Work Package 5 – the national arena for combating poverty

National report: Germany

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<th>Description</th>
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<tbody>
<tr>
<td>ALG II</td>
<td>Arbeitslosengeld II</td>
</tr>
<tr>
<td>ALMP</td>
<td>Active labour market policies</td>
</tr>
<tr>
<td>BA</td>
<td>Bundesagentur für Arbeit</td>
</tr>
<tr>
<td>BMAS</td>
<td>Bundesministerium für Arbeit und Soziales</td>
</tr>
<tr>
<td>BMFSFJ</td>
<td>Bundesministerium für Familie, Senioren, Frauen und Jugend</td>
</tr>
<tr>
<td>EAPN</td>
<td>European anti-poverty network</td>
</tr>
<tr>
<td>FWA</td>
<td>Freier Wohlfahrtsverband</td>
</tr>
<tr>
<td>GWA</td>
<td>Deutscher Verein für öffentliche und private Fürsorge</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>LTU</td>
<td>Long-term unemployed</td>
</tr>
<tr>
<td>MIP</td>
<td>Minimum income protection</td>
</tr>
<tr>
<td>nak</td>
<td>Nationale Armutskonferenz</td>
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<tr>
<td>NRP</td>
<td>National Reform Programme</td>
</tr>
<tr>
<td>NSR</td>
<td>National Social Report</td>
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<tr>
<td>SGB II</td>
<td>Sozialgesetzbuch II</td>
</tr>
<tr>
<td>SGB III</td>
<td>Sozialgesetzbuch III</td>
</tr>
<tr>
<td>SGBVIII</td>
<td>Sozialgesetzbuch VIII</td>
</tr>
<tr>
<td>SGB XII</td>
<td>Sozialgesetzbuch XII</td>
</tr>
<tr>
<td>SP</td>
<td>Single parents</td>
</tr>
<tr>
<td>UA</td>
<td>Arbeitslosenhilfe</td>
</tr>
<tr>
<td>UI</td>
<td>Arbeitslosengeld I</td>
</tr>
<tr>
<td>WP</td>
<td>Working poor</td>
</tr>
<tr>
<td>BMAS</td>
<td>Federal Ministry of Labour and Social Affairs</td>
</tr>
<tr>
<td>BMFSFJ</td>
<td>Federal Ministry of Family Affairs, Senior Citizens, Women and Youth</td>
</tr>
<tr>
<td>EAPN</td>
<td>Free Welfare Association</td>
</tr>
<tr>
<td>GWA</td>
<td>German Association for Public and Private Welfare</td>
</tr>
<tr>
<td>LTU</td>
<td>National network of EAPN</td>
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<tr>
<td>SGB II</td>
<td>Second Book of the Social Code</td>
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<tr>
<td>SGB III</td>
<td>Third Book of the Social Code</td>
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<tr>
<td>SGBVIII</td>
<td>Eights Book of the Social Code</td>
</tr>
<tr>
<td>SGB XII</td>
<td>Twelfth Book of the Social Code</td>
</tr>
<tr>
<td>UA</td>
<td>Unemployment assistance</td>
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<tr>
<td>UI</td>
<td>Unemployment insurance</td>
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Foreword

Reducing poverty and social exclusion is one of the main challenges for ensuring social cohesion in Europe. The research project COPE – Combating Poverty in Europe: Re-organising Active Inclusion through Participatory and Integrated Modes of Multilevel Governance’ – analyses trends in poverty and social exclusion in Europe, and examines the dynamics of minimum income protection policies that potentially help alleviate the risk of poverty in Europe. A particular focus is on the situation of single parents, long-term unemployed and the working poor, who face particular risks of poverty and social exclusion. To what extent have minimum income policies functioned as last resort social security for these three groups, and in what sense can ‘active inclusion’ policies credited with protecting them from poverty and social exclusion?

Co-financed by the European Commission in the 7th Framework Programme, the COPE project unites researchers and stakeholders from six European countries, the UK, Italy, Poland, Sweden, and Norway. Having started in February 2012, COPE runs over a three-year period. COPE’s method is comparative – analysing developments in five European countries (Poland, Germany, UK, Sweden and Italy). Its focus is inherently multi-level, looking in turn at developments at European, national and local level.

The present report is part of COPE’s effort to uncover the dynamics of national level policy reforms in the area ‘active inclusion’, namely reforms affecting national policies that specify the adequacy of minimum income benefits, the provision of employment services, as well as the organisation of access to social services. It focuses particularly on the three groups; single parents, long-term unemployed persons, as well as the working poor.

The present report is complemented by national case studies covering developments in the other four countries. It feeds into a comparative report on similarities and differences in the development of minimum income protection across Europe, to be published later in 2013.
Introduction

The German minimum income protection (MIP) system has made a substantial shift in the past decade, transforming from a general system with residual character to a categorical system covering more than 7 million people (Bahle et al. 2011: 91-92). ALG II as the MIP scheme for working age persons is the dominant one among the five German MIP schemes. According to the slogan “demanding and enabling” ALG II shall provide labour market and social services as well as minimum income benefits for working age persons in needy households. However, data from our expert interviews with relevant actors at the national level that complements the document analysis in this report shows that ALG II does not meet these requirements.

We have conducted 17 semi-structured expert interviews at the national level: nine interviews with representatives of the Free Welfare Associations and the German Association for Public and Private Welfare, members of the national poverty conference and a national-level representative of local authorities (FW1-9); three interviews with Members of Parliament (P1-3); two interviews with representatives of the social partners (SP1-2); one interview with a representative of the Federal Ministry of Labour and Social Affairs (PO1), one with a representative of the Federal Employment Agency (PO2) and one with a participant of a peer review meeting (PO3). The findings show that there is a rather weak institutional link between employment services and social services in ALG II which hinders implementing a multi-dimensional approach to combating poverty. An enhancing work-first orientation of ALG II furthermore emphasises the “demanding” element. Although, ALG II does not generally follow a target group approach, recent programmes did focus on the labour market integration of single parents. On the other hand, effects of creaming and parking reflect less adequate support for long-term unemployed. Moreover, the institutional legacy of the Hartz reforms has led to a situation of constant adjustments of ALG II, e.g. the redefinition of standard rates and the re-organisation of the responsible agency (Jobcenter). The latter entailed an increase of the number of Jobcenters solely organised at the local level. Finally, we show that the EU has a rather low impact on national-level policy development.

This report gives a broad overview on minimum income protection for working age persons in Germany. The first chapter provides information about the changing demand for minimum income protection since 1990. In the second chapter the institutional and policy legacies in German anti-poverty policy are discussed, in particular the extent and structure of ALMP and social services in the mid-2000s as well as the governance of minimum income provision and related services. The dynamics of active inclusion reform are the subject of the third chapter. By drawing on the data collected from national-level expert interviews this chapter provides detailed information about the issues and actors of the political and policy debate, the central reforms, institutional constraints as well as the EU’s influence on national-level policy development. The fourth chapter examines the national policy framework for active inclusion. Finally, the fifth chapter assesses to which extent a national strategy for active inclusion exists in Germany. Additionally, it is examined how far the German policy framework is the same for all working-age groups and how far ALG II provides a truly multi-dimensional approach to combating poverty.
1. The changing demand for minimum income since 1990

The section provides information about the changing demand for minimum income protection since 1990 by informing about the structural drivers of an increasing demand for MIP (protective capacities of unemployment insurance, employment and the family) as well as about the impact of the economic crisis since 2007.

1.1. Structural drivers of increasing demand for minimum income protection

1.1.1. The protective capacity of unemployment insurance

In 2010, the costs for the system of unemployment insurance covered 5.8 % of social expenditure (Source: Eurostat). Until 2005, a two-tier system of unemployment insurance existed. Unemployed person were at first entitled to wage-related unemployment insurance benefits by the first-tier scheme called Arbeitslosenversicherung (unemployment insurance, UI). After exhausting the benefits of UI, claimants could receive unemployment benefits by the second-tier scheme Arbeitslosenhilfe (unemployment assistance, UA). Although UA was means-tested and tax-funded, these benefits were still wage-related, but on a lower level (53 % respectively 57 % of the former net wage). A large share of UA claimants had to top up their low benefits with benefits from social assistance. With the Hartz reforms a fundamental shift occurred affecting especially the situation of the long-term unemployed. The second-tier scheme UA was merged with Sozialhilfe forming the new MIP scheme Arbeitslosengeld II (ALG II) which is no longer linked to the previous wage. Active labour market policies play a central role in the transformation of the German welfare state. In contrast to the situation in UA and Sozialhilfe where it had been difficult for claimants to receive activating support, ALG II has facilitated the access to employment and social services for all claimants, in particular measures like “working opportunities with additional expenses compensation” (“Arbeitsgelegenheiten mit Mehraufwandsentschädigung”) and case management introduced a social integration and employability approach for persons distant from the labour market (Goerne 2012: 154-157, 163-164).

In the course of labour market reforms, work records became less important. Since then, only persons who completed an employment subject to social insurance contributions (sozialversicherungspflichtige Beschäftigung) with a minimum duration of 12 months and become unemployed\(^1\) (§§ 137, 142 SGB III) are entitled to receive unemployment insurance benefits. The duration of entitlement depends on the former duration of the employment subject to social insurance contributions and is graded, e.g. after 12 months of employment claimants will receive unemployment insurance benefits up to 6 months. After a minimum of 24 months employment claimants are entitled to receive unemployment benefits up to 12 months. Compared to full-time employment records, part-time employment and fixed-term employment (with a duration of less than 24 months) reduces individual entitlement to UI benefits. However, receiving unemployment insurance benefits up to 12 months is the normal case. Exceptions are made for older workers, e.g. persons with a minimum age of 50

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1 According to the Third Book of the Social Code, unemployed are those persons, that
- temporarily do not have a job of any kind or that are minor employed (less than 15 hours a week) respectively short-term employed (maximum duration of 50 working days a year)
- are actively looking for employment subject to social insurance contributions of at least 15 hours a week and are available for employment services of the employment agency
- have registered as unemployed with the employment agency
(Source: § 16 Third Book of the Social Code, Destatis)
respectively 58 years who were 30 respectively 48 months employed. They are entitled to receive unemployment insurance benefits up to 15 respectively 24 months (§147, SGB III). In this way, UI claimants can also be long-term unemployed. Claimants with at least one child for whom they get child allowance receive 67%, other unemployed persons entitled to unemployment insurance benefits receive 60% of their former net wage (calculated on the basis of the daily average gross wage less income tax, solidarity tax and contributions to social insurances) (§§149, 153 SGB III). After exhausting UI benefits, claimants have the possibility to request MIP in terms of (ALG II) which is the dominant MIP scheme in Germany. As a result, only short-term unemployed are able to secure their social status and their achieved living standard by making use of social protection (Fleckenstein 2008: 179).

Since 2005, unemployed rates have decreased sharply. In comparison to unemployed persons in ALG II (SGB II) the total number of unemployed people receiving UI benefits (SGB III) has declined stronger, most recently to 0.89 million (see Figure 1). Therefore, the share of all unemployed people receiving ALG II benefits have increased from 57% in 2005 to 70% in 2011, although the total number of unemployed persons in ALG II has continuously declined. A reason of this development might be that UI claimants are closer to the labour market than long-term unemployed so that they are able to profit from economic upswings and leave UI very quickly. In 2011, the monthly exit rate of UI claimants was 14.5% (131,000 persons), while the monthly exit rate of ALG II beneficiaries was only 3.7% (76,000 persons) (Bundesagentur für Arbeit 2012d: 21). Taking all unemployed persons into account, 30% of these persons receive benefits from UI, while 70% of all unemployed persons receive benefits from ALG II (see Figure 1). Along with costs for integration subsidies, labour market inclusion of disabled people, merits for short-time work and others expenditure on unemployment insurance was 28.9 billion € in 2008 (WZB, SOEP and Destatis 2011: 263).
1.1.2. The protective capacity of employment

Historical background

The major trend of the past decades until 2005 was an increase of (long-term) unemployment. After WWII, when Germany was marked by mass unemployment, a great damage of production capacity and the extended immigration of refugees and expellees, a period of fast reconstruction and rapid economic growth set in (the so called “Wirtschaftswunder”) supported by the social market economy (see Figure 2). Employment rates increased to full employment. A small recession in 1966/67 led to the introduction of first active labour market instruments like job creation schemes. As a result, unemployment rates could be kept under the threshold of 2 % in the following years. But a recession in 1973/1974 caused by the oil crisis ended up this development. In 1975, GDP declined by 0.9 % and unemployment rose abruptly from 270.000 (1973) to more than a million unemployed persons. In the wake of the second oil crisis, a recession in 1981/82 led to a further decrease of GDP by 0.4 % and to an increase of unemployment rates remaining on a level of about 9 % indicating the problem of structural unemployment (Neumann and Schaper 2010: 126-132; Destatis 2012: 30). In 1985, the Employment Promotion Act (“Beschäftigungsförderungsgesetz”) promoted flexible types of employment (Eichhorst and Marx 2011: 76-77). After reunification and a short decline of the unemployment rate to 7.2 % in 1990, the problems of affiliating the economy of East Germany became obvious. A recession in 1993 followed, accompanied by a decline of GDP of 1 % and a dramatic increase of unemployment rates. This especially affected East Germany where the unemployment rates almost doubled after reunification and are even today twice as high as in West Germany (Bundesagentur für Arbeit 2012f).

Figure 2: Development of unemployment rates in Germany 1949-2012

The replacement rates of unemployment insurance were reduced in 1994 to limit the costs for the growing number of claimants. From 1998 onwards, working time and wage moderation for core workers became more and more flexible due to plant agreements. Deregulation was emphasised for non-core workers in terms of minor employments, agency work and activation (Eichhorst and Marx 2011: 77-79). In 2003, the bursting of the so called “dot-com bubble” caused a recession characterised by a decline of GDP by 0.4 %. Unemployment rates
were extremely high and called for a labour market reform. In 2005, as part of these so called Hartz reforms social assistance was merged with unemployment assistance to the new MIP scheme Arbeitslosengeld II (ALGII). This caused a statistical effect (so called “Hartz-IV effect”) of rising unemployment due to 380,000 former social assistance beneficiaries now defined as unemployed. Since 2005, unemployment has decreased sharply and employment increased strongly due to the stronger emphasis on activation and flexibility which will be discussed in the following.

**Employment and unemployment rates**

In general, the German labour market is marked by persistent (long-term) unemployment due to a striking insider-outsider differentiation, relatively strong trade unions, a medium level of wage setting centralisation, moderate state intervention and social pacts leading to more flexibility. Germany’s strictness of employment protection is above average resulting from a relatively high protection of permanent workers against (individual) dismissal, an average degree of specific requirements for collective dismissal and average regulation on temporary forms of employment (Venn 2009: 7-10). Firms employing 10 or fewer employees (including 18% of total workforce) are not bound to regular employment protection legislation except for the protection against discriminatory and arbitrary dismissal. Furthermore, firms employing 20 or fewer employees (including 28% of total workforce) are not bound to requirements for collective dismissals, but all employers are always obliged to give a minimum of social consideration before dismissal (Venn 2009: 20).

In the following, employment and unemployment rates are presented, overall and in detail for the young and long-term unemployed. While the above presented unemployment rates (subsection “Historical background”) are based on national administrative data considering registered unemployment, the following unemployment rates provided by Eurostat are based on the ILO (International Labour Organization) definition. Both definitions consider persons as unemployed that are without employment, but available for the labour market and that are actively seeking for a job. In contrast to German administrative data that considers persons working less than 15 hours a week as unemployed, the ILO only defines persons as unemployed that are not working at all. As a result, unemployment rates based on German administrative data are generally higher than unemployment rates provided by Eurostat. Employment rates are defined as relation of employed persons to the overall working age population (15 to 64 years).

Figure 3 indicates that the German employment rate with 64 to 65% is in general higher than the average of the EU 15 member states. Since 2005, employment rates have increased continuously from 65.5% to 72.5% in 2011 (Source: Eurostat).

Meanwhile, unemployment rates have developed discontinuously as mentioned above. After a short decline in the period of 1998-2001 to 7.8%, unemployment rates increased sharply to 11.3% in 2005 (see Figure 4). Since then, unemployment rates decreased strongly to 6.0% in 2011. Between 2001 and 2008, unemployment rates were significantly higher than in the EU 15.
Compared to other EU member states, youth unemployment (see Figure 5) is very low in Germany. In 2011, only 8.6 % of persons aged 15 to 24 were unemployed (Source: Eurostat). After a strong increase from 7.8 % in 2001 to 15.5 % in 2005, unemployment rates for young people have declined. These relatively low unemployment rates can be explained by the integration of young people into the vocational training system that provides apprenticeship in companies.

