benefits (SGB II) and to a lesser extent unemployment insurance (SGB III)

Recipients of contributory unemployment benefits may be subject to sanctions, as provided for in § 159 of the third book of the Social Code (cf. sidebar 26). The sanctions can range from a one-week suspension of benefits to six weeks for violation of behavioral obligations. These obligations may be concurrent with enrollment, such as attending a medical appointment, or during the period of support, such as not attending a follow-up interview or a job interview. These obligations are specified in a contract signed with the BA.

Sidebar 26 § 159 of the third book of the Social Code (translation by deepl.com)

§ 159 Suspension in case of lock-up period

(1) If the employee has behaved in a manner contrary to the insurance without having a valid reason, the right is suspended for the duration of a suspension period. Uninsured conduct occurs when:

¹⁵³ *Ibid.f.*

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1. the unemployed person has terminated the employment contract or has caused the termination of the employment contract by conduct contrary to the employment contract and has thus caused unemployment intentionally or by gross negligence (suspension period in case of termination of employment) ;
2. if the person registered with the employment agency as a job seeker (Article 38, paragraph 1) or the unemployed person, although informed of the legal consequences, does not accept or start a job offered by the employment agency indicating the employer and the type of activity, or if he/she prevents by his/her behavior the establishment of such an employment relationship, including the conduct of a job interview (period of suspension in case of refusal of employment) ;
3. the unemployed person, although informed of the legal consequences, does not provide proof of the personal efforts required by the employment agency (suspension period in case of insufficient personal efforts);
4. the unemployed person refuses to participate in a measure of activation and professional integration (§ 45) or in a measure of vocational training or further education or in a measure of participation in working life (period of suspension in case of refusal of a measure of professional integration), in spite of being informed about the legal consequences;
5. if the unemployed person interrupts his or her participation in a measure referred to in point 4 or if, through behavior contrary to the measures, he or she leads to the exclusion from one of these measures (suspension period in case of interruption of a vocational integration measure) ;
6. the unemployed person refuses to participate in an integration course in accordance with § 43 of the Foreign Nationals Residency Act or in a course to promote the German language for professional purposes in accordance with § 45a of the Foreign Nationals Residency Act, which are respectively necessary for a sustainable integration into the labour market (suspension period in the case of refusal of an integration course or a course to promote the German language for professional purposes);
7. if the unemployed person interrupts his or her participation in one of the courses mentioned in point 6 or if, through behavior contrary to the measures, he or she leads to his or her exclusion from one of these courses (blocking period in case of interruption of an integration course or promotion of the German language for professional purposes) ;
8. if the unemployed person does not respond or has not responded to an invitation from the employment agency to report or attend a medical or psychological examination (§ 309), despite being informed of the legal consequences (period of suspension in case of non-reporting).

Source: Gesetze im Internet.

The beneficiaries of the "Arbeitslosengeld II" (ALG II) - unemployed persons at the end of their working life, employees who work only a few hours a month, and people who are comparable to those who receive the "revenu de solidarité active" (RSA) - sign a tripartite contract with the BA and the intercommunal authorities, the two parties involved in the *Jobcenter*. This contract is valid for six months and stipulates the rights and duties of the beneficiary, adapted to his or her situation and in accordance with the second book of the social code (SGB II) modified by the "Hartz" laws (cf. 1.1.3).

Sanctions are decided directly by the counselor, when the beneficiary has not respected his :

- ◆ reporting obligations, or gave false information;
- ◆ behavioral obligations.

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Violations of reporting requirements or misrepresentation may result in a 10% reduction in benefits after a warning, in addition to the estimated loss to the community. Several 10% increments can be applied in case of repeated violations¹⁵⁴. Article 1 of the law of December 24, 2003, § 31 of the second book of the social code, lists the situations that require a sanction: fraud on secondary income and assets, unreasonable electricity and telephone charges, for example.

Violation of behavioral obligations - listed in § 31a of the second book of the Social Code (cf. sidebar 27) - **carries heavier penalties** because it directly contravenes the goal of reintegration into the workforce¹⁵⁵. A reduction of 30 percent of the benefit can be imposed.

Sidebar 27 Section 31 of the second book of the German Social Code, amended by the law of December 24, 2003 (German and deepl.com translation)

§ 31 Breaches of duty

(1) Entitled persons capable of earning a living are in breach of their obligations if, despite written information about or knowledge of the legal consequences, they:

1. refuse to fulfil the obligations laid down in the insertion agreement or in the administrative act replacing it in accordance with Section 15(3), third sentence, and in particular to provide evidence of their own efforts to an adequate extent,
2. refuse to enter into or pursue work, training, a reasonable employment opportunity pursuant to section 16d, or a subsidized employment contract pursuant to section 16e, or prevent their initiation by their behavior,
3. fail to undertake or discontinue reasonable job placement measures.

This provision does not apply if able-bodied recipients show and prove a significant reason for their behavior.

(2) Eligible persons shall also be deemed to be in default of their obligations if

1. they have, after reaching the age of 18, reduced their income or assets with the intention of provoking the conditions for granting or increasing the unemployment benefit II,
2. they continue their uneconomic behavior despite being informed of or knowing the legal consequences,
3. their entitlement to unemployment benefit is suspended or extinguished because the employment agency has determined that a blocking period has occurred or that the entitlement has been extinguished under the provisions of Book III, or
4. they meet the conditions provided for in Book III for the occurrence of a blocking period justifying the suspension or extinction of a right to unemployment benefit.

Source: Gesetze im Internet; mission.

2.4.2. A loosening of sanctions, both *de jure* and *de facto*, has been observed since 2019 for the public SGB II

For the public receiving unemployment benefit, which can be suspended for between one and twelve weeks, official statistics show that in 2021 there were 536,436 temporary suspensions of benefits, for a public of about 800,000 people on average. The majority of the sanctions were for one week. The primary reason was late registration. This rate of sanctions can be considered very high compared to the practices of the other main operators analyzed by the mission in the appendix devoted to resources and sanctions (see Appendix IX).

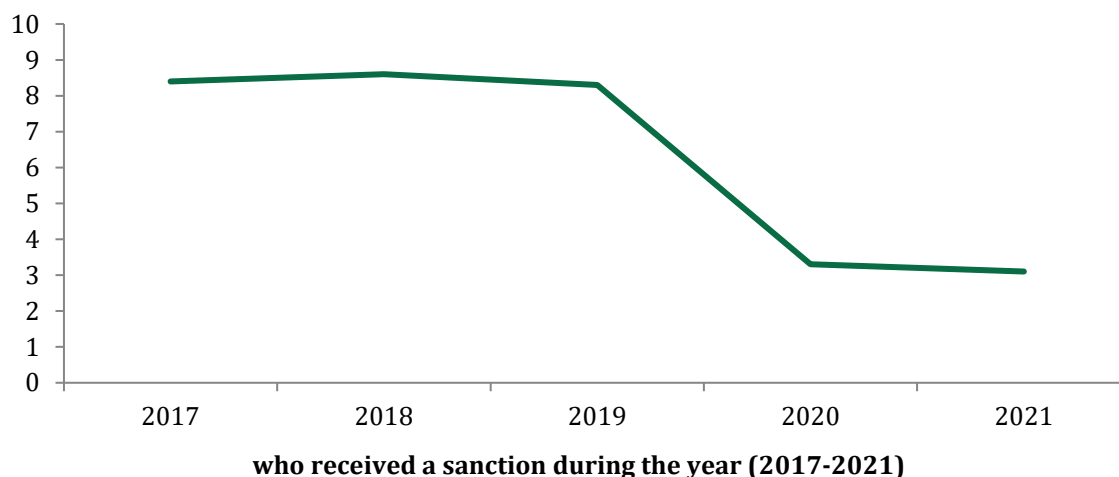
¹⁵⁴ Specialized site on the Hartz IV laws - <https://www.hartziv.org/hartz-iv-sanktionen/#Dauer-der-Sanktionen-bei-Hartz-IV>

¹⁵⁵ However, participation in *Ein-euro Jobs*, a scheme for integration through low-paid work for a few hours a week in non-market structures, cannot be sanctioned.

With respect to the SGB III public, the maximum sanction consisting of a reduction in benefits was lowered following a 2019 decision by the Karlsruhe Constitutional Court, which deemed the full or 60% suspension of benefits incompatible with the principle of "human dignity"¹⁵⁶. The average monthly benefit reduction among the sanctioned SGB II¹⁵⁷ population, however, remained close to €110 between 2016 and 2019, the low point observed since 2010¹⁵⁸. In detail and all other things being equal, young people, men, nationals, and the least qualified are the most likely to be sanctioned for failing to meet their obligations, according to a literature review conducted for the IAB¹⁵⁹.