Female unemployment rates have sharply decreased from 11 % in 2005 to 5.7 % in 2011 (see Figure 6). This share is considerably lower than the average of the EU 15 member states. Moreover, female unemployment rates not only adjusted to the unemployment rates of males. In 2011, the share of unemployed women is lower (5.7 %) than the share of unemployed men (6.3 %).
Long-term unemployment is one of the major problems of the German labour market. In comparison to the other EU member states, Germany’s rates of long-term unemployment (as percentage of total unemployment) have always been significantly higher than those of the EU 15 and EU 27 states in the past 15 years, although these rates have declined since 2007 from 56.6 % to 47.4 % in 2010 (see Figure 7). In average, every second unemployed person has been unemployed for more than 12 months. The relatively low monthly exit rates of ALG II (3.7 %) and its high share of long-term beneficiaries (68%) (Bundesagentur für Arbeit 2012d) indicate that the longer unemployed persons are outside the labour market the more difficult it becomes to get them back into work.
**Figure 7: Long-term unemployment as share of total unemployment 1995-2010**

![Graph showing long-term unemployment as share of total unemployment from 1995 to 2010 for various countries.]

**Note:** Long-term unemployment is defined as unemployment with duration of 12 months and more; population aged 15-64

**Source:** Eurostat

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**Working age poverty**

This section provides information about at-risk-of-poverty rates for the working age population. The overall at-risk-of-poverty rates which include all persons with a household net income less than 60% of the national median have increased sharply in the past decade from 10% in 2000 to 15.8% in 2010 (see Figure 8). Almost every sixth person is at risk of poverty in Germany. Until 2006, poverty rates were considerably below the EU 15 and the EU 27 ratios. Since 2007, German poverty rates are slightly above the average.

**Figure 8: Overall at-risk-of-poverty rates (population aged 16-64)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Germany</th>
<th>UK</th>
<th>Italy</th>
<th>Sweden</th>
<th>Poland</th>
<th>EU 15</th>
<th>EU 27</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>14</td>
<td>15</td>
<td>20</td>
<td>-</td>
<td>15</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>2000</td>
<td>10</td>
<td>14</td>
<td>18</td>
<td>-</td>
<td>15</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>12</td>
<td>16.3</td>
<td>16.7</td>
<td>9.5</td>
<td>20.9</td>
<td>14</td>
<td>14.9</td>
</tr>
<tr>
<td>2010</td>
<td>15.8</td>
<td>15.3</td>
<td>17.2</td>
<td>12.2</td>
<td>17.2</td>
<td>15.4</td>
<td>15.6</td>
</tr>
</tbody>
</table>

**Note:** Population aged 16-64

**Source:** Eurostat

Unemployed persons face poverty risks more often than those who are employed. Since the introduction of the Hartz reforms in 2005, at-risk-of-poverty rates of unemployed persons have increased strongly from 40.9% (2005) to 70% (2010) which is one of the highest shares in the EU (see Figure 9). One explanation could be the above mentioned “Hartz-IV effect” of rising unemployment due to former social assistance beneficiaries now defined as unemployed. The overall impact of the Hartz reforms however is positive: a marginal
decrease in poverty can be observed. First, the overall at-risk-of-poverty rates have decreased from 13.5 % in 2004 to 12.6 % in 2005. Most importantly, at-risk-of-poverty rates of beneficiaries declined even stronger due to the Hartz reforms, from 58.7 % in 2004 to 51.1 % in 2005. In particular, dependent households with incomes below the threshold of 40 % median income profited from the reforms while only UA claimants with relatively high benefits lost incomes (Arntz et al. 2007: 67-68, 80-81, 90).

Rising poverty rates can be observed for the working population. At-risk-of-poverty rates for employed persons have increased from 4.9 % in 2005 to 7.1 % in 2010. The increase of part-time and minor employment has contributed to this development. Despite the fact that work intensity differs between households with and without dependent children, e.g. more than 50 % of households without dependent children and only around 30 % of households with dependent work at full intensity (0.8-1.0), poverty rates for both household types are equal at all levels of work intensity (COM 2011: 172). Rates of in-work poverty are below the EU 15 and EU 27 poverty rates.

Figure 9: At-risk-of-poverty rates by most frequent activity status: unemployed (left) and working (right) population

![Graph showing at-risk-of-poverty rates by activity status]

**Note:** population aged 16-64

**Source:** Eurostat

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**Erosion of the standard employment relationship**

While poverty risks of employees in standard employment relationships are increasing, persons in atypical employments face poverty even more often (Andreß and Seeck 2007). Although it is still the dominant type of employment relationships, the standard employment relationship has become less important. As indicated above it is marked by (1) an unlimited duration, (2) full time, (3) a stable remuneration of work performance according to the working time, and (4) a certain level of social and labour protection (Mückenberger 1985, Kraemer and Speidel 2005: 6-7). All employment relationships that lack of one or more of these characteristics are defined as atypical. Supported by the labour market reforms aiming at activation and flexibility the numbers of part-time, minor, temporary and fixed-term employment as the main types of atypical employment have grown. These types differ in dynamic and relevance.

Figure 10 presents the different types of atypical employment as share of the total workforce. It shows that part-time employment is foremost the most important type with a share of 26.5
% of the total workforce in 2009. In the period of 2000-2006, part-time employment has increased strongly from 19.8 % to 26.2 %. Since then, it has remained on a relatively constant level. Part-time employment is followed by minor employment which was re-regulated as the so called Mini-Job in the course of the German labour market reforms. This type of employment contract does not give entitlement to social insurance benefits. It is defined by a maximum monthly wage of 450 €\(^2\) (geringfügig entlohnte Beschäftigung) or by a maximum duration of 50 working days respectively two working months a year (kurzfristige Beschäftigung)\(^3\). The share of employees solely working in minor employment has slightly decreased from 15.3 % in 2004 to 14.4 % in 2009. Fixed-term employment as the next important type of atypical employment has risen sharply after introducing labour market reforms (from 8.5 % in 2003 to 10.8 % in 2006) and declined afterwards to 9.3 % in 2009. Although a great expansion of fixed-term employment in the course of labour market reforms failed to appear, especially entrants are affected by fixed-term employment. A smaller feature of the labour market is temporary employment (Leiharbeit) defining employees that are lent to third-party firms. Also supported by deregulation, the share of temporary employment nearly duplicated from 1 % in 2003 to 1.8 % in 2009. This type of atypical employment is more dependent on economic trends than the other types (Pilz 2004: 136-137; Keller and Seifert 2006: 235-236; Keller and Seifert 2011). In contrast to these developments, after an increase from 10.1 % in 2000 to 11.3 % in 2007 self-employment remained on a constant level of 11.1 % between 2008 and 2011 (Source: Eurostat).

![Figure 10: Atypical employment as share of the total workforce 2000-2009](source: Keller and Seifert 2011)

<table>
<thead>
<tr>
<th>Year</th>
<th>Part-time employment</th>
<th>Minor employment (with/without second jobs)</th>
<th>Fixed-term employment</th>
<th>Temporary employment (without apprentices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>19.8</td>
<td>-</td>
<td>8.8</td>
<td>1.0</td>
</tr>
<tr>
<td>2001</td>
<td>20.8</td>
<td>-</td>
<td>8.8</td>
<td>1.1</td>
</tr>
<tr>
<td>2002</td>
<td>21.4</td>
<td>-</td>
<td>8.2</td>
<td>1.0</td>
</tr>
<tr>
<td>2003</td>
<td>22.4</td>
<td>17.3 / 13.7</td>
<td>8.5</td>
<td>1.0</td>
</tr>
<tr>
<td>2004</td>
<td>22.8</td>
<td>20.6 / 15.3</td>
<td>8.3</td>
<td>1.3</td>
</tr>
<tr>
<td>2005</td>
<td>24.5</td>
<td>20.2 / 14.8</td>
<td>10.1</td>
<td>1.4</td>
</tr>
<tr>
<td>2006</td>
<td>26.2</td>
<td>20.6 / 14.8</td>
<td>10.8</td>
<td>1.8</td>
</tr>
<tr>
<td>2007</td>
<td>26.3</td>
<td>20.6 / 14.5</td>
<td>10.3</td>
<td>2.2</td>
</tr>
<tr>
<td>2008</td>
<td>26.3</td>
<td>19.8 / 14.3</td>
<td>9.6</td>
<td>2.3</td>
</tr>
<tr>
<td>2009</td>
<td>26.5</td>
<td>20.4 / 14.4</td>
<td>9.3</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Source: Keller and Seifert 2011

To sum up, atypical employment is a great challenge for the system of social protection that is still oriented at the standard employment relationship. Individual social protection and the

---

\(^2\) Until 2013, the threshold for minor employments has been 400 €.

\(^3\) Another form is the so called Midi-Job defined as an employment with a monthly gross wage between 450,01 € and 850 €. Only 0.7 million people work in such Midi-Jobs which is less compared with the number of people in Mini-Jobs. Generally, monthly gross wages from employment above 450 € are subject to social insurance contribution. Following a sliding scale, Midi-Job employees pay less social insurance contributions than employees with monthly gross wages above 850 €.
amounts of contributions to social protection schemes, e.g. unemployment and pension insurance, became less due to these new forms of employment (Keller and Seifert 2006: 237-238). As a result, MIP for working age as well as for old age persons becomes more important.

**Low-wage employment**

There is no national minimum wage in Germany. Only some industry sectors provide minimum wages for their employees (such as security services or waste management). At the beginning of 2012 these specific minimum wages range from 6.53 € to 13.40 € per hour (Source: Destatis). The threshold for low wages which is defined as less than 66% of median hourly wage was 9.15 € in 2010. Since the mid-1990s low wage employment has risen by 2.33 million people. In 2010, 7.92 million employees earned low wages, which was 23.1 % of the total workforce. In relation to the whole population of low wage employees, especially women (61.3%), persons with completed vocational training (70.1%), persons aged more than 55 years (21.8%), persons in full-time employments (42.5%) and Minijob employees (35.8 %) earn low wages (Kalina and Weinkopf 2012).

1.1.3. **The protective capacity of the family**

The share of single parents (SP) has increased strongly in the past 15 years. SP form one of the groups with the highest at-risk-of-poverty rates in Germany. Moreover, many SP depend on ALG II which additionally reflects the low protective capacity of this specific household type.

**Figure 11: Single parents in relation to the whole working age population 1996-2010**

<table>
<thead>
<tr>
<th>Year</th>
<th>SP in relation to the whole working age population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>13,8</td>
</tr>
<tr>
<td>2000</td>
<td>15,3</td>
</tr>
<tr>
<td>2005</td>
<td>17,6</td>
</tr>
<tr>
<td>2006</td>
<td>18,5</td>
</tr>
<tr>
<td>2007</td>
<td>18,3</td>
</tr>
<tr>
<td>2008</td>
<td>18,8</td>
</tr>
<tr>
<td>2009</td>
<td>19,0</td>
</tr>
<tr>
<td>2010</td>
<td>19,4</td>
</tr>
</tbody>
</table>

*Source: Destatis*

In 2010, 19.4 % of the 8.1 million families with children were families with SP (see Figure 11). Since 1996 the number of SP has risen by 20 %, from 1.3 million people (13.8 %) to 1.6 million people (19.4 %; 2010), despite the fact that the overall number of families with children has decreased by 1.2 million. 90 % of all SP are women (Source: Destatis). At-risk-of-poverty rates for single parents have always been high in Germany which reflects the traditional emphasis on the male bread-winner model. In 2010, 43 % of all single parents are at risk of poverty (see Figure 12). Furthermore, Germany has a significantly higher at-risk-of-poverty rate for single parents than the EU 15 and the EU 27 states. The temporary
decline in 2005 can be interpreted as an artefact because many people became officially poor due to introducing ALG II.

Figure 12: At-risk-of-poverty rates of single parents

<table>
<thead>
<tr>
<th>Year</th>
<th>Germany</th>
<th>UK</th>
<th>Italy</th>
<th>Sweden</th>
<th>Poland</th>
<th>EU 15</th>
<th>EU 27</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>55</td>
<td>60</td>
<td>23</td>
<td>-</td>
<td>-</td>
<td>41</td>
<td>-</td>
</tr>
<tr>
<td>2000</td>
<td>44</td>
<td>57</td>
<td>28</td>
<td>-</td>
<td>26</td>
<td>40</td>
<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>25.8</td>
<td>37.9</td>
<td>35.4</td>
<td>20.4</td>
<td>40.1</td>
<td>30.4</td>
<td>31.4</td>
</tr>
<tr>
<td>2010</td>
<td>43</td>
<td>36.4</td>
<td>37.3</td>
<td>33.1</td>
<td>34.2</td>
<td>37.1</td>
<td>36.8</td>
</tr>
</tbody>
</table>

Note: population aged 16-64

Source: Eurostat

In 2009, 41% of all SP households depend on ALG II, that are 1.65 million persons. 820.000 of them are employable while most of the other 833.000 persons are children (not working-age). More than half of the children (53%) entitled to benefits in terms of ALG II (Sozialgeld) live in SP households. Furthermore, only 12% of the unemployed SP are entitled to unemployment insurance benefits, the rest is covered by ALG II (Bundesagentur für Arbeit 2010).

Summing up, the group of SP are seriously affected by poverty and benefit dependency which shows that the protective capacity of this household type is low.

1.2. The impact of the economic crisis since 2007

In the course of the financial crisis since 2007 GDP fell by 5.1% in 2009, which has been the highest decline since WWII. But the German economy recovered quickly marked by an increase of GDP by 3.7% in 2010 and 3.0% in 2011 (Destatis 2012: 30-31). Further negative effects of the economic crisis since 2007 in terms of employment, unemployment and poverty rates cannot be indicated for Germany by now (see section 1.1.2.). It can be argued that German economy that indeed was affected by the crisis has been able to cope with its negative impact, in particular due to a set of internal flexibility instruments created over the past decades that strengthened the competitiveness of firms and allowed them to keep their workforce (Reisenbichler and Morgan 2012).
2. Institutional and Policy Legacies in National Anti-Poverty Policy

In this section the institutional and policy legacies in German anti-poverty policy are discussed. It gives an overview on the MIP architecture (development of the role of means-tested provision in the national social protection system since 1945; structure of minimum income provision for working-age people), the extent and structure of ALMP and social services (special services for single parents and working poor) as well as the governance of minimum income provision and related services in the mid-2000s (administration and policy making; delivery).

Figure 13: The three pillars of social protection

<table>
<thead>
<tr>
<th>Social insurance</th>
<th>MIP</th>
<th>Public support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension insurance</td>
<td>Social assistance (Sozialhilfe)</td>
<td>Child allowance</td>
</tr>
<tr>
<td>Statutory health insurance</td>
<td>MIP for old and disabled persons</td>
<td>Parental leave</td>
</tr>
<tr>
<td>Long-term care insurance</td>
<td>ALG II</td>
<td>Rehabilitation and participation of people with disabilities</td>
</tr>
<tr>
<td>Accident insurance</td>
<td>MIP for asylum seekers and relief for victims of war</td>
<td>Pensions for civil servants</td>
</tr>
<tr>
<td>Unemployment insurance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: selection, own illustration

In general, following Esping-Andersen (1999), Germany represents a conservative welfare regime marked by corporatism and etatism, social insurances, the principle of subsidiarity, a high degree of social stratification and a medium level of decommodification (Esping-Andersen 1999: 81-84). The level of social protection expenditure (in % of GDP) is relatively high: 29.9 % in 2011 (BMAS 2012: 6). The three key pillars of social protection in Germany are social insurance (Sozialversicherung), MIP (Förderung) and public support (Versorgung) (see Figure 13). Social insurances as compulsory and contribution-based schemes are still central for social protection. Thus, benefits of pension and unemployment are wage-related according to the principle of equivalence (as in all “Bismarckian countries”). As mentioned above (section 1.1.2.), the rising importance of atypical employment as well as unemployment endangers the fundament of social insurance. Another principle of the German welfare state is the principle of subsidiarity which is related to the pillar of MIP. It means that entitlement to MIP benefits is not allowed until exhausting all benefits of social insurance. In contrast, MIP is tax-funded and only accessible due to means test. Both pillars reflect the traditional division of policies for workers and for the poor (Arbeiter- und Armenpolitik). The third pillar of social protection comprises all other universal benefits as public support. Entitlement to tax-funded public support is possible due to the individual status, e.g. being the parent of a child. Furthermore, there are hybrids of MIP and public
support. For example, the statutory student loan (BAföG) is means-tested (MIP) and linked to the status of a student (public support) (Ullrich 2005: 50-54; Boeckh et al. 2006: 174-178).

As already stated, the major part of the social protection system consists of social insurances that entitle claimants to non-means-tested benefits in cases of illness, accident, need for care, age and incapacity to work. The four social insurances, pension, health, long-term care, and accident insurance, are compulsory and contribution-based. In 2011, they covered 58.4 % of the overall social expenditure. Costs for pension insurance are highest with 32 % of the total social expenditure, followed by health insurance with 22.2 %, long-term care insurance with 2.7 % and accident insurance with 1.5 % (BMAS 2012: 10). These social insurances are subject to the principle of solidarity which means a redistribution of risks among all contributors. Pension insurance also integrates the principle of equivalence taking individual employment trajectories into account (Neumann and Schaper 2010: 156-158). In comparison to the other social insurances, health insurance is supposed to be the most relevant one for working age persons because it provides sick pay. As part of public support family benefits in the form of child allowance (Kinder geld) are important non-means-tested benefits as well. Regardless of the household income parents get 184 € for the first and the second, 190 € for the third and the fourth and 215 € for each further child (§§62,66 EstG). Following the Swedish model, parental leave (Elterngeld) will be provided for a parent who has actual custody of a newborn child. Benefits will be paid until the child’s age of 14 months with an average level of 67 % of the former net income, but with a minimum of 300 € and a maximum of 1.800 € (§§1,2,4 BEEG).

2.1. The minimum income protection architecture in the mid-2000s

The German MIP system consists of a general scheme and four categorical schemes. The general scheme Sozialhilfe 4(social assistance) was established in 1961 and replaced the former regulations of welfare relief that had been introduced back in 1924. It is regulated by the Twelfth Book of the Social Code (SGB XII). Until 2005, this scheme has served as a general last safety net for all citizens in need providing a social minimum in terms of cash and in-kind benefits as well as social services. After accomplishing labour market reforms in 2005, it has changed into a general MIP scheme for all working age persons temporarily incapacitated to work and not living together with employable persons in a needs unit. It is a residual scheme for those persons not fitting to one of the categorical schemes.

The Kriegsopferfürsorge (relief for victims of war) as the first categorical MIP scheme was introduced in 1950 (see Figure 14). It is regulated by the Federal Law on War Pensions (Bundesversorgungs-gesetz). Entitled to benefits are those persons (as well as their relatives) who suffer impairments through military operations and those who were persecuted in the GDR. They receive compensatory pensions. The second categorical MIP scheme is the one for asylum seekers and refugees (Asylbewerberleistungen). It is regulated by the Asylum Seekers Benefits Act (Asylbewerberleistungs-gesetz). It was established in 1993 with benefits below the level of Sozialhilfe in order to reduce migration by having a less appealing MIP scheme for refugees 5. Both categorical MIP schemes are the smallest in Germany. In the

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4 In accordance to SGB XII, it is officially called „Hilfe zum Lebensunterhalt außerhalb von Einrichtungen“ (support for livelihood outside of facilities).

5 On July 18th, 2012, the Federal Constitutional Court declared the standard rate of MIP for asylum seekers and refugees to be unconstitutional because it had not been amended since its introduction in 1993, with the result of having a 40 % lower standard rate (225 €) than ALG II (374 €). In future, standard rate for asylum seekers and refugees have also to correspond to the social minimum as it applies to ALG II standard rates.
course of the labour market reforms, the categorical scheme MIP for old and disabled persons (Grundsicherung im Alter und bei Erwerbsminderung) was established in 2003. It is also regulated by the Twelfth Book of the Social Code (SGB XII). This scheme includes former Sozialhilfe recipients that are older than 65 and those full age persons (18+ years old) who are unable to work (less than 3 working hours a day). Thus, it addresses persons who have definitively dropped out of the labour force. It provides minimum pensions on the level of Sozialhilfe, but it is more generous in terms of means test. In 2005, the categorical MIP scheme for the unemployed and jobseekers Grundsicherung für Arbeitssuchende (ALG II) was introduced by merging (the employable population of) Sozialhilfe and unemployment assistance. It is regulated by the Second Book of the Social Code (SGB II). ALG II covers employable, working age persons as well as their non-employable cohabitants (mainly children) and provides a minimum income. Jobseekers and long-term unemployed who have exhausted their (wage-related) unemployment insurance benefits are entitled to receive benefits in terms of ALG II. Moreover, persons with low incomes can receive in-work benefits as top-ups by this MIP scheme (Bahle et al. 2011: 90-94).

**Figure 14: The German MIP system**

---

In 2010, ALG II covered 6.5 million persons while there were only about 98,000 persons receiving benefits in terms of Sozialhilfe (see Figure 15). Overall, 9.2 % of the whole population was in receipt of MIP benefits in 2010 which is slightly less than in 2006 (10.1 %). All in all, 7.5 million people were entitled to MIP. The overall expenditure on MIP benefits was 41.8 billion € in 2010 (Destatis 2012a: 8, 10). To put it in a nutshell, the German
MIP system developed to a system covering broad groups of the needy population, especially unemployed persons and jobseekers. ALG II is not only the dominant system in terms of numbers of beneficiaries, but also in terms of expenditure. In 2009, total social expenditure was 766 billion € which is 30.9% of GDP (ibd.: 52). Expenditures on ALG II were about 35.9 billion € which is 5 % of the whole social expenditure. In comparison, expenditures on MIP for old and disabled persons as the second biggest MIP scheme were only 0.5 % of the whole social expenditure in 2010. Sozialhilfe is even seven times smaller than this. The relief for victims of war and the MIP for asylum seekers are the smallest MIP schemes in Germany.

In conclusion, the MIP scheme ALG II is the biggest and most important one among all five. The relief for victims of war and MIP for asylum seekers play a minor role. Sozialhilfe and MIP for old and disabled people are also significantly smaller than ALG II. Moreover, switching between ALG II and Sozialhilfe is possible because of changing household compositions or changing status of capacity.

Figure 15: Number of beneficiaries and expenditures of different MIP schemes

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relief for victims of war</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of beneficiaries in 1000</td>
<td>60</td>
<td>-</td>
<td>46</td>
<td>-</td>
<td>42</td>
</tr>
<tr>
<td>Expenditure in million €</td>
<td>531</td>
<td>-</td>
<td>472</td>
<td>-</td>
<td>476</td>
</tr>
<tr>
<td>MIP for asylum seekers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of beneficiaries in 1000</td>
<td>194</td>
<td>153</td>
<td>128</td>
<td>121</td>
<td>130</td>
</tr>
<tr>
<td>Expenditure in million €</td>
<td>851</td>
<td>753</td>
<td>605</td>
<td>582</td>
<td>584</td>
</tr>
<tr>
<td>Social assistance (Sozialhilfe)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of beneficiaries in 1000</td>
<td>82</td>
<td>88</td>
<td>92</td>
<td>93</td>
<td>98</td>
</tr>
<tr>
<td>Expenditure in million €</td>
<td>462</td>
<td>495</td>
<td>524</td>
<td>552</td>
<td>567</td>
</tr>
<tr>
<td>MIP for old and disabled persons</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of beneficiaries in 1000</td>
<td>682</td>
<td>733</td>
<td>768</td>
<td>764</td>
<td>797</td>
</tr>
<tr>
<td>thereof working-age</td>
<td>(45.7%)</td>
<td>(46.4%)</td>
<td>(46.6%)</td>
<td>(47.7%)</td>
<td>(48.3%)</td>
</tr>
<tr>
<td>Expenditure in million €</td>
<td>3,158</td>
<td>3,546</td>
<td>3,770</td>
<td>4,014</td>
<td>4,244</td>
</tr>
<tr>
<td>ALG II</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of beneficiaries in 1000</td>
<td>7,283</td>
<td>7,022</td>
<td>6,612</td>
<td>6,737</td>
<td>6,469</td>
</tr>
<tr>
<td>thereof working-age</td>
<td>(72.9%)</td>
<td>(72.6%)</td>
<td>(72.6%)</td>
<td>(72.9%)</td>
<td>(72.7%)</td>
</tr>
<tr>
<td>Expenditure in million €</td>
<td>40,219</td>
<td>36,286</td>
<td>34,948</td>
<td>35,947</td>
<td>35,946</td>
</tr>
</tbody>
</table>

Sources: Destatis 2008-2011, 2012a
2.1.1. The development of the role of means-tested provision in the national social protection system since 1945

After WWII, the above mentioned “Wirtschaftswunder” enabled an expansion of the welfare state. In a first period from 1949-1966, both the number of beneficiaries as well as social expenditure increased. Furthermore, the pension reform of 1957 improved the situation of old-age people considerably who henceforth could to some extent preserve their achieved living standard. In 1961, social assistance (Sozialhilfe) was introduced as a last safety net for the whole population. The following years of the social and Christian Democratmic “Grand coalition” (1966-1969) were marked by reorganisation of the welfare state, for example sick pay was made available not only for white-collar, but also for blue-collar workers. The subsequent Social-democratic-Liberal coalition (1969-1982) supported further expansion of the welfare state which promoted again the enlargement of the group of persons entitled to social insurance benefits. A central innovation was the pension reform of 1972 that implemented a flexible retirement age and a poverty-proof mechanism of calculating individual replacement rates. In contrast, the next coalition of Christians and Liberals (1982-1998) consolidated the welfare state in financial terms. Pensions, health and unemployment insurance as well as housing benefits have been reduced. As a result, social expenditure has declined from 25.9 % (1982) to 24.1 % of GDP (1990) (BMAS 2012: 8). However, after reunification in 1990 the system of social protection was successfully transferred to East Germany which led to higher costs. Moreover, family support was improved to equalise care and employment as well as to balance competitiveness and social protection. The Red-Green coalition (1998-2005) carried out far-reaching reforms (described below). For example, in the course of the pension reform in 2000/01, the replacement rates of pension insurance were reduced from 70 % to 67 %. A state-funded private pension – the so called Riester-Rente – was introduced as a supplement to statutory pension insurance marking a transition to pension policies geared to cash receipts. Financing the welfare state due to social insurance contributions was regarded as problem (Schmid 2005, chapter 1.4; Ebbinghaus 2011).

According to the typology of social assistance by Gough et al. (1997) and its empirical verification (Gough 2001), Germany can be identified as a country with a dual social assistance system providing “categorical assistance schemes for specific groups, supplemented with a general safety net” up to the big reforms (Gough 1997: 36). This results from the specific combination of the three underlying dimensions extent, programme structure and generosity. The extent of social assistance expressed in the number of beneficiaries and the expenditure on social assistance was below-average. Furthermore, social assistance was mainly centralised at the national level with medium local discretion leading to an average inclusion respectively exclusion to social assistance (programme structure). Below-average benefits as well as a relatively high disregard of income and assets characterised the medium generosity of the German social assistance system (Gough et al. 1997: 30, 34-36, Gough 2001: 169).

The importance of social insurances for social protection accompanied by a general safety-net of last resort for the whole population defines Germany as the prototype of conservative, Bismarckian welfare states (Esping-Andersen 1999; Hinrichs 2010: 45). In the course of the 2000s labour market reforms which were a reaction to increasing unemployment rates and to the persistence of long-term unemployment, Germany “critically broke with the conservative path of welfare” by emphasising activation and marking the old system as inefficient but also unjust (Fleckenstein 2008: 178). Although this turn in unemployment policies was an effort to maintain the core of the institutional framework of Germany as a Bismarckian welfare
state (Clegg 2007: 611), the role of social assistance changed dramatically from residual to a programme covering broad groups of the needy population (Bahle et al. 2010: 457). The vector of this new path to a ‘post-Bismarckian’ welfare state is made up of changes in three dimensions: (1) from the preservation of social status to the preservation of a minimum living standard, (2) from passive to active labour market policies, and (3) from contribution-based to tax-funded social protection (Hinrichs 2010: 45-46). Following the idea of the British model, the German 2000s labour market reforms established a new, categorical MIP scheme (Grundsicherung für Arbeitssuchende, ALG II), henceforth including all long-term unemployed who were entitled to unemployment assistance benefits (Fleckenstein 2008: 185). In general, with the linkage of labour market integration to the MIP system and the resulting differentiation between persons who do and those who do not belong to a household with at least one person able to work Germany follows the path of liberal countries like the United Kingdom and Ireland (Bahle et al. 2011: 201-203). Thus, the new MIP scheme for the unemployed has become the dominant scheme which leads to a sharply increased number of beneficiaries as well as a higher level of expenditure on MIP (Bahle et al. 2011: 90-94, 170-172, 190-191). Furthermore, it provides relatively high average benefit rates compared to median national income (ibid.: 161-162, 217-218). To sum up, the scope of MIP (extent) became broader and it relatively succeeds in lifting beneficiaries out of poverty (benefit generosity).

2.1.2. The structure of minimum income provisions for working-age people

ALG II is the dominant MIP scheme in Germany because it targets all needy households with at least one employable person. Thus, households without any employable person are not in the scope of this scheme. The regulations for ALG II are included in the Second Book of the Social Code (Zweites Buch Sozialgesetzbuch II, SGB II). Eligible to ALG II benefits are those persons (1) who are of the age between 15 and 65 respectively 67 years, (2) who are employable, (3) who are in need, and (4) whose place of residence is normally in Germany – except foreigners who are either unemployed, who only have a right of residence because of job search, or who are entitled to MIP benefits for asylum seekers (§§7, 7a SGB II). In need are people whose income and assets are not sufficient for a livelihood in accordance to the social minimum, who cannot be supported by relatives, or whose needs are not covered by other schemes of social protection. Income and assets of other members of one’s own “needs unit” (Bedarfsgemeinschaft), e.g. the partner living in the same household, are taken into account as well (§9 SGB II). Introducing the concept of ‘needs unit’ takes for granted that persons who live in the same household and who are related to each other respectively who are in a partnership mutually keep house by sharing costs as well as incomes. In general, ALG II includes benefits in terms of standard rates, additional demands, costs for housing and heating, in-kind benefits as well as social and employment services.

Standard rates and additional demands

Standard rates in terms of ALG II are defined on the basis of the principle that benefits must be lower than wages (Lohnabstandsgebot) (§28 (4) SGB XII). Furthermore, the development of net incomes, consumer behaviour and living costs estimated by the Income and Consumption Survey (EVS) as well as a mixed index in accordance to the national accounting (§28a SGB XII) are taken into account which has led to a successive increase of standard rates (see Figure 16).

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6 Age limit of 65 years is valid for those born before 1947. For persons born after 1963 age limit is 67 years. For age groups in between age limit varies between 65 and 67 years.
In 2004, before introducing ALG II, the standard rate of Sozialhilfe as the dominant MIP scheme by then was 295 € per month for a single person. Standard rate in terms of ALG II was significantly higher in 2005 (345 €). It increased again to 347 € in 2007, afterwards to 351 € in 2008 and 359 € in 2009. According to a verdict reached by the Federal Constitutional Court on February 9th, 2010, the previous method of defining standard rates was marked as unconstitutional because it was insufficiently transparent. A new law (Gesetz zur Ermittlung von Regelbedarfen und zur Änderung des Zweiten und Zwölften Buches Sozialgesetzbuch, 24th of March, 2011; BGBl. I S. 453-496) replied to that request by itemising the average individual consumption expenditures. Due to this new method the standard rate increased again to 364 € in 2011, then to 374 € in 2012 and finally to 382 € in 2013. Thus, since 2013, the monthly standard rate of ALG II for a single person is 382 €.

Full age partners living together will both get 337 € per month which is 90 % of the standard rate. Single persons with the age of 18-24 years get 299 € per month. Persons as well as partners aged 14-17 years are able to receive 287 € per month (§20 SGB II). Besides ALG II standard rate, persons who are not capacitated to work and who are living in a needy household with at least one employable person receive Sozialgeld which is another sort of cash benefit within ALG II. It covers standard rates, additional demands as well as housing and heating costs. According to the age of the beneficiary, standard rates in terms of Sozialgeld range from 219 € to 299 € per month.

Figure 16: Development of ALG II standard rates 2005-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Standard rates of ALG II</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>345 €</td>
</tr>
<tr>
<td>2006</td>
<td>345 €</td>
</tr>
<tr>
<td>2007</td>
<td>347 €</td>
</tr>
<tr>
<td>2008</td>
<td>351 €</td>
</tr>
<tr>
<td>2009</td>
<td>359 €</td>
</tr>
<tr>
<td>2010</td>
<td>359 €</td>
</tr>
<tr>
<td>2011</td>
<td>364 €</td>
</tr>
<tr>
<td>2012</td>
<td>374 €</td>
</tr>
<tr>
<td>2013</td>
<td>382 €</td>
</tr>
</tbody>
</table>

Source: Bundesagentur für Arbeit

Benefits in terms of ALG II cover the social minimum that is reported by the Federal Government every third respectively second year⁷ (see Figure 17). The social minimum reflects the yearly sum of ALG II standard rate, average costs for housing and heating as well as contributions to health and long-term care insurances and, since 2011, costs for services with regard to education and participation for children.