Over the years 2020 and 2021, after the occurrence of Covid-19, average SGB II sanctions correspond to 13.7% of revenues compared to 18.0% in 2019, while a moratorium was decided in July 2022 pending the introduction of the *Bürgergeld* (see below). In addition, the percentage of beneficiaries who were sanctioned in 2020 and 2021 was around 3 percent (cf. chart 14), compared to more than 8 percent between 2017 and 2019¹⁶⁰. In 2021, 193,000 sanctions to the SGB II population were issued¹⁶¹, compared with more than 900,000¹⁶² over the course of 2020. The share of these sanctions for failure to attend follow-up interviews also fell, from 77% to 52%, in connection with the widespread use of video conferencing at the time of covid-19.

Chart 14 Percentage of ALG 2 recipients who received a sanction during the year



Source: University of Duisburg; Mission.

¹⁵⁶ Report on the *Les Echos* website - <https://www.lesechos.fr/monde/europe/la-justice-allemande-juge-indignes-les-sanctions-contre-les-chomeurs-1145574>.

¹⁵⁷ The mission was unable to obtain consolidated statistics on the SGB III population on this point.

¹⁵⁸ Data from the Institut Arbeit und Qualifikation (IAQ), a research laboratory of the University of Duisburg - https://www.sozialpolitik-aktuell.de/files/sozialpolitik-aktuell/_Politikfelder/Arbeitsmarkt/Datensammlung/PDF-Dateien/abbIV89_Thema_Monat_05_2022.pdf.

¹⁵⁹ V. Knize, M. Wolf, and J. Wolff, "Key findings from studies on sanctions under SGB II, with a focus on the effects of sanctions and the likelihood of sanctions," *IAB*, 2022.

¹⁶⁰ *Ibid.* The mission was unable to obtain data on GBS III.

¹⁶¹ April 2021 BA Communiqué - <https://www.arbeitsagentur.de/en/press/en-2022-17-sanctions-remain-on-a-low-level-in-2021>.

¹⁶² BA April 2020 Communiqué - <https://www.arbeitsagentur.de/en/press/en-2019-15-failure-to-keep-appointments-accounts-for-three-out-of-four-sanctions>.

In total, the simplified sanction rate, calculated as the number of sanctions excluding warnings in relation to the average number of registered jobseekers at the main operator who may be sanctioned, is 28.1 percent in 2021, making Germany the second most coercive PES, according to the comparative study presented in the "cross-sectional appendix" (see Appendix IX).

2.4.3. The *Bürgergeld* project is a paradigm shift, which is implemented as of January 1, 2023

The coalition contract of the current majority (2021-2025) included the introduction of the "citizen's income" (*Bürgergeld*)¹⁶³. The contract recalled that the objective of this income was to "guarantee the dignity of the individual". The contract stated that the objective of this income was "to guarantee the dignity of the individual" and that the conditions for its allocation were to be relaxed, indicating for example that "we do not take into account assets for the first two years".

The creation of a citizen's income (*Bürgergeld* from ALG 2¹⁶⁴) was passed in November 2022 by the new majority in the Bundestag and will apply from 1^{er} January 2023¹⁶⁵ will make the legal framework less strict in the long term. Reductions in benefits will be limited to 30 percent¹⁶⁶, and will only be possible in the first month or so (see Figure 15). chart 15) and will be limited to a few cases according to the BA. However, there will no longer be a need for a prior warning to impose a sanction¹⁶⁷.

The *Bürgergeld* project also corresponds to an improvement in the livelihood of the SGB II population¹⁶⁸, through :

- ◆ an increase from 449 to 502€ of the allowance for a single person;
- ◆ a merger of ALG 2 and family allowances, which are themselves increased to 420 € for children aged 14 to 17, 348 € for those aged 6 to 13 and 318 € for children under 5;
- ◆ a "bonus" of 150 € per month for those in vocational training, which reflects the desire to promote the sustainable integration of the SGB II population into the labor market.

¹⁶³ Coalition contract available on the website of the *Soziale Demokratische Partei* (SPD), see p. 58 and following - https://www.spd.de/fileadmin/Dokumente/Koalitionsvertrag/Koalitionsvertrag_2021-2025.pdf

¹⁶⁴ Presentation to BA HQ on October 20, 2022, forwarded to the mission.

¹⁶⁵ Text available on the BMAS website- https://www.bmas.de/SharedDocs/Downloads/DE/Gesetze/Regierungsentwuerfe/reg-buergergeld.pdf?__blob=publicationFile&v=3#page=18.