For the period of 2005-2007, the social minimum for a single person was 7,356 €. At the same time the poverty threshold, defined as the 60 % median of the equivalised household net income, has declined from 9,836 € in 2005 to 9,398 € in 2006 and then increased to 10,066 €

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⁷ Nevertheless, standard rates change yearly because of the influence of a mixed index in accordance to the national accounting (cf. §28a SGB XII).
in 2007. Thus, the social minimum for a single person was significantly below the poverty threshold. Taking the modified OECD scale into account the social minimum for couples (12,240 € respectively 8,160 € for each person of a couple) was higher than for single persons, but nevertheless still under the poverty threshold. In the years of 2008 and 2009, the situation was even worse due to a lower defined social minimum (7,140 € for single persons) and rising poverty thresholds of 10,986 € in 2008 and 11,151 € in 2009. The social minimum for couples remained with 12,276 € on the previous level. In 2010, the amount of the yearly social minimum for single persons increased strongly to 7,656 € respectively to 12,996 € for couples, while the increase of the poverty threshold to 11,278 € in 2010 and to 11,426 € in 2011 was relatively modest. In 2012, the social minimum was 7,896 € for single persons, 13,272 € for couples, and 4,272 € for children (Bundesregierung 2011). To conclude, the social minimum is significantly below the national poverty threshold.

Figure 17: Yearly social minimums for single persons, couples and children as reported by the Federal Government in comparison with the national poverty threshold of Germany 2005-2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Social minimum for single persons</th>
<th>Social minimum for couples</th>
<th>Social minimum for children</th>
<th>Poverty threshold (60 % median of the equivalised HH net income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>7,356 €</td>
<td>12,240 €</td>
<td>3,648 €</td>
<td>9,836 €</td>
</tr>
<tr>
<td>2006</td>
<td>7,356 €</td>
<td>12,240 €</td>
<td>3,648 €</td>
<td>9,398 €</td>
</tr>
<tr>
<td>2007</td>
<td>7,356 €</td>
<td>12,240 €</td>
<td>3,648 €</td>
<td>10,066 €</td>
</tr>
<tr>
<td>2008</td>
<td>7,140 €</td>
<td>12,276 €</td>
<td>3,648 €</td>
<td>10,986 €</td>
</tr>
<tr>
<td>2009</td>
<td>7,140 €</td>
<td>12,276 €</td>
<td>3,648 €</td>
<td>11,151 €</td>
</tr>
<tr>
<td>2010</td>
<td>7,656 €</td>
<td>12,996 €</td>
<td>3,864 €</td>
<td>11,278 €</td>
</tr>
<tr>
<td>2011</td>
<td>7,656 €</td>
<td>12,996 €</td>
<td>3,864 €</td>
<td>11,426 €</td>
</tr>
</tbody>
</table>

Sources: Bundesregierung 2004, 2006, 2008; Eurostat

### 2.2. The extent and structure of ALMP in the mid-2000s

After a decline from 1.2 % in 2003 to 0.7 % in 2007 the overall expenditure on ALMP has remained at the same level of 0.8 to 1.0 % of GDP (Source: OECD; see Figure 18). The key category in quantitative terms has been job creation schemes, i.e. “working opportunities with additional expenses compensation” (“Arbeitsgelegenheiten mit Mehraufwandsentschädigung”; so-called “One-Euro-Jobs”). This instrument primarily addresses persons distant from the labour market and can be characterised as a measure improving social integration and employability (Goerne 2012: 163-164). In addition, these persons can benefit from case management which goes beyond regular job counselling and placement by considering multiple barriers to employment (ibid.: 155-156). In contrast, persons close to the labour market are rather addressed with placement services and employment incentives following a work-first approach (ibid.: 156, 165-167). Moreover, (short-term) training measures and (long-term) advanced vocational training play crucial roles in ALG II which also especially target persons close to the labour market (ibid.: 158-159). To conclude, measures for persons distant from the labour market follow a social integration and employability approach while measures for persons close to the labour market are mainly
work-first accompanied by measures following a training-first approach. Thus, ALMP can be characterised as relatively diverse (ibd.: 178).

While all ALMP for ALG II beneficiaries are at the discretion of the Jobcenter, persons entitled to unemployment insurance benefits (according to Social Code III, SGB III) have a legal right to some ALMP. In particular, these are activation and placement vouchers\(^8\), support of vocational training in the first year, support for graduation for participants in vocational preparation education programmes and special services for labour market participation (§3(3) SGB III). Other ALMP for claimants of unemployment insurance are at the discretion of the employment agency. To sum up, ALMP can be characterised as relatively diverse. Except placement and job counselling by the personal adviser, employment services for ALG II claimants are at the discretion of the Jobcenter.

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**Figure 18: Overall expenditure on ALMP as % of GDP 2003-2010**

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALMP as % of GDP</td>
<td>1.2</td>
<td>1.1</td>
<td>0.9</td>
<td>0.9</td>
<td>0.7</td>
<td>0.8</td>
<td>1.0</td>
<td>0.9</td>
</tr>
</tbody>
</table>

*Source: OECD*

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**2.3. The extent and structure of other services of potential relevance to working-age minimum income claimants in the mid-2000s**

**2.3.1. Childcare provisions and specialised support services for single parents**

The provision of childcare varies regionally. In total, the infrastructure for childcare in East Germany is better developed than in West Germany. There are public (municipalities) and private (e.g. Free Welfare Associations) providers of childcare. Individual costs for childcare differ among the municipalities and depend on the institutions providing childcare facilities. They are usually divided into income-related and non-income-related costs. Individual costs for childcare are tax-deductible. Parents with low incomes have the possibility to receive public support for childcare for their children under the age of 3 years. All children aged 3 years to minimum compulsory school age are legally entitled to visit a childcare facility (§24, SGB VIII).

Formal childcare for children less than 3 years old is hardly available, especially in West Germany (see Figure 19). In 2009, only 7 % of the children aged less than 3 years were covered by formal childcare with a weekly duration of up to 29 hours, while not more than 12 % of this age group were in formal childcare with a weekly duration of more than 29 hours. Formal childcare for children aged 3 years to minimum compulsory school age is more extensive. Although it has significantly declined since 2005, 48% respectively 40 % of this age group were in formal childcare with a weekly duration up to 29 hours respectively more than 29 hours in 2009.

\(^8\) In 2007, only about 9 % of the 783,000 allocated placement vouchers were redeemed in the area of SGB II and SGB III (Bernhard and Kruppe 2010).
Figure 19: Formal childcare with different weekly durations as share of children's age groups 2005-2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Formal childcare for children &lt;3 years (1-29h)</th>
<th>Formal childcare for children &lt;3 years (&gt;29h)</th>
<th>Formal childcare for children 3 – 6/7 years (1-29h)</th>
<th>Formal childcare for children 3 – 6/7 years (&gt;29h)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>8 %</td>
<td>8 %</td>
<td>61 %</td>
<td>26 %</td>
</tr>
<tr>
<td>2006</td>
<td>11 %</td>
<td>7 %</td>
<td>64 %</td>
<td>26 %</td>
</tr>
<tr>
<td>2007</td>
<td>8 %</td>
<td>9 %</td>
<td>59 %</td>
<td>27 %</td>
</tr>
<tr>
<td>2008</td>
<td>10 %</td>
<td>9 %</td>
<td>54 %</td>
<td>36 %</td>
</tr>
<tr>
<td>2009</td>
<td>7 %</td>
<td>12 %</td>
<td>48 %</td>
<td>40 %</td>
</tr>
</tbody>
</table>

Source: Eurostat

To conclude, childcare provision varies regionally, in particular the respective infrastructure in Germany is more developed. Furthermore, the situation for children aged more than three years is significantly better than for children under the age of 3 years.

2.3.2. General employment retention and advancement support and specialised support services for the working poor

A special instrument for parents with low-incomes is the so called *Kinderzuschlag* (§6a BKKG) which is a special kind of child allowance. Parents with low incomes who would fall below the threshold for entitlement to ALG II (due to taking their children into account) receive a monthly support of up to 140 € per child. This instrument shall prevent families with low incomes from being dependent on ALG II. In addition, there are no specialised services for the working poor. On the one hand, the Federal Employment Agency that is responsible for employment services does not have a target group approach:

_The BA [Federal Employment Agency] does not believe in target groups. According to our philosophy, we do not really want them. We say that we have to individually provide those services the individual needs._ (PO2, 87)

Furthermore, efforts by the Jobcenters are more directed at labour market integration than at getting in-work beneficiaries out of benefit dependence.

_In the actual work of the Jobcenters it is the way that in-work beneficiaries almost do not receive any attention. So the Jobcenters with all their indicators (...) are oriented towards integration into work. But in-work beneficiaries are already integrated. And the plus points that I get as a Jobcenter manager for completely getting an in-work beneficiary out of benefit receipt, which is also measured, have a lower significance than labour market integration. This means there is a strong disincentive by the Jobcenters._ (SP2, 23)

On the other hand, reflecting the heterogeneity of the working poor in-work benefit receipt is seen as a temporary trajectory bridged by ALG II. In this sense, benefit dependence is caused by an event in one’s own needs unit, not necessarily by the individuals themselves.
Consequently, special services like life-long learning or advanced training are not necessary for this group of people:

What shall the Social Code II offer this group of people? (…) Who in a particular phase of life, for example, because of care responsibilities for children cannot work full-time and thus has a lower income is able to top up and is employed in this way, maintains his qualification, perhaps acquires more skills due to this employment and does not get off the working process. And children are getting older and the need for care is reduced, and then there is the possibility due to this bridge, which is given, to again earn as much income that one is not needy anymore. (FW2, 60)

To sum up, there are no specialised services for working poor. Additionally, national-level policy makers cannot identify a need for such services.

2.4. Governance of minimum income provision and related services in the mid-2000s

2.4.1. Administration and policy making

ALG II is run by two actors on different levels, the Federal Employment Agency (Bundesagentur für Arbeit, BA) and the municipalities (as the smallest administrative level) (see Figure 20).

Figure 20: Distribution of responsibilities between BA and municipalities for the delivery of ALG II transfers and services

<table>
<thead>
<tr>
<th>Federal Employment Agency (BA)</th>
<th>Municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>standard rates (ALG II, Sozialgeld)</td>
<td>housing and heating</td>
</tr>
<tr>
<td>additional demands</td>
<td>childcare</td>
</tr>
<tr>
<td>contributions to social insurances</td>
<td>social services (incl. education and participation)</td>
</tr>
<tr>
<td>employment services</td>
<td>one-off benefits</td>
</tr>
</tbody>
</table>

Payments of benefits in terms of standard rates (ALG II and Sozialgeld), additional demands, contributions to statutory health and long-term care insurances as well as employment services are borne at the national level by the budget of the BA which is under the legal and functional supervision of the Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales, BMAS) as part of the Federal Government. The BA is primarily responsible for benefits and services with regard to unemployment insurance. Its headquarters is in Nuremburg. There are 10 directorates under the responsibility of the BA leading 176 employment agencies that have 610 local branches in total. The Federal Ministry of Health (Bundesministerium für Gesundheit) and the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth (Bundesministerium für Familie, Senioren, Frauen und Jugend, BMFSFJ) also cooperate with the BA. Where relevant the BMAS also has (permanent) workshops with the BMFSFJ, e.g. in the context of implementing the 2012 introduced services with regard to education and participation (“Leistungen für Bildung und Teilhabe; SGB II, §§28, 29). The other ALG II transfers and services, costs for housing and heating, childcare, social services (e.g. credit counselling), one-off benefits and services
Regarding education and participation, are primarily covered by the municipalities at the local level (§6 SGB II). The share of ALG II transfers and services supplied by the municipalities is bound to the budget of the local Social Assistance Offices (Sozialämter) which are responsible for Sozialhilfe and the MIP for old and disabled persons. Costs for transfers and services of ALG II are funded by general taxes at the national level, which cover standard rates, employment services and one third of costs for housing and heating, and by the municipalities at the local level that cover two third of costs for housing and heating as well as social services (Eichhorst et al. 2008: 48).

Relevant stakeholders in the field of policy making are the social partners, the six Free Welfare Associations (FWAs), the Free Welfare Consortium (FWA Consortium; Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege), the German Association for Public and Private Welfare (GWA; Deutscher Verein für öffentliche und private Fürsorge), the umbrella organisations of local authorities as well as the national network of the EAPN (Nationale Armutskonferenz, nak) (see Figure 21). They function as lobby organisations and are involved as experts in legislative procedures, e.g. in the hearings of national parliament’s “Committee for Employment and Social Affairs”. They also prepare statements for governmental reports such as the Report on Poverty and Wealth every legislative period or the National Social Report. However, the influence of each organisation cannot be measured, but according to most of our interviewees the social partners can be identified as the most powerful among these actors. Many stakeholder interviewees complained that their involvement in procedures of policy making was an “alibi involvement” because statements always had to be prepared at short notice and they often received no attention in the final version of these reports. In addition, about twice a year the BMAS as representative of the Federal Government meets the FWAs for a so called “Social Monitoring” (Sozialmonitoring) to discuss and identify unintended and unwanted (reciprocal) effects of legislation in the field of social policy as well as to prepare solutions.

We also, for example, have twice a year the so called social monitoring. The [FWA Consortium] comes (...) and then the problems are put on the table. That is prepared in advance and then it is discussed. And [the State Secretary of the BMAS] is very committed to it, to think practically and not always at an abstract level (...), but really problem-oriented. (PO1, 29)

In contrast to unemployment insurance (SGB III) there is no self-government in the area of ALG II (SGB II) which means that social partners are not involved in the process of policy making by the BA concerning employment services for ALG II beneficiaries. Summing up, a mixed administration is a special feature of ALG II. Although stakeholders are involved in the process of policy making, involvement is often formalised with rather less relevant outcome.
Figure 21: Governance Map Germany

Sources: adapted from Zimmermann, Aurich and Klöpper 2012

GOVERNANCE MAP GERMANY

FEDERAL LEVEL

- Federal Government
- Other Federal Ministries (e.g. BMFSFJ)
- BMAS
- Bundestag
- Bundesrat

Supervision
Cooperation

FEDERAL LEVEL

- Federal Employment Agency (BA) (Unemployment Insurance)
- Statutory Health, Long-term Care, Accident and Pension Insurances
- Trade unions
- Employees’ Associations
- German Association for Public and Private Welfare (GWA)

Supervision
Management

REGIONAL LEVEL

- Regional Parliaments
- Regional Government and Federal Ministries
- BA’s Regional Directorates
- Regional bodies of Social Insurance Institutions
- Regional bodies of Social Partners’ organisations
- Regional bodies of FWAs

Regional organisations

MUNICIPAL LEVEL

- Municipal Politics
- Municipal Administration
- Council
- Committees
- Departments and Executive Departments
- Local Employment Agency (EA)

Local EA management committee

District associations and local bodies of Social Partners’ organisations
District associations and local branches of FWAs
Local self-help organisations

adapted from Zimmermann/Aurich/Klöpper 2012

board / group / committee etc.
Governing body
membership / participation / seat

multiple actors involved
2.4.2. Delivery

For organising the delivery of all ALG II transfers and services in a coherent way the administrations of both municipality and employment agency are merged to one local organising institution, the so called Jobcenter (§§ 6d, 44b SGB II) functioning as a one-stop shop. It brings together the two main competencies of ALG II provision: granting of benefits and job placement. There are 306 of these Jobcenters having personnel of both institutions in one and the same agency. To additionally test alternative ways of ALG II delivery 108 municipalities became the solely organising body of ALG II provision, i.e. the authorised local authority agencies (zugelassene kommunale Träger, § 6a SGBII) also referred to as Optionskommunen. Transfers as well as social and employment services are organised independently by these municipalities. In both cases, Jobcenter and authorised local authority agency, ALG II is run by one and the same agency in the form of a one-stop shop at the local level which is responsible for payments of benefits, job counselling and placement as well as for initiating the beneficiaries’ participation at employment and social services. Each Jobcenter as joint institution has a board consisting of one half each of representatives of the municipality and the local employment agency (on behalf of the BA), the so called Trägerversammlung. This multi-level, multi-stakeholder board decides about issues regarding organisation and personnel of the joint institution. Furthermore, with regard to the respective budget funds it agrees on local labour market and integration programmes of ALG II considering target values of each institution (§44c SGB II). In contrast, authorised local authority agencies do not have such a board.

Performance targets and performance measurement play a central role in the delivery of ALMP. The BMAS set performance targets to the BA and the BA itself sets performance targets and recommendations to their 10 regional directorates. Outcome is measured by an on-going evaluation process.

Except regular job counselling and placement by personal advisers, employment services like placement, activation and training measures are outsourced to external, private providers through a voucher system and competitive tendering (Jantz and Klenk 2012: 9-14; Aurich et al. 2013: 15-19). In addition, the Jobcenter does not deliver social services themselves. It is only responsible for administration, payments and paving the way to social services. In particular, the interviewed representatives of the FWAs identified a lack of coordination between ALMP and social services. They said that most of the personal advisers in the Jobcenters (“Persönliche Ansprechpartner”) were not able to identify beneficiaries’ needs for social services because most of the personal advisers are not qualified as social workers. In contrast to case managers (“Fallmanager”) that are qualified to take care of persons with multiple barriers to employment and closely cooperate with external institutions providing social services, personal advisers generally are administrative clerks. Nonetheless, the number of case managers in Jobcenters is limited which negatively affects the quality of case management due to high caseloads (Goerne 2012: 155-156).

Following the German tradition of a public-private partnership in the provision of welfare (Zimmer et al. 2009: 28) social services are preferably carried out by external providers. Most of them are non-profit organisations remaining to the third sector. Private for-profit parties are a minority and can be found in the area of long-term care and partially in the area of childcare. The major providers of social services are the Free Welfare Associations (FWA) receiving funds for services by the federal budget. Fields of activity of the FWAs are:

- Education and counselling for children and young people
- Family care
- Support for old people
- Support for mentally and physically impaired persons
- Health care
- Support for persons with special problems
- Employment services and (advanced) vocational training
- Counselling and care of migrants, asylum seekers and refugees
- Services for people on the road

There are six FWAs with more than 1.1 million employees who work in 94,000 units providing social welfare services: (1) the Caritas which remains to the Catholic Church is the biggest FWA with 500,000 employees, (2) the Diaconia that is associated to the Protestant Church in Germany employs 450,000 people, (3) the Arbeiterwohlfahrt (AWO) which is independent, but historically associated to the Social Democratic Party (SPD), employs 140,000 persons, (4) the Parity which does not belong to a certain political or religious group has 150,000 employees, (5) the Deutsches Rotes Kreuz (DRK) which is the German division of the Red Cross employs 130,000 people, and (6) the Zentralwohlfahrtsstelle which is the FWA for the Jewish people in Germany employs 500 persons (Zimmer et al. 2009: 21-22).

These FWAs evolved from private charity organisations in the course of the developing Bismarckian welfare state to cover needs for welfare at the local level where the combat against poverty has traditionally been located. They have become the most important providers of social services, especially due to the principle of subsidiarity introduced after WWII which states the preference of non-government-run social services instead of public welfare services (Bettmer 2005: 433-434; Zimmer et al. 2009: 25-27). They are organised at the regional and the local level maintaining service units in all fields of social work.

Providers of public welfare are the municipalities. They maintain public institutions like hospitals, kindergartens, schools and homes for children, young and old people (implementation) that are accordingly managed by the Youth Welfare Office (Jugendamt), the Public Health Office (Gesundheitsamt) and the Social Assistance Office (Sozialamt) (planning) (Bettmer 2005). Private welfare providers form a minority.

To conclude, private providers play a central role in the provision of employment and social services at the local level. In particular, the FWAs have developed to essential public-private partners in the delivery of welfare.
3. The Dynamics of Active Inclusion Reform

The dynamics of active inclusion reform are the subject of this section. By drawing on the data collected from national-level expert interviews detailed information about the issues and actors of the political and policy debate, central reforms, institutional constraints as well as the EU’s influence on national-level policy development are provided.

3.1. The political construction of the reform agenda

Besides topics like child and old-age poverty, the key issues in the political and policy debate have especially dealt with the legacy of the Hartz reforms. In particular, the adequacy and defining of ALG II standard rates (respectively the social minimum) and the effectiveness of ALMP are topics that have been discussed extensively. The implementation of a national minimum wage and partly the definition of poverty have also been relevant themes. This focus on defining standard rates as well as on (dis)incentives to work in the policy debate reflects the institutionalisation of ALG II and related problems as well as the weak link between ALG II and personal social services (Clegg 2012: 7).

The key actors that have shaped the political and policy debate are the five parties represented in the Bundestag, the national German parliament, as well as the already in section 2.4.1. mentioned relevant stakeholders, namely the social partners (employers’ and employees’ associations), the six FWAs, the FWA Consortium, the GWA, the umbrella organisations of local authorities as well as the nak.

The five parties represented in the Bundestag

CDU (no interview)
For the major governing party, the conservative “Christian Democratic Union” (CDU), poverty is especially a problem in terms of old-age poverty which can be prevented by pension insurance in combination with wage developments. The focus of MIP for (long-term) unemployed (ALG II) should be kept on the paradigm of “demanding and enabling” accompanied by work incentives and sanctions. However, employed parents should not depend on MIP which could be resolved by improving the conditions of child allowance entitlement (CDU/CSU 2009). The BMAS is led by CDU member Ursula von der Leyen who was in charge to provide a new method for defining ALG II standard rates (more in section 3.2.).

SPD (no interview)
The opposition party “Social Democratic Party of Germany” (SPD) that was responsible for the introduction of the Hartz reforms as the senior partner of the Red-Green coalition (1998-2005) highlights the problem of child poverty in Germany. They detect unemployment and low incomes of parents as the main reasons for (child) poverty and suggest introducing a national minimum wage, improving child allowance and housing benefits as well as family oriented labour market policies in order to avoid dependency on MIP (SPD 2009).

FDP
As the minor partner of the present Conservative-Liberal coalition the liberal “Free Democratic Party” (FDP) deems itself as an influential actor.
The influence of the FDP when they are governing of course is given. We do not lead the [Federal Ministry of Labour and Social Affairs], but of course no law passes without the influence of the FDP. In this respect, the influence is given. The dilemma is that society has the prejudice against the FDP that we are meaning evil with the socially deprived. And the other way round that the others mean well. And therefore the influence of the FDP could be larger if people were willing to consider what the FDP is actually discussing. And what the ideas of the FDP are (...) because we do not have any ideological problems with the idea of combined wages. The toughest opponents are the trade unions, as I hear, but not the FDP. (P2, 59)

The FDP is against a national minimum wage. The emphasis of ALG II should be on work-first labour market integration not on passive transfers. Thus, defining adequate minimum income benefits misses the point. Beneficiaries have to be enabled to work due to employment to become independent:

The Hartz IV standard rate is based on the means available to lower income groups. (...) And from the next Euro he [the beneficiary, N.P.] has to care for himself. And this edge can be moved to anywhere. But one always creates new injustices. Therefore due to Hartz IV you cannot create justice. You create the minimum to survive, but not justice. The welfare state is not able to create justice in an absolute sense anyway. But the task is to actually toughen up the people themselves that they are able to use their opportunities and their possibilities. Accordingly, I think [you have] to focus on economic development to get as many people into work as possible. And not that people remain in their problems and worry about how bad it is. It is not good if you get Hartz IV. But it is not good either if you get 420 Euros [= discussed ALG II standard rate by the opposition, N.P.] instead of the 382 [Euros] [= current ALG II standard rate, N.P.] (...) Justice of the welfare state shall be measured by the instruments it has to get someone into work, into autonomy. Justice should not be measured by how, let’s say, solicitously I care for him, but justice should be measured by how I toughen him up to get him into work. (P2, 33)

DIE LINKE

The opposition party DIE LINKE (“The Left”) makes poverty to a main subject of their discussion focusing on the interplay of gender and poverty (e.g. lone mothers), old age poverty, child poverty and a consolidation of poverty in general. They regard themselves as advocate in the national parliament for the majority of the population that is in favour of a national minimum wage. However, the parliamentary influence as opposition party is low.

Personally I am strongly disappointed of what I think I really can change through parliamentary actions as a member of the faction “DIE LINKE” (...) 80 percent of the people are for [the introduction of] a national minimum wage. 80 percent. And 70 percent are against the retirement age of 67. Such stories. I try to give voice to people if I have the chance to. (P1, 46)

In the LINKE’s point of view poverty and social exclusion in Germany was amplified by introducing the Hartz concept. Therefore, they want ALG II to be replaced by a new sanction-free MIP with much higher standard rates (500 €) satisfying the needs of its
claimants. They also demand a national minimum wage (LINKE 2009). Regarding the definition of ALG II standard rates they criticise the risk of intergenerational poverty:

And with the Federal Constitutional Court's verdict (...) the standard rates needed to be checked again. But from my point of view I would say: That what was done as [ALG II] was introduced was so abysmal without having a reason why which standard rates were chosen. They were simply defined. (...) Simply defined in a way that it was said: This is the standard rate: so, so, so.” And then that was it. And there is also no justification how to measure the standard rate for children. They were just put into relation to the standard rate of adults without any substantial justification. And that just leads to the fact that poverty is basically passed on [to the next generation] within a society by the lack of opportunities for education and participation. And these are the things which seamlessly lead to the existence of kind of Hartz-IV generations. Those people who obviously grew up in a Hartz-IV family will also be in Hartz IV later on because they simply do not have a chance to get out of this. (P1, 4-6)

Buendnis ‘90/Gruene

The party Buendnis ‘90/Gruene ("Alliance ‘90/The Greens"), the third opposition party, criticises rising inequality and social inheritance of poverty by taking multidimensional aspects of poverty into account (deprivation, capability approach).

First, we are a party shaped by local politics, and at the local level many members are concerned with these questions [minimum income policies, N.P.] in their functions as heads of social departments or mayors. Second, for us Greens minimum income protection and combating poverty is a more important focus of our social policy than for other parties. Traditional conservative parties rather look at families, the social democratic parties, SPD and LINKE, are more likely to focus on workers. In contrast, we strongly want to have a stable protection in the area of low incomes. Single parents are an important clientele for the Greens, but precariously employed, self-employed, unemployed are rather not a strong group of voters of the Greens. But if you listen to the electorate of the Greens, polls show that social justice, redistribution, combating poverty are important points. (P3, 43)

They demand a poverty-proof, sanction-free MIP in terms of ALG II, a guaranteed minimum pension for the elderly, the introduction of a national minimum wage and the improvement of child allowance (B90/Gruene 2009). Because the main reason for sanctions is the failure of beneficiaries to get in contact with the Jobcenter sanctions have to be abolished. Standard rates should not be cut (due to sanctions) because they reflect the social minimum which is a basic right.

What an important point is in connection with this Federal Constitutional Court’s verdict, but also in general, is that we have to deal with these sanctions differently, which can be imposed if reasonable job offers are not accepted. But for the most part sanctions are imposed because deadlines are not met, because they do not show up for the job training or something like that. It does not make sense to work with punishment. From the “educational perspective” it is better to work with incentives in this area. We argue that one should actually rethink this completely. So there is this position in our party which,
however, did not have a majority in the last party congress, to abolish sanctions completely. But we demand a penalty moratorium, so sanctions are not imposed until the rights of the individual are in better shape, that there really are integration agreements where the unemployed is the equal of the placement officer, that the unemployed are more entitled to express their wishes and make choices. And even if sanctions existed, they should not go below the subsistence minimum. This again is an important point against the backdrop of the Federal Constitutional Court’s verdict. Perhaps there will also be a new verdict. Now it is even possible to reduce [ALG II benefits] to zero, which actually contradicts that verdict completely. The question is if it is okay to cut a little bit below the standard rate or not. That is, I think, an open story. In my opinion it should not be allowed to reduce [ALG II benefits] below the subsistence minimum because the Federal Constitutional Court says that a certain degree of social and cultural participation should be guaranteed. What is meant by ‘a certain degree’ is certainly once again a matter of interpretation (...) Perhaps there will be a constitutional limit which is set by the Federal Constitutional Court. (P3, 11)

Social partners

Confederation of German Employers’ Associations
The Confederation of German Employers’ Associations (“Bundesvereinigung der Deutschen Arbeitgeberverbände”, BDA) represents the interests of German employers on the national level. Thus, it is an important stakeholder which also acts as expert in legislative procedures.

We have been heard as a professional association in the context of the two major legislative processes, the reorganisation of administrative structures and the recalculation of standard rates. But it is not like we have been heard for our demands. I do not want to hide our light under a bushel. Concerning the recalculation of standard rates we have largely supported the government. And we have also embraced it. (...) And we support it. You cannot lead it back to us. This is barely possible. I think our voice has been heard. And we also take position and publish them, which are being heard particularly regarding economic policy. But you have to remember that this system of [ALG II] is such a politically overloaded system, that there are so many players - this cannot be ascribed to someone. (SP1, 39)

With regard to active inclusion policies the BDA’s positions are very close to the ones of the Christian-liberal coalition. They stand for work-first labour market integration and identify high passive benefits as obstacles for the labour market. They are also against the introduction of a national minimum wage.

Labour market is also addressed. The discussion that the standard rates are unconstitutional has actually started after the Federal Constitutional Court’s decision. And then, the legislator has been asked to determine a constitutional standard rate in a relatively short time. At this point we decided to interpose, too. Then we, as the association of employers, were also asked. However, as Mr [name of interviewee 1] has already commented properly, as employer I have always to consider how to activate the unemployed. Concerning the calculation process and if the standard rate has been calculated properly, we
actually did not participate actively, and [did not] offset the whole income and consumption survey once again. That is not our job. Our job is to make sure that the process is transparent, to form an opinion from the employer's perspective whether the standard rates have been re-calculated correctly. We have confirmed that as well. We have welcomed the fact that it holds on to this strict orientation towards neediness that certain things are rated as relevant and some as not relevant to standard needs, and that the latter are excluded, and that the process of how to calculate the standard rate on the basis of income and consumption survey per capita is correct. And there we have basically supported the politics so far, but always from the perspective: We must not build barriers for the labour market that unnecessarily complicate the entry into the labour market due to high minimum income benefits, passive services. So it still needs an incentive to integrate oneself into the labour market. From this perspective we have given the statement [regarding the recalculation of ALG II standard rates, N.P.] and have campaigned for that accordingly. (SP1, 15)

Confederation of German Trade Unions
The Confederation of German Trade Unions (Deutscher Gewerkschaftsbund, DGB) is the biggest confederation of German trade unions. They act as an important stakeholder representing the interests of employees. The DGB is also an expert in legislative procedures. In contrast to unemployment insurance (SGB III) where the social partners are involved in the process of self-governance, ALG II (SGB II) does not provide such a mechanism of participation.

We are a lobbying organisation. We are regular guests of Bundestag’s parties and [the BMAS] with our demands regarding the Hartz-4 system. But we are a lobbying organisation among many others. We do not have any special rights. This has something to do with the Hartz-4 system that is entirely constructed without self-governance. Before the Hartz-4 system, unemployment assistance was docked at the system of unemployment insurance (…) which was subject of self-governance in Nuremberg [headquarters of the BA, N.P.] and the local employment agencies. (…) And this system of self-administration has been completely turned off for the Hartz-4 system from the very beginning. So it was said by the legislator deliberately in 2004 “We do not want a co-determination by this [board of self-governance], neither by the trade unions nor by the employers. [ALG II] is an issue funded by the Federal Government." So only the Federal Government decides what happens. So our possibilities to enforce something is little, and we’re more in the role of a petitioner, or we try to convince with arguments, but that was one of the construction faults of the Hartz-4 system: to keep the self-governance left out. This has led to a separation of labour market policy. Here the SGB III law [= unemployment insurance, N.P.] with different rules and different opportunities for participation. And there the SGB II, Hartz-4 system (…) the second class of employment promotion with less legal opportunities for the unemployed; but also with less opportunities for us to influence it. (SP2, 45)

The DGB regards the new method for defining ALG II standard rates as unconstitutional. The social minimum should not be calculated on the basis of the lowest income groups, but on real needs. They also criticise the work-first orientation of ALG II because it comes along
with unstable employments and repeating benefit dependence. The DGB stands for the introduction of a national minimum wage.

First, we think the standard rates are unconstitutional in their realisation because there has been no transparent, comprehensible procedure to determine the standard rate. Second, we believe that the level of the standard rates as it is now, especially for children, is too low. (...) We as the [confederation of German trade unions] do not name any amount. We are not saying that the standard rate has to be, for example, 400 Euros or 420 Euros because we can scarcely claim a method, an open fair method, but at the same time already know that at the end the correct result is Euro 420 Euros. This is illogical in itself. Therefore, the 'cleanliness of the process' is very important to us, but we do not say in the first place that it has to be the amount X. That seems to us a compelling logic. What we have as demands in the alliance, are also the [confederation of German trade unions’] demands. That there will be a re-introduction of one-off benefits for larger utensils because the current fiction in the law, to save some money from their 374 Euro [= ALG II standard rate in 2012, N.P.] for an eventually broken refrigerator, we consider this unrealistic. We want that in the case of price jumps (...) the standard rates can be lifted prompter and not only with the delays of up to one year and a half. And we call for an independent commission of scientists who advises the Federal Government, because the pure evaluation based on the [income and consumption survey] is referentially in itself. The [income and consumption survey] can measure how much the poorest in the population spend on goods, but I cannot measure demands (...) of how much a human needs to live. The [income and consumption survey] measures the current state of expenditures, but I need something that we call a needs-TÜV [TÜV = Technical Inspection Association for vehicles in Germany; N.P.] and an independent commission, if that is realistic at all. (SP2, 15)

Other stakeholders

The FWAs and the FWA Consortium
The FWAs have always been engaged in debates regarding anti-poverty policy. FWA “stands for both policy implementation and policy entrepreneurship” (Zimmer et al. 2009: 28). The six FWAs are organised in the Free Welfare Consortium (FWA Consortium; Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege) which articulates their common interests on the national and the EU level. It is financed by contributions of the Federal Government (for providing services) and of members of the FWAs (Zimmer et al. 2009: 29-30). They furthermore have own resources due to donations. The Church-related FWAs Caritas and Diaconia additionally have income from church tax.