¹⁶⁶ Final brochure on the *Bürgergeld* published by the BA, January 2023. The brochure states that "the first time, the amount of the allowance is reduced by 10% of the amount of the basic allowance. In case of a second violation of the obligations, the citizenship income is reduced for two months by 20% and from the third month onwards by 30%. The penalty counter is reset to zero one year after the last penalty imposed." - https://www.arbeitsagentur.de/datei/einlageblatt-sgb-ii-flyer_ba147834.pdf.

¹⁶⁷ Dedicated page of the Ministry of Labor - <https://www.bmas.de/DE/Service/Gesetze-und-Gesetzesvorhaben/Buergergeld/buergergeld.html>.

¹⁶⁸ Dedicated page of the Ministry of Labor - <https://www.bmas.de/DE/Arbeit/Grundsicherung-Arbeitslosengeld-II/Buergergeld/Fragen-und-Antworten-zum-Buergergeld/faq-buergergeld.html>.

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In addition, the verification of assets and related income to award the benefit will be reduced, since it will only begin after 12 months of receiving the benefit. Also, pension contracts and amounts in current accounts will not be taken into account¹⁶⁹. This other aspect of the tightening of controls has another objective: to make the processing of files and their bureaucratic perception by the citizens less strong¹⁷⁰. As of December 31, 2021, 35 percent of the FTEs in the *Jobcenters* were involved in claims processing, compared to 27 percent in the agencies¹⁷¹.

Chart 15 Figure 15: Projected Timeline of Obligations for *Bürgergeld 2* Recipients

	Période	Coopération	Confiance	Coopération
SGB II	Inscription	✓	✗	✗
	Préparation d'un plan de coopération	✓	✗	✓
	Entretiens de suivi	✓	✓	✓
	Devoirs	✗	✓	✓
	Sanctions	✗	✓	✓
		<div style="display: flex; justify-content: space-between; align-items: center;"> 1 mois Sept mois </div>		

Source: BA; Mission.

2.4.4. A commitment contract lists all the rights and duties of all job seekers, SGB II and SGB III, and aims to prevent sanctions

In the case of SGB III populations, this contract is signed by the job seeker with the agency from which he or she is responsible, in accordance with § 37 of the third book of the Social Code.

In the case of SGB II populations, the employment contract is a contract under public law between the *Arbeitslosengeld II* recipient and the *Jobcenter* in accordance with § 15 of the second book of the German Social Code. (cf. sidebar 28), and his *job center*. It is thus only applicable to the so-called "employable population" (§ 15 of the second book of the Social Code). As of July 1^{er} 2023, a "cooperation plan" will replace the employment contract¹⁷².

In both cases, the Social Code states that these contracts last for a maximum of six months and must be signed "without delay". It also states that "if an agreement is not concluded, the personal efforts required (...) must be determined by an administrative act" of the BA or of the municipality, in the case where the *Jobcenter* is managed by the intermunicipality only. Every relationship between a jobseeker and a counselor is therefore subject to specific job search and activity obligations, whether these are contractual or imposed by administrative act (appeals against these acts are not suspensive¹⁷³). Contracts of employment may be terminated in the event of an applicant's transfer to the so-called SGB X

¹⁶⁹ Specialized website Finanztip - <https://www.finanztip.de/buergergeld/>.

¹⁷⁰ Dedicated page of the Ministry of Labor - <https://www.bmas.de/DE/Service/Gesetze-und-Gesetzesvorhaben/Buergergeld/buergergeld.html>

¹⁷¹ Written elements transmitted by the BA to the mission in January 2022.

¹⁷² *Id.*

¹⁷³ Note from the City of Würzburg on the SGB II commitment contracts - <https://diakonie-wuerzburg.de/assets/sozialehilfen-beratung/downloads/314/Die%20Eingliederungsvereinbarung.pdf>

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population (in reference to the tenth book of the Social Code, which governs policies for assisting people with disabilities), in the event of the occurrence of a disability.

Furthermore, all employment contracts are composed of "general conditions" and "special conditions". Thus, while the main types of obligations for the job seeker and the applicant are contained in the code, in particular in § 31 of the second book of the German Social Code (cf. sidebar 28), "free spaces" are reserved in the contracts to personalize the agreement¹⁷⁴.

Sidebar 28 Section 15 of the second book of the German Social Code, amended by the law of December 24, 2003 (German and deepl.com translation)

§ 15 Insertion Agreement

(1) The employment office must determine without delay, together with each person entitled to benefits and capable of working, the personal characteristics, professional abilities and aptitudes necessary for integration (potential analysis). The findings also include the question of whether and under what circumstances integration into employment is likely to be more difficult. The employment agency is not obliged to repeat the findings of which it has been informed in accordance with Section 9a, second sentence, point 2 of Book III, unless there are indications that significant changes have taken place with regard to integration.