As stated in section 2.4.1., the FWAs are involved as experts in legislative procedures, e.g. in the hearings of national parliament’s “Committee for Employment and Social Affairs”. They also prepare statements and attend expert discussions with ministries and national level politicians. They regard themselves as advocates for people affected by poverty and provide feedback concerning the functioning of ALG II at the local level.

We participate in the public policy process. We are invited as experts to hearings of legislative procedures and statements. Then we try to contribute
our concerns through discussions with the ministries and especially with talks to [Members of Parliament]. Our concerns do not simply arise because I think that, but through feedback in the association, the experience of social workers. We try to transfer into politics what a change like [the redefinition of ALG II standard rates] means for the people. (FW8, 17)

The positions of the single FWAs are all in all rather similar and only differ in the details. In general, they stand for adequate standard rates and a less rigid sanction regime. Furthermore, they are interested in a decentralisation of ALG II in terms of a greater leeway at the local level in developing combined strategies of individually tailored employment and social services.

National network of the EAPN (nak)
While the FWAs act as interest groups that define problems and solutions also with respect to the maintenance of their own facilities (Zimmer et al. 2009: 28; cf. Clegg 2012: 7) the national network of the EAPN (Nationale Armutskonferenz, nak) is able to represent the interests of the poor directly because it does not provide any services by itself:

Welfare organisations often fall short of their actual demands, because they just say "Okay, but at the local level so many facilities would have to close down again", if they were to implement this demand they have actually in mind. The [nak] does not have own facilities and can therefore act very politically and make very political demands which are also very far-reaching. Because nobody (...) depends on that, but only people affected by poverty would benefit from that. (FW5, 175)

The members of the nak are the FWAs as well as self-help organisations. They are for the introduction of a national minimum wage, standard rates covering real needs and a national funding of non-commercial debt counselling.

The GWA
The German Association for Public and Private Welfare (GWA; Deutscher Verein für öffentliche und private Fürsorge) functions as the “institutional expression of public-private partnership in social service and policy planning” (Zimmer et al. 2009: 30). It has not only the FWAs, but also the subnational governments, the Federal Government, trade unions and employers’ associations as its members. The GWA acts as an expert in the field of welfare policies.

Fortunately, the [GWA] is not a benefactor (...). We have a very big advantage to be considered as an institution of experts without any distinct interests, e.g. financial interests, concerning some questions. (...) And there are actors at the political level that like to hear the [thoughts of the] [GWA] because of that fact (...). But virtually it is decided according to the own position [of the Federal Government]. (FW2, 37)

The umbrella organisations of local authorities
The umbrella organisations of local authorities are also stakeholder involved as experts in legislative procedures.
There are different levels at which we are active. The final level is certainly the legislative process when the legislator is about to anchor minimum income policies legally. In the legislative process, the [umbrella organisations of local authorities] have to be involved according to the rules of procedure of the Federal Government. That means we get the draft prepared by ministry officials, the cabinet’s draft, in order to comment on it. We therefore include the counties. So we send the bill to the counties and ask them for their opinions, for assessment from their practical point of view and then again transport this into the legislative process. Initially to the Federal Government if it is still in the ministerial area and then, of course, to the Bundestag, and eventually to the Bundesrat [Federal Council]. (...) But we also (...) participate at relevant discussions among the parties, in organisations at different levels or where the issue is picked up. (FW6, 5)

The umbrella organisations of local authorities are interested in a decentralisation of ALG II and give priority to the model of authorised local authority agencies (zugelassene kommunale Träger, § 6a SGBII) where ALG II is organised independently by the municipalities. In the debate on the definition of standard rates they point out that the social minimum does not solely consists of the amount of the standard rate, but also of costs for housing and heating. Thus, the amount of social minimum for bigger needs units is close to low income groups.

On the one hand it is very important for us to make clear that [the costs for housing and heating] are also included. They are part of the subsistence minimum. (...) [The subsistence minimum] is nothing someone would voluntarily like to live with, if you have a decent income. Of course [the subsistence minimum] is little, but I think compared to what a subsistence minimum actually means it is not negligible, especially if you relate this to some full-time employment in specific professions, where you - especially if you have family - do not achieve this level. That is our big problem. So once you have children you get into amounts which lower income groups do not achieve anymore. (FW6, 41)

Furthermore, the social minimum should define the national poverty threshold instead of a relative definition such as the 60% median.

The definition of the concept of poverty means that most of the people are poor, even though they receive [ALG II] transfers and this is not okay for me. This demonstrates that the definition is not correct. Therefore, [the poverty threshold] is above the subsistence minimum and that is the difficulty of the relative term. There is one last aspect which is also always very important for the local level. We often discuss poverty in material terms as if cash payments were the only thing, but especially for children, but also for the elderly, besides this aspect it is very often about the immaterial. So people do not feel poor or children do not feel that they are poor, if they have a group of friends, if the family is intact, if they get along well in school and if they get sufficient education. Then this is something very different as if they have the immaterial, the educational poverty. (FW6, 83)

To sum up, several kinds of actors are engaged in the process of policy making. Besides the five parties represented in the Bundestag, the social partners, the umbrella organisations of
local authorities and the FWAs are important stakeholders in the field of MIP. The political and policy debate of the past years has been mainly shaped by the legacy of the Hartz reforms.

3.2. Policy legacies and feedbacks

Relevant reforms with regard to MIP since 2000

The 2000s MIP reforms in Germany (see Figure 22) were mainly influenced by the labour market reforms which restructured the governance of placing the unemployed and which promoted flexibility as well as activation, especially for long-term unemployed persons. The labour market reforms can be divided into three phases: the early Red-Green coalition (1998-2002), the Hartz reforms and the Agenda 2010 (2002-2005), and the Grand coalition (2005-2009). The Conservative-Liberal coalition since 2009 amended regulations of ALG II and were forced to put the governance of ALG II and the calculation of benefits on a legal basis.

In the period of the early Red-Green coalition, a first attempt for reducing long-term unemployment was made by the Act for Improvement of Cooperation between Employment Agencies and Sozialhilfe Agencies. Up to this point, the Federal Employment Office had solely been responsible for placement services of the unemployed. Limited models of local activation and in work-benefits for Sozialhilfe claimants were tested (Eichhorst and Marx 2011: 78). This cooperation between the national and the local level, which was conceived as a pilot project, anticipated the later multi-level organisation of ALG II which strengthened local discretion. Simultaneously, in 2001, the Act on Introducing MIP for Old and Disabled Persons was put forward and came into effect in 2003. It was a further differentiation of the German MIP system in terms of number of schemes putting a categorical MIP scheme next to the general scheme of Sozialhilfe and the smaller categorical schemes of the relief for victims of war and the MIP for asylum seekers. The population of old and disabled persons in Sozialhilfe were outsourced into this new MIP scheme shrinking the scope of Sozialhilfe.

The main reason for introducing this new MIP scheme was the fact that old people often had not applied for Sozialhilfe in cases of need, which was seen as a sign of bashful old age poverty (Hinrichs 2010: 60-61). To reduce this phenomenon the new scheme was established as a discrete, easy accessible one guaranteeing a social minimum on the level of Sozialhilfe for needy persons who are permanently incapacitated to work, either due to old age (65+ years old) or severe disability.

The period of the next Red-Green coalition from 2002 to 2005, indicated an paradigm shift due to the Hartz reforms and the Agenda 2010 as the political concept for the reforms which “signalled a transition from human capital oriented labour market policies to a stronger emphasis on activation” (Eichhorst and Marx 2011: 78). The main pillars of the Hartz reforms were the reorganisation of the BA as well as the related improvement of efficiency and effectiveness of placement (activation), the merger of unemployment assistance and Sozialhilfe (minimum income protection) and the introduction of flexible employment (flexibility) (Zirra 2010: 223). In 2003, the First and the Second Act on Modern Services in the Labour Market (Hartz I, Hartz II) introduced training vouchers as well as minor employment (Mini-Jobs) and Midi-Jobs promoting labour market flexibility. Obligations to work were enhanced and Jobcenters as one-stop shops were established according to the British model of Job Centre Plus (Fleckenstein 2008: 185). In 2004, the Act on Labour Market Reform shortened the duration of unemployment insurance entitlement for old
employees from 32 to 18 months. Work records became less important. The Third Act on Modern Services in the Labour Market (Hartz III) was a reform restructuring the governance structure of the Federal Employment Agency. Finally, in 2005, the Fourth Act on Modern Services in the Labour Market (Hartz IV) established the new categorical MIP scheme ALG II by merging former Sozialhilfe and unemployment assistance. This new scheme henceforth includes all needy households with at least one employable person. The major effect was that all long-term unemployed persons previously entitled to the status-securing unemployment assistance, which had been tax-funded and means-tested, but at the same time wage-related, were now in the scope of ALG II that aims at preserving a minimum living standard. As a result, the number of beneficiaries as well as the expenditures on MIP increased strongly. Sozialhilfe was reduced to a marginal scheme covering those persons not fitting into one of the others. Thus, ALG II became not only the dominant MIP scheme. Its introduction transformed the whole German MIP system from a general system with residual character to a categorical system covering more than 7 million people (Bahle et al. 2011: 91-92). For some groups of the long-term unemployed the introduction of this MIP scheme was accompanied by lower benefits as well as by stricter obligations to work (Dingeldey 2011: 286). While most of former Sozialhilfe claimants benefited from the reforms, especially unemployment assistance claimants with benefits above the level of Sozialhilfe lost. In 2005, more than half of the persons (56.4 %) preliminary entitled to unemployment assistance were now having lower incomes than in 2004, while only 40.4 % of former Sozialhilfe claimants were losing incomes in the course of the reforms. In particular, needy couples without children and needy single households were affected by lower incomes, while needy single parents as well as households with two children and more relatively profited from the reforms. Overall, the share of beneficiaries at risk of poverty has decreased from 58.7 % (2004) to 51.1 % (2005) (Arntz et al. 2007: 74-75, 81).

The Hartz IV act also introduced the Second Book of the Social Code (SGB II) which includes all regulations for ALG II. The delivery of services and transfers should be organised by the Jobcenters as joint institutions of the employment agencies and the municipalities. Furthermore, in the course of the introduction of ALG II, 69 municipalities became the solely organising body of ALG II provision, the authorised local authority agencies. Firstly intended as a pilot project to test alternative ways of governance the time limit for these agencies was cancelled in 2011. Moreover, in 2012, the number of authorised local authority agencies was raised to 108. In the end of the second Red-Green coalition, tax allowance for employed ALG II beneficiaries was revised. From now on, a basic amount of exemption of 100 € and further proportionally amounts of exemption as incentives to work were allowed.

The following Grand coalition (2005-2009) consolidated this path of labour market policy. Particularly, the employability of women was improved by an expansion of childcare and the introduction of parental leave (Elterngeld). Minimum wages for some industries were established and the standard rates for ALG II beneficiaries were amended (Dingeldey 2011: 287). First of all, ALG II should be developed further. Placement became a standard service, but granting employment services remained at the discretion of the Jobcenter. The ultimate ambitions of activation and overcoming the need for MIP were confirmed once again. In addition, means test was revised in the way that amounts of exemption for assets were considerably reduced. Strictness was also enforced by implementing controllers as field service to prevent benefit abuse. Complementary, sanctions were strengthened. In cases of refusal to take up reasonable employment ALG II benefits could be cut by 60 % or even totally in cases of recurrence.
### Figure 22: MIP reforms in Germany 2000-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Reform</th>
<th>Main objective (regarding MIP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Act for Improvement of Cooperation between Employment Agencies and Sozialhilfe Agencies</td>
<td>Enforcing labour market integration for LTU due to cooperation between the national and the local level</td>
</tr>
<tr>
<td>2003</td>
<td>Act on Introducing MIP for Old and Disabled Persons</td>
<td>Discrete MIP scheme for old and disabled persons (permanently incapacitated to work) to which Sozialhilfe is subsidiary</td>
</tr>
<tr>
<td></td>
<td>First and Second Act on Modern Services in the Labour Market (Hartz I; Hartz II)</td>
<td>Introduction of training vouchers: public-private cooperation; enhancing of obligations to take up employment; introduction of Mini- and Midi-Jobs; establishment of Jobcenters</td>
</tr>
<tr>
<td>2004</td>
<td>Act on Labour Market Reform</td>
<td>Shortening of the duration of unemployment insurance entitlement for old employees to 18 months</td>
</tr>
<tr>
<td>2005</td>
<td>Third Act on Modern Services in the Labour Market (Hartz III)</td>
<td>Reform of the governance structure of the Federal Employment Agency (BA)</td>
</tr>
<tr>
<td></td>
<td>Fourth Act on Modern Services in the Labour Market (Hartz IV)</td>
<td>Introduction of SGB II: merger of unemployment assistance and Sozialhilfe to the new MIP scheme ALG II</td>
</tr>
<tr>
<td></td>
<td>Act of Optional Direction by Municipalities</td>
<td>69 municipalities became the solely organising body of ALG II provision (authorised local authority agencies)</td>
</tr>
<tr>
<td></td>
<td>Act on Revision of Tax Allowance</td>
<td>Introduction of basic and proportionally amounts of exemption for ALG II beneficiaries</td>
</tr>
<tr>
<td>2006</td>
<td>Act on Development of ALG II</td>
<td>Placement as standard service of Jobcenters; stricter means test regarding assets; prevention of benefit abuse; strengthening of sanctions</td>
</tr>
<tr>
<td></td>
<td>Amendment of SGB II</td>
<td>Equalisation of the standard rates in East and West Germany</td>
</tr>
<tr>
<td>2007</td>
<td>Act on Perspectives for LTU with Placement Obstacles</td>
<td>Employment promotion due to employer supplements for long-term unemployed ALG II beneficiaries with placement obstacles</td>
</tr>
<tr>
<td>2008</td>
<td>Amendment of SGB III</td>
<td>Extension of the period of unemployment insurance entitlement for old employees</td>
</tr>
<tr>
<td>2009</td>
<td>Labour Market Instruments Re-orientation Act</td>
<td>Modification of the legal basis for the provision of integration services for ALG II beneficiaries; enhanced obligations to take up employment</td>
</tr>
<tr>
<td>2010</td>
<td>Act on Development of Organising ALG II</td>
<td>Legal basis of the re-organisation of the responsibilities of municipalities and BA in the Jobcenters as joint institution at the local level</td>
</tr>
<tr>
<td>2011</td>
<td>Act on Defining Standard Rates</td>
<td>Transparency of calculating standard rates due to itemising average individual consumption expenditures</td>
</tr>
<tr>
<td></td>
<td>Further Amendments of SGB II and SGB XII</td>
<td>Education and participation services for young people; extended definition of conditions for sanctions</td>
</tr>
<tr>
<td>2012</td>
<td>Labour Market Instruments Re-orientation Act</td>
<td>Rearranging and tightening of labour market instruments to achieve better effectiveness and efficiency: decentralisation, flexibility, individualisation, quality and transparency</td>
</tr>
</tbody>
</table>

**Note:** own compilation
This extension of obligations to work does not only demonstrate the emphasis on the “demanding” element of activation, it also shows that obligations to work are stronger for ALG II beneficiaries than for unemployment insurance recipients (Dingeldey 2011: 300). A further amendment of SGB II was necessary to equalise the ALG II standard rates in East and West Germany by lifting the lower East German level of standard rates (331 €) to the one of West Germany (345 €).

In 2007, the problem of long-term unemployment was tried to tackle again by promoting supplements for employing LTU with placement obstacles. An amendment of the SGB III then extended the duration of unemployment insurance entitlement up to 24 months for persons aged more than 50 years. The delayed entries of old unemployment insurance claimants into ALG II should relieve the municipalities from rising costs for housing and heating. Finally, at the end of the Grand coalition, the Labour Market Instruments Re-orientation Act (“Instrumentenreform”) modified the legal basis for the provision of integration services for ALG II beneficiaries and again strengthened the obligations to take up employment. Individual placement budgets were introduced and the access to employment services, such as advanced vocational training, was improved. On the contrary, publicly funded employments “Arbeitsbeschaffungsmaßnahmen” (ABM) were abolished. Altogether, publicly funded employment was reduced drastically (Dingeldey 2011: 302-303).