(2) The employment agency shall, in agreement with the municipal body, agree with each recipient of unemployment insurance benefits on the benefits necessary for his or her integration, taking into account the findings referred to in paragraph 1 (integration agreement). The integration agreement must determine

1. any vocational integration or training benefits under this section received by the entitled person,
2. what efforts the employable benefit recipients must at least undertake to integrate into the world of work, how often and in what form these efforts must be proven,
3. how the services of other providers are integrated into the induction process.

The integration agreement may, among other things, determine the activities or fields of activity in which the entitled person is to be placed.

(3) The integration agreement must be reviewed and updated regularly, at the latest after a period of six months. The experience gained up to that point must be taken into account in each subsequent insertion agreement. If an agreement is not concluded in accordance with paragraph 2, the arrangements must be made by administrative act.

(4) The integration agreement may also agree on the benefits to be provided to persons living in community of need with the employable person or persons. These persons must be involved

Source: Gesetze im Internet; mission.

¹⁷⁴ Sample contract, City of Recklinghausen - <https://media.frag-den-staat.de/files/foi/69361/VordruckEingliederungsvereinbarung.pdf>

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Sidebar 29 § 37 of the third book of the German Social Code (German and deepl.com translation)

§ 37 Potential analysis and insertion agreement

(1) The employment agency shall, immediately after the announcement of the application for training or the announcement of the application for employment, determine with the applicant for training or the applicant for employment the professional and personal characteristics, the professional skills and the suitability for placement (potential analysis). The analysis of potential also extends to the identification of circumstances that may make job placement more difficult.

(2) An induction agreement entered into by the employment agency with the training applicant or job seeker shall establish for a period to be determined

1. the objective of insertion,
2. the employment agency's placement efforts,
3. the personal vocational integration efforts that the training applicant or job seeker must at least undertake and how often, and in what form these efforts must be proven,
4. the active employment promotion benefits provided.

The specific needs of people with disabilities and severe disabilities must be taken into account in an appropriate manner.

(3) A copy of the induction agreement shall be given to the training applicant or job seeker. The integration agreement must be adapted to changing circumstances; it must be renewed if the search for training or employment has not ended during the period for which it was initially valid. It must be reviewed at the latest after six months of unemployment, and at the latest after three months for unemployed youth and youth seeking training. If an integration agreement is not concluded, the personal efforts required pursuant to paragraph 2, first sentence, item 3, must be determined by administrative act.

Source: Gesetze im Internet; Mission.

Box 30 Section 31 of the second book of the German Social Code, amended by the law of December 24, 2003 (German and deepl.com translation)

§ 31 Breaches of duty

(1) Entitled persons capable of earning a living are in breach of their obligations if, despite written information about or knowledge of the legal consequences, they:

1. refuse to fulfil the obligations laid down in the insertion agreement or in the administrative act replacing it in accordance with Section 15(3), third sentence, and in particular to provide evidence of their own efforts to an adequate extent,
2. refuse to enter into or pursue work, training, a reasonable employment opportunity pursuant to section 16d, or a subsidized employment contract pursuant to section 16e, or prevent their initiation by their behavior,
3. fail to undertake or discontinue reasonable job placement measures.

This provision does not apply if able-bodied recipients show and prove a significant reason for their behavior.

(2) Eligible persons shall also be deemed to be in default of their obligations if

1. they have, after reaching the age of 18, reduced their income or assets with the intention of provoking the conditions for granting or increasing the unemployment benefit II,
2. they continue their uneconomic behavior despite being informed of or knowing the legal consequences,
3. their entitlement to unemployment benefit is suspended or extinguished because the employment agency has determined that a blocking period has occurred or that the entitlement has been extinguished under the provisions of Book III, or
4. they meet the conditions provided for in Book III for the occurrence of a blocking period justifying the suspension or extinction of a right to unemployment benefit.

Source: Gesetze im Internet; Mission.

2.4.5. The impact of sanctions on the return to employment is positive in the short term and discussed in the long term

During its field visits, the mission found that BA teams are concerned that the expected reduction in the severity of sanctions will have a disincentive effect on job searches by ALG 2 recipients¹⁷⁵.

Regarding the impact of the application of sanctions, the literature review conducted by three economists for the IAB¹⁷⁶ draws a mixed picture *with* two conclusions:

- ◆ In the short term, the imposition of sanctions has a positive effect on the return to employment of sanctioned recipients. For example, a 2014 study concluded that the rate of integration into employment increased by 37% within three months if the benefits were reduced by 10% during this period, especially for those under 25 years old. This increase was even as high as 119% if the sanction was coupled with a suspension of heating and housing benefits;
- ◆ However, in the long term, the quality of employment of those sanctioned is degraded. Indeed, while sanctions may encourage a return to employment in the long term, they may also lead to psychological and health fragility, linked to a deterioration in the standard of living. In addition, in 10 to 20% of cases, sanctions lead to a complete breakdown in the relationship between the applicant and his or her counselor, which prevents the counselor from playing his or her long-term role in the matching process.

2.5. Services to companies: e service to employers is intended to go beyond its primary functions of matching and market information, to include advising companies on training and well-being at work

2.5.1. Specialized employer services exist in each agency and fulfill primarily a matching function and information

The main offer for the BA companies, within the agencies¹⁷⁷, concerns the placement as a contribution to the matching. This consists of:

- ◆ receive job offers *via* the employers' interface¹⁷⁸, and contribute to making the offers more intelligible and more in line with the profiles available in the employment area;
- ◆ search for relevant candidates, in the employment area or, under certain conditions, abroad¹⁷⁹;
- ◆ pre-screening of candidates.

Another segment of the employers' offer concerns the duty to inform companies about the labor market, which the BA is charged with by law (§ 34 SGB III). The agencies and the employers connected with them are therefore provided with information on industrial and

¹⁷⁵ Interview at the BA headquarters in Nuremberg in October 2022.

¹⁷⁶ V. Knize, M. Wolf and J. Wolff, *op.cit.*

¹⁷⁷ *Jobcenters* are not required to provide specialized services to employers.

¹⁷⁸ Registration is possible on the BA website - <https://jobboerse.arbeitsagentur.de/vamJB/stellenangebotMelden.html?execution=e1s1>

¹⁷⁹ International Affairs Directorate presentation to the mission, October 2022.

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labor market trends, on sectoral trends, on wage levels, on current developments in vocational training, and more generally on changes in the labor market¹⁸⁰ .

In total, the employer service mobilizes 3,958 FTEs in November 2022¹⁸¹ .

2.5.2. The BA is committed to structuring a consulting service for the development of skills and well-being in the company

Since the beginning of 2020, the BA has been developing a new and expanded service offering for employers. The goal is to provide services that go beyond simple matching and thus advise companies on:

- ◆ working conditions, management¹⁸² . In particular, the BA says it has developed training modules for companies on the layout of space in companies, the balance between private and professional life, and the well-being and health of employees¹⁸³ ;
- ◆ the training needs of employees. Bridges are built with the BA's training specialists to provide the company with an analysis of training needs, employee by employee, along with a plan for implementation and, if necessary, follow-up of the acquired skills. Priority is given to training solutions that can be continued in the workplace.

2.5.3. A strong degree of collaboration with large companies exists at the federal and regional level

"Key accounts" can be created when the company is large and/or of particular interest in one or more employment areas due to its role in the development of an activity or skills¹⁸⁴ .

According to the BA, the main areas of cooperation are¹⁸⁵ :

- ◆ youth employment;
- ◆ vulnerable populations ;
- ◆ *upskilling of employees, especially in sectors undergoing transformation.*

Relations between employers and the BA are either informal or *via* registration on the website¹⁸⁶ , upon express referral to the BA *via* a contact form available online. In addition to being able to post job offers and access candidate profiles, the online employers' area makes it possible to generate immersion contracts or internship agreements, to monitor the progress of work permit applications for future foreign workers, and to apply for subsidies. All of this "standard" offer is free of charge.

However, during the mission's visit, BA staff indicated that discussions with *key accounts* were mainly concerned with the recruitment of disabled persons, in order to *meet* the regulatory quota of 5% of disabled employees¹⁸⁷ .

¹⁸⁰ Presentation to the mission in October 2022.

¹⁸¹ BA Social Report 2021.

¹⁸² BA, *Annual Report 2021*, p. 61.

¹⁸³ Presentation to the mission in October 2022.

¹⁸⁴ Presentation to the mission, October 2022.

¹⁸⁵ Presentation to the mission, October 2022.

¹⁸⁶ Annual Report, *op.cit.*

¹⁸⁷ *Sozialgesetzbuch IX.*