Since autumn 2009, a coalition of the Christian Democrats (CDU) and the Liberals (FDP) governs Germany. In the following year, it was necessary to establish a legal basis for the reorganisation of joint responsibilities of the municipalities and the BA. As early as 2007, the Federal Constitutional Court had marked the mixture of competencies of different levels (local, federal) within the Jobcenters as unconstitutional. As a reply to this verdict the German constitution was amended and Jobcenters as joint institutions of municipalities and the BA became legal. Another verdict of the Federal Constitutional Court in 2010 concerned the method of defining standard rates for ALG II beneficiaries. This method was also declared to be unconstitutional because it was insufficiently transparent. In 2011, the Act on Defining Standard Rates replied to this verdict by presenting a new method. Henceforth, standard rates should be calculated on the basis of itemised average individual consumption expenditures. This new method caused an increase of standard rates by 5 € to 364 € in 2011 and by further 10 € to 374 € in 2012. In the following, further amendments of SGB II and SGB XII were made by the Christian-Liberal Coalition. Education and participation services for children and young people were extended to meet child poverty (“Leistungen für Bildung und Teilhabe”). Furthermore, sanctions in cases of breach were redefined. Thus, the first breach of obligations is going to cause a cut of standard rates by 30%, the second one 60% and the third one 100%. Sanctions for persons below the age of 25 years became even stronger. Additionally, an absence from residence without informing the Jobcenter was also identified as breach. After evaluation of labour market instruments the second Labour Market Instruments Re-orientation Act in 2012 (“Instrumentenreform 2012”) rearranged and tightened labour market instruments in respect of effectiveness and efficiency. As a result, individual counselling and a greater flexibility of using combined services were improved to meet the needs for individual placement. Publicly funded employment was abolished and start-up financing measures were restricted. New providers of services are now approved by certification to enhance the quality of measures. Furthermore, competencies for decision-making have been strengthened at the local level (decentralisation) which increased the level of discretion of the Jobcenter and weakened in reverse the traditional centralisation of MIP at the national level. In this context, personal advisers are equipped with product portfolios (transparency) to provide services in a target-oriented way (Kaltenborn 2011).
To sum up, the 2000s MIP reforms in Germany were marked by labour market reforms which emphasised activation and efficiency (Fleckenstein 2008: 178). Especially, the introduction of ALG II transformed the German MIP structure significantly from a general system with residual character to a categorical system covering more than 7 million people (Bahle et al. 2011: 91-92).

**Assessment of MIP reform activities**

As indicated above, reforms concerning MIP for working-age persons since the mid-2000s have mainly been shaped by the Hartz reforms that required several amendments. One interviewee concluded the reform activities against the background of the legacy of the Hartz reforms in the following way:

*I think the Hartz-IV-law has been changed about 20 times since [its introduction in] 2005. It is the law that has been amended the most. This alone is an indicator that it was done poorly. It is a relatively small, tight law, which consists of 70-80 paragraphs, but the implementation guidance from both the Federal Employment Agency and the umbrella organisations of local authorities consists of some hundreds pages. And there are constant changes in this law. Some things become a little bit better in detail, but much remains unchanged. What interests us the most regarding this topic is, on the one hand, the standard rates (...) The standard rates were raised by a few euros, plus the package of services with regard to education and participation, but this has actually only kept the administration busy with implementation. In the end for the people did not come out much. What has also been changed, but slowly and unnoticed by the public, was the budget for integration services. This will be reduced each year for Hartz IV recipients between 10 and 20 percent, though the number of Hartz-IV-recipients only decreases by around two to three percent a year. So an over-proportional reduction of integration fees, although the opportunities for people to get back into work of course diminish from year to year and despite the economy being quite good. Now we are talking about a third subject. Here it is the question, what can be done for the unemployed in the Hartz-IV system, the so called hard core, who are out of work for a very long time having further placement obstacles, such as age, poor health and lacking education. Over the last years there have been attempts to create a private sector. (...) It is nowadays mostly referred to as the social labour. For that a lot has been changed in the law, but without having led to a bigger programme. It might now goes a bit too far naming the reasons, but mainly it has something to do with the financial reasons and that is why it did not work. The law has always been changed and formally it was said that something had been done for the people having the hardest time, however, a drastic effect has been barely achieved. These are the developments in Hartz IV. Maybe I should add the [reform of Jobcenter re-organisation]. So, the question is how to implement Hartz IV in the Jobcenters. There were multiple changes, too. The Federal Constitutional Court decided that a mixed administration consisting of the Federal Employment Agency and the municipalities is illegal. It must be clear to the citizen who is responsible for what. [The Federal Constitutional Court] has set a deadline to the legislator for amending this law. (...) But the legislator did something different. He changed the constitution in order to...*
adjust it to the as unconstitutional declared law, instead of adjusting the law to
the constitution. (…). With the result that the Jobcenters have had to reorganise
themselves several times, sometimes with the Federal Employment Agency,
sometimes without it. There are these special arrangements for [authorised
local authority agencies], which implement [ALG II] on their own. Then the
number of approved candidates was increased from 69 to 108. (…) I think this
has created a lot of unrest in the system without achieving something positive
for the people. So, Hartz IV is a system, which is very much absorbed by itself,
with the administration, with the money flowing from the Federal Government
over the federal states to the municipalities, with the introduction of [the
package of services with regard to education and participation], but [ALG II]
minimally cares about what is best for the people. (…) So there was a lot of
movement, but we are still on the same spot. Constantly changes in law and
management, but there is no real progress. (SP2, 11)

Most of the interviewees stressed the importance of four reform activities that to some extent
refer to three dimensions relevant for an adaption of the concept of active inclusion. First, the
most important reform activity (of the last five years) mentioned in all interviews was the
verdict reached by the Federal Constitutional Court on February 9th, 2010, that marked the
previous method of defining standard rates as unconstitutional because it was insufficiently
transparent. A new law (Gesetz zur Ermittlung von Regelbedarfen und zur Änderung des
Zweiten und Zwölften Buches Sozialgesetzbuch, 24th of March, 2011; BGBl. I S. 453-496)
replied to that request by itemising the average individual consumption expenditures. Due to
this new method the ALG II standard rate increased by 5 € to 364 € in 2011, then to 374 € in
2012 and finally to 382 € in 2013. Furthermore, the introduction of services with regard to
education and participation (“Leistungen für Bildung und Teilhabe”) were mentioned in the
majority of all interviews. The aim of that reform was to guarantee a social minimum in
terms of educational and social participation for ALG II beneficiaries under the age of 25
years (including those receiving Sozialgeld). Both reforms are related to the dimension of the
Active Inclusion concept of adapting minimum income rights “to ensure adequate – however
that is interpreted – provisions for all working age groups at serious risk of poverty” (Clegg
2012: 3). Although the main point of the 2010 verdict was that the method of defining
standard rates had not been transparent enough, it also emphasised that there was a
“fundamental right to the guarantee of a subsistence minimum” in accordance to the Basic
Law (BVerfG, I BvL 1/09 vom 9.2.2010, Absatz-Nr. (1 - 220)). As mentioned in section 3.1.,
there has been a large debate about the adequacy of ALG II benefits respectively the social
minimum in this context. To ensure transparency of the calculation method the average needs
of 15 % of the lowest income groups were itemised. The new standard rate was made up of
particular items relevant for daily life. The choice of items, the basis of calculation and
consequently the level of standard rates respectively the social minimum have been subjects
of extensive discussion.

Second, the Labour Market Instruments Re-orientation Acts of 2009 and 2012 have been two
reforms that were mentioned in almost all interviews as relevant reform actions. They refer to
the Active Inclusion dimension of activating minimum income claimants economically
through enhanced access to employment services (ibid.). The aim of these acts has been to
enable individually tailored employment services at the local level. On the one hand,
interviewees identify an increasing opportunities for the local level to design individual
labour market integration strategies due to both reforms:
In the run-up to the [Labour Market Instruments Re-orientation Act] 2009, we have said “We need to create the instruments in a way so that there is more leeway at the local level. We have to create possibilities for the placement officers on the ground and the case managers in the Jobcenters to care for the unemployed as individually as possible and to get just the right integration strategy with the help of a systematic profiling and in communication between the case manager and the unemployed person. Against this background, we have welcomed the [second Labour Market Instruments Re-orientation Act]. We have also welcomed the [Labour Market Instruments Re-orientation Act] 2009, simply because of the extension of leeway, for example, the activation measures or the placement budget, which were introduced in 2009. In the legislative process from 2008 to 2009 opportunities have been created to respond individually to needs and also to support the unemployed appropriately. Let us take the [Labour Market Instruments Re-orientation Act] of 2012. If you take individual examples such as company internships, which especially in the SGBII last up to twelve weeks. These are things where you can activate the people close to a firm and not in any training programme. (...) Overall, the box of instruments has been slimmed down and simplified. (SP1, 24)

On the other hand, especially the second Labour Market Instruments Re-orientation Act came along with cuts of funds. Thus, labour market instruments may be well designed, but it is hard to implement them:

First of all, the [Labour Market Instruments Re-orientation Act] can be described in the way that you create a reform framework considering everything to make things better while cutting funds by 50 % at the same time. I can imagine the best instruments. So, for example, if I have a great architect and plan on building a house, but I only have half of the budget, then I am no longer interested in the plans of the architect. (FW1, 24)

After the first Labour Market Instruments Re-orientation Act labour market instruments have been evaluated considering factors like efficiency and effectiveness. Designing labour market instruments more efficiently firstly meant to reduce costs for labour market integration which emphasised effects of creaming and parking.

The aim has been an increase in efficiency. One had the feeling to spend too much money on the wrong people. Then, of course, there is the question what is efficient and that is especially measured in money by the state. (...) We have the impression which is also confirmed by talks [at the local level] that they say “Okay, we look at the people close to the labour market, they get into work. And we leave out [of consideration] the people distant from the labour market.” If I invest a lot of money, they will move a little, but they will remain in the system. Until they are finally out [of ALG II], it is a long journey on which they cost a lot of money. This is not efficient. (...) (FW8, 85)

In the following, the newly introduced employment grants as permanent support (Beschäftigungszuschuss, §16e (1,2) SGB II) were limited to temporarily support and working opportunities with additional expenses compensation (“One-Euro-Jobs”) were reduced, for example. These changes impede the work at the local level.
[Instruments concerning] the promotion of employment are constantly changed. (...) Some instruments are abolished that were not sufficiently tested, for example, employment grants, 16E which was introduced under the CDU / SPD government. Back then we did welcome it very much because it was one of the instruments which went in the direction to finance publicly funded employment in the long term. Then it was tried a few years. Of course this ties up a lot of funds and there were some effects that occurred and then it was abolished again. When the last [Labour Market Instruments Re-orientation Act] came into force in April in 2012, everything has been changed again: one-euro jobs are now promoted very poorly and that generally hinders the work in the field constantly (...). (FW7, 28)

Besides reducing funds, the second Labour Market Instruments Re-orientation Act led to friction losses at the local level. Due to these permanent changes that have to be adapted at the local level integration budgets are not exhausted.

First of all, all have groaned when they heard: "Oh god, another [Labour Market Instruments Re-orientation Act]." This is of course incredibly annoying for all [that have to implement this], both the Jobcenters as well as for the providers employment promotion -to constantly have new conditions. This leads to such friction losses. This is just extreme. Consequently, many integration funds are not exhausted, because there are permanent changes. First of all, all were annoyed somehow and then of course we have suspected the direction in which it leads. I mean they reform the instruments because they want to shorten ultimately. They have reduced funds for integration through budgetary consolidation anyway. There the BMAS had to reduce [funds] the most and then even the most in the area of the unemployed. (FW7, 44)

To conclude, past years of MIP reform were marked by several amendments of ALG II. Most importantly, referring to the dimension of adapting minimum income rights to an adequate provision for all working age groups at risk of poverty a new method to define ALG II standard rates was introduced as well as services with regard to education and participation. The Labour Market Instruments Re-orientation Acts of 2009 and 2012 were aimed at enabling individually tailored employment services at the local level which is related to the dimension of activating minimum income claimants economically through enhanced access to employment services. As a result, funds were reduced and friction losses with regard to the delivery of employment services could be observed at the local level.

Finally, many interviewees referred to the 2007 verdict of the Federal Constitutional Court that had marked the mixed administration of ALG II, institutionally expressed in the existence of Jobcenters, as unconstitutional. In the following, the German constitution was amended to legalise this merger of the Federal Employment Agency and the municipalities. Thus, this reform activity concerns the Active inclusion dimension that “the delivery systems for minimum income benefits are to be recast to drive efficiencies and improve the service received by claimants” (ibid.). More on that in the following section 3.3.
3.3. Institutional constraints and opportunities

The mixture of competencies between the Federal Employment Agency (BA) and the municipalities for ALG II has been the main point of dispute since the introduction of the Hartz reforms. While the Federal Government was interested in the centralisation of ALG II to have more control through the BA, the Federal states demanded a decentralisation to keep the autonomy of the municipalities.

We have had the discussion for about 10 years. That was the main point of contention between the federal levels with Hartz IV coming into force. So the Federal Government said: "I want the Federal Employment Agency to be in charge of this because I have access to them", and the federal states said: "No, this is too distant and we have to organise the finances in a new way, and apart from that the municipalities are much closer." (FW6, 35)

After the verdict of the Federal Constitutional Court in 2007, a few possibilities were discussed. The former Federal Minister of Labour and Social Affairs Olaf Scholz (SPD), for example, favoured the model of “cooperative Jobcenters” (“kooperative Jobcenter”). In accordance to this model Jobcenters should be designed as separated institutions led by the BA where employment agency and municipality are placed in the same building and have joint coordinating bodies, but do not establish a joint venture. The umbrella organisations of local authorities discussed another model of Jobcenters as separated institutions, the “Centres for Work and Minimum Income” (“Zentrum für Arbeit und Grundsicherung, ZAG”). In contrast to the model of “cooperative Jobcenters” this model did not include the joint coordinating bodies and provided a stricter separation of both institutions. Both models have not been successful. Bringing together the interests of the Federal Government, the federal states and local actors the compromise was to maintain the Jobcenters as joint institutions and to increase the number of authorised local authority agencies. The Confederation of German Trade Unions was also against a mixture of competencies and called for a more decentralised approach.

In the course of reorganising the SGB II structures, different suggestions were made. (…) We had the cooperative Jobcenters, which were back then still proposed by Scholz, and the [Centres for Work and Minimum Income], the ZAG. They were all more or less politically torpedoed. So, we were against it because we have principally refused this mixed administration and because we actually wanted the municipalities to be responsible for employment services in cooperation with the Federal Employment Agency. However, it was extremely opposed to these cooperative Jobcenters and the ŽAG. (…) Then Koch [former prime minister of the federal state of Hesse, N.P.] came from Hesse with the attempt of [increasing the numbers of] authorised local authority agencies. This shows how politically sensitive this topic is. We have just saddled up on certain aspects and basically contributed our idea of the right structure. Some proposals were not even discussed in the Bundestag, but were cancelled or taken back by the government. Until a special working group finally presented the proposal which we have now: The continuation of the joint institutions together with an amendment of the constitution. That was the consensus that could be found. But the process lasted so many years and was marked by several proposals that were just taken back again due to political influence. (SP1, 49)
In the course of amending the German constitution to legalise the mixture of competencies of different levels (local, federal) within the Jobcenters in 2010, 41 additional municipalities could establish Jobcenters as authorised local authority agencies (zugelassene kommunale Träger, § 6a SGBII) that organise ALG II on their own.

There was this verdict in 2010. Afterwards the same question was discussed again. Then it was said: "Okay, I will once again allow some new [authorised local authority agencies] because the interest in this model is so great and because the federal states have said 'Then we will do it.'" And now, for a start, there is peace in the legislation. (FW6, 37)

The increase of authorised local authority agencies to the number of 108 which is a quarter of all municipalities can be seen as indicator for a more decentralised approach of ALG II. However, the allocation of funds (e.g. for labour market instruments) through the national budget constraints even these municipalities.

In 2003 the basic structure of ALG II was already aimed at decentralisation with parts that were controlled centrally. Due to the competencies of the municipalities we always had an important part decentralised, but at the same time a central focus on the level of performance etc. These are two processes or conditions that have existed from the beginning on. The expansion of the so called [authorised local authority agencies] has led to a stronger decentralisation, meaning the loss of importance of the [national level]. I would say this is the legal level. Fact is, however, that we have one financier and that is the [Federal Government]. And through the allocation of funds you can also, for example, control the level of the budget for [labour market] integration. The decentralised units are charged with what the central unit has decided. Even in the case of a decentralised responsibility, organisation and administration there is always the possibility of central state intervention. (...) This is understandable, because: “He who pays the piper calls the tune.” (FW2, 13)

Although there is no current debate about a (de-)centralisation of competencies, the relevant actors have different interests. The BA that complains about the separation of employment services between unemployment insurance (SGB III) and ALG II (SGB II) is not necessarily for a complete centralisation of ALG II, but would like to have joint institutions instead of the 108 authorised local authority agencies. In municipalities with authorised local authority agencies the BA is responsible for the labour market integration for unemployment insurance beneficiaries, but they are not responsible for the labour market integration of ALG II beneficiaries. Moreover, as federal agency they have more resources and are therefore able to provide more for ALG II beneficiaries than the municipalities.

(...) these are structures that need to be precisely like this in such a large organisation, a small municipality does not have these possibilities. Thus, we see us as strong impulse generator and strong networker. From our point of view SGB II and SGB III should not be separated. There is one labour market in Germany and we also propagate in Germany that we have one employer service between SGB II and SGB III: 'one face to the customer'. The employer should not consider: "Do I want to have someone from the SGB II or should I
rather take someone from SGB III”, but he should rather consider getting a good man or good woman. Therefore, we think this cannot be separated. As you know, we have allowed these so called [authorised local authority agencies]. Currently there is partly a perverse situation. There are regions [authorised local authority agencies, N.P.] taking care of [ALG II]. They have the people [ALG II beneficiaries, N.P.] and we have the positions by the employer service. Of course we also have the people in [unemployment insurance, SGB III], but they are less quantitative. About 25 percent of all unemployed are in [unemployment insurance, SGB III], that is why we are basically saying both areas [SGB II and SGB III, N.P.] need to be in one hand. And we deeply regret that we do not have this in 108 [= number of authorised local authorities, N.P.], unfortunately. (PO2, 9)

The umbrella organisations of local authorities stand for a decentralisation of ALG II and favour the model of authorised local authority agencies. Because the cooperation of two agencies causes too many frictions ALG II should be organised at the local level.

It is a unique invention [in Germany, N.P.] that a federal agency and a local agency are obliged to cooperate. Out of it these frictions develop that one has to see that if the Federal Employment Agency decides for their competent part this and that and for the other part for which the municipality is responsible (...) the municipality decides this and that, that this needs to be reconciled in a joint institution and this can be very tedious sometimes. (FW6, 31)

Although Jobcenters as joint institutions make efforts to cooperate efficiently, cooperation itself is problematic and causes inefficiency. From their point of view authorised local authority agencies do not have such problems.

Of course we try to work together effectively, but the mere circumstance that two actors have to tangle around in order to get together, is not a sign of efficiency. And that is the main difference to the [authorised local authority agencies], where you do not have all those friction losses because everything is in one single hand. This is very efficient. Moreover, they can combine this to what else they are doing at the local level, [e.g.] economic promotion, youth welfare or Social Assistance Office. (...) This is very efficient and effective. The joint institutions have the peculiarity and also difficulty that both authorities always have to get together. If they overcome this structural problem, then it will definitely be possible to effectively cooperate at the local level. (FW6, 33)

The FWAs are in favour of a decentralisation in terms of a greater leeway at the local level. The first Labour Market Instruments Re-orientation Act, for example, introduced the instrument “Free Funding” (“Freie Förderung”, §16f SGBII). According to a common declaration of BMAS and federal states, one of the intentions of Free Funding is a “right to invention” (“Erfindungsrecht”) allowing to enlarge capacities for developing new integration measures at the local level (BMAS 2012a: 20). However, after compensation claims due to a verdict by the Federal Audit Office this instrument is less used.

The [FWAs] always strongly demand a decentralisation in the sense that the leeway of the Jobcenters is as large as possible. Especially in the area of employment promotion there are instruments, [“Free Funding”, §16f SGBII]
where new things can be tried and things can be financed that could not have been financed within the narrow instruments. After the first [Labour Market Instruments Re-orientation Act], this was used by quite some municipalities and [authorised local authority agencies] which are not directly governed by the Federal Employment Agency. However, then the Federal Audit Court came and other auditing bodies of the Federal Employment Agency and said "No, this does not work, this was not legal, and neither this." and made recourse claims. Now no one uses the [“Free Funding”, §16f SGBII] anymore, I mean now it is used very little, because the municipal authorities of course fear that they have to pay back money. This is obviously no local or regional freedom. Of course it cannot be guaranteed like this. (...) One needs to look at the single case to individually adjust employment promotion because every case is different and everyone has different needs. According to this, there has to be such a freedom in employment promotion. Therefore, there is always a strong demand of the FWAs to have centralised control as little as possible (...) (FW7, 60)

Moreover, funds for this instrument are limited because they remain to the budget for all labour market integration services, in particular those services that are mandatory.

(...) There is also an experimental way, [“Free Funding”, §16f SGBII]. Here the municipalities, the [authorised local authority agencies], as well as the joint institutions are allowed to almost do whatever they want to do, but they must of course stay within the budget. Therefore, they do not have a lot of spare money in reality because some measures are compulsory measures that have to be served and that is why there is not much money left for the [“Free Funding”, §16f SGBII]. But technically, it is not bad to have the opportunity to create innovative, flexible measures - at least according to [the wording of the law]. That is about the money again, which is not sufficiently available. (SP2, 55)

Summing up, the mixed administration as a special feature of ALG II is permanent subject of discussion between actors at the local and the national level. Amending the constitution to allow the joint administration of ALG II and the simultaneous establishment of further authorised local authority agencies was a compromise to balance opposite interests. In the context of this reform, recasting ALG II in terms of efficiency and improvement of services may only apply to the newly established authorised local authority agencies as the situation for joint institutions remained the same. However, evaluations of Jobcenters showed that there are no significant differences between joint institutions and authorised local authority agencies regarding efficiency and quality of services (ISG 2007). Moreover, “Free Funding” was mentioned as an instrument that can be used to create locally unique services, even though implementation is difficult due to limited funds.

3.4. The EU’s influence on national-level policy development

Almost all interviewees assessed the influence of the EU in facilitating national level policy reforms as low or negligible.

Personally, I rate the importance of the European Union as totally insignificant with regard to their activities concerning minimum income
There is also no formal competence of the EU in this area. (FW2, 50)

Although the EU2020 strategy is a topic in the national parliament’s debates, it does not play a significant role.

This is discussed and taken up again and again. And everybody discusses it. But it does not play a real role. (P1, 119)

Discussions about the EU2020 strategy are not followed by specific reform actions because the link to social policy is not obvious for all actors and the responsibilities for social policy are seen at the national level, not at the EU level.

There was the discussion on how to measure poverty and on EU 2020 as a target. There at least has been a strong debate about the EU 2020 programme in the committee [for social and labour affairs, N.P.] and in the parliament. (…) Insofar there is certain sensitivity when it comes to these reports [NRP and NSR, N.P.]. This has certainly to do with the [financial crisis since 2007] where we are constantly talking about Europe, and there's also a greater sensitivity to discuss the social policy problems more intensively. It is not seen by all that EU 2020 is about social policy at all, and many people, in particular those of the government, say: “We are responsible for social policy, not the EU.” (P3, 57)

Furthermore, the EU2020 targets for Germany are assessed as not very ambitious. Domestic social policy would have to meet these targets either way, even without the EU2020 strategy. Thus, developments of measures to reduce long-term unemployment, for example, cannot be seen as influenced by these targets.

(...) These trifles with 330,000 long-term unemployed, this rate of school leavers which they want to cut by only ten percent which is not ambitious at all. There are no particular efforts to be undertaken in order to achieve these targets. On the one hand, long-term unemployment which is regulated by itself because 300,000 is not a number (...) But I do not know what is cause and what is effect. I do not think that measures are implemented to achieve these [EU2020] targets or that the definition of these targets induces any action, but it is done anyway and has to be done anyway, more or less successful. And that's why these targets were selected because there is absolutely no great ambition by this government to combat poverty. (FW7, 132)

The interviews also showed that there is no evidence for reforms that have been shaped by the National Social Report (NSR) because it does not provide a strategy for future actions, e.g. for the combat against poverty. On the contrary, the NSR summarises what domestic social policy has done in the past.

The emphasis of the report has strongly been on the past. In other words it always says what has been done, but it does not contain what is about to be done. (…) Otherwise it only states, as I already said, measures that have happened in the past, but it states no future plans. (FW5, 211)
Most of our interviewees have not been familiar with the concept of Active Inclusion. One stakeholder interviewee who knew about the concept stated that it was without relevance for domestic policy makers.

(...) There was a resolution by the [European] Commission - or how to say this, recommendation or something by the [European] Commission on ‘Active Inclusion’, in 2007 I think. Such a bundle of measures: Clever minimum income protection, good employment promotion and high quality social services - related services and so on. And with this recommendation we argued a lot with German politicians that they support it, ‘Active Inclusion’. In our European networks in which we are engaged ['Active Inclusion'] has been a topic again and again: "And what actually happens in Germany concerning ‘Active Inclusion’?" And we said: "Nothing, nothing, nothing. They don’t care a straw here."(...) (FW7, 128)

To put it in a nutshell, the EU and its strategies are relevant issues of the political debate. Nevertheless, competencies for social policies are strictly seen at the domestic level with the effect that the impact of the EU’s influence on facilitating national level policy reforms can be assessed as low or negligible.
4. The National Policy Framework for Active Inclusion

This section examines the national policy framework for active inclusion. It gives detailed information on the structure of minimum income rights (institutionalisation; benefits structure and generosity; benefit administration), the activation of minimum income claimants (personalisation; conditionality; service provision) as well as the delivery of active inclusion delivery systems (structure and operation of lead agencies, inter-agency coordination; marketisation).

4.1. The structure of minimum income rights

4.1.1. Institutionalisation

All needy households with at least one employable person are in the scope of ALG II. In detail, eligible to ALG II benefits are those persons (1) who are of the age between 15 and 65 respectively 67 years, (2) who are employable, (3) who are in need regarding to the social minimum, and (4) whose place of residence is normally in Germany – except foreigners who are either unemployed, who only have a right of residence because of job search, or who are entitled to MIP benefits for asylum seekers (§§7, 7a SGB II). Income and assets of other members of one’s own needs unit are taken into account as well (§9 SGB II). The level of standard rates is nationally standardised. Benefits for housing and heating are not flat-rate, but cover the actual expenses. However, costs for housing and heating have to be on an appropriate level which is at the discretion of the Jobcenter (§22 SGB II).

Figure 23: Standard rates of ALG II in 2013

<table>
<thead>
<tr>
<th>Persons entitled to benefits</th>
<th>Standard rate of ALG II</th>
</tr>
</thead>
<tbody>
<tr>
<td>single person</td>
<td>382 €</td>
</tr>
<tr>
<td>full age partner in the same needs unit</td>
<td>345 €</td>
</tr>
<tr>
<td>single persons aged 18-24</td>
<td>306 €</td>
</tr>
<tr>
<td>single persons/partners aged 14-17</td>
<td>289 €</td>
</tr>
</tbody>
</table>

Sources: Bundesagentur für Arbeit

Since 2012, the social minimum was 7.896 € for single persons, 13.272 € for couples, and 4.272 € for children (Bundesregierung 2011). Thus, in 2013, the monthly standard rate of ALG II for a single person was 382 € (see Figure 23). Full age partners living together will both get 345 € per month which is 90 % of the standard rate. Single persons with the age of 18-24 years get 306 € per month. Persons as well as partners aged 14-17 years are able to receive 289 € per month (§20 SGB II).

Besides ALG II standard rates for working age persons, there is another sort of cash benefit included in this MIP scheme. The so called Sozialgeld is a benefit for those persons (1) who are not working-age or who are incapacitated to work, (2) who are not entitled to benefits in
terms of MIP for old and disabled persons (Grundsicherung im Alter und bei Erwerbsminderung), and (3) who are living together with a person entitled to ALG II benefits within the same needs unit (§19 (1) SGB II). Sozialgeld covers a standard rate (see Figure 24) as well as costs for housing and heating. The standard rate for children under the age of 6 years is 224 € per month, for children between the ages of 6 and 13 years it is 255 €, for persons between the ages of 14 and 17 years it is 289 € and for full age persons it is 306 € (§20 SGB II). Means test, e.g. regarding to amounts of exemption, is the same as for employable ALG II beneficiaries.

Figure 24: Standard rates of Sozialgeld in 2013

<table>
<thead>
<tr>
<th>Persons entitled to benefits</th>
<th>Standard rate of Sozialgeld</th>
</tr>
</thead>
<tbody>
<tr>
<td>children aged 0-6</td>
<td>224 €</td>
</tr>
<tr>
<td>children aged 6-13</td>
<td>255 €</td>
</tr>
<tr>
<td>persons aged 14-17</td>
<td>289 €</td>
</tr>
<tr>
<td>persons aged 18+</td>
<td>306 €</td>
</tr>
</tbody>
</table>

Sources: Bundesagentur für Arbeit

All costs for benefits and services ALG II including the costs for administration that are at the responsibility of the BA are fully paid out of the national budget. A consolidation into a lump sum is permitted for integration services and costs for administration. The BMAS defines how these funds are allocated to the single employment agencies considering the local numbers of working age beneficiaries. 84.8 % of the costs for the administration of the Jobcenters as joint institutions are paid by the federal budget. The Federal Government also bears a part of the costs for housing and heating. Depending on the federal state this share varies from 27.6 % to 40.4 %. Since 2013 these shares are adapted each year, but they will not exceed 49 % (§46 SGB II).

4.1.2. Benefit structure and generosity

Organisation and duration of ALG II are equal for all groups of working-age claimants. According to the individual situation the level of ALG II benefits can differ. Long-term unemployed (LTU) are entitled to one of these rates depending on one’s own age and the individual household composition. Single parents (SP) have the possibility to claim additional demands because of care responsibilities for dependent children. In addition to the standard rate of 374 €, they are able to get 36 % of the standard rate for having a child with the age of less than 7 years respectively for having 2-3 children with the age of less than 16 years, or 12 % for each child, but in total not more than 60 % of the standard rate (§21 SGB II). The same standard rate in relation to age and household composition applies to in-work beneficiaries (WP) reduced by the net income taken into account. Amounts of exemption that are valid for all beneficiaries are calculated in the following way: (1) the first 100 € are free, (2) 20 % of net income between 100.01 and 1000 € are free as well, and (3) 10 % of net income between 1000.01 and 1200 € are not taken into account either (§11b SGB II). In this way, the amount
of exemption of a person with a monthly net income of at least 1200 € would be 300 €. Assets that exceed a certain limit are also taken into account. For each year of one’s own life an amount of 150 € is free of means test, but 3100 € at minimum (§12 SGB II). Additionally, costs for housing and heating are covered by ALG II as well, but they have to be on an appropriate level which is at the discretion of the Jobcenter (§22 SGB II). Beneficiaries of ALG II are compulsorily insured in health, long-term care and accident insurance. Beginning with 2011, contributions to pension insurance are not covered by ALG II benefits, but the period of ALG II receipt is taken as credit period to pension insurance (§26 SGB II). Moreover, costs for private health insurance are only borne to a certain level. In exceptional cases basic equipment as one-off benefits can be granted, e.g. for housing including domestic appliances, for clothing, for pregnancy and childbirth as well as for orthopedic issues (§24 SGB II).

4.1.3. Benefit administration

The Jobcenter is responsible for payments of ALG II benefits. While standard rates are flat-rate, cost for housing and heating are covered according to the actual expenses. However, costs for housing and heating have to be on an appropriate level which is at the discretion of the Jobcenter (§22 SGB II). In a Jobcenter the staff is separated into personal advisers (“Persönliche Ansprechpartner”) and persons responsible for the payment of benefits. Needy persons have to submit a formal application for ALG II benefits to the respective Jobcenter. After assessing the entitlement to ALG II, benefits in terms of standard rate, additional demands as well as costs for housing and heating are transferred to the bank account of the beneficiary every month.

4.2. The activation of minimum income claimants

4.2.1. Personalisation

In the course of the reform of the BA, profiling of jobseekers became a fundamental element to classify beneficiaries and to define individual support in the context of certain action programmes. Four categories of jobseekers were defined:

1. “Market clients” who will be placed easily due to their high level of employability
2. “Clients for counselling and activation” needing short training and encouragement in their job search
3. “Clients for counselling and qualification” who have to increase their mobility or flexibility by training programmes and other services
4. “Intensive assistance clients” facing serious obstacles in finding employment

On the basis of the particular classification the beneficiary can be allocated to an action programme including certain objectives, e.g. quick and sustainable placement of “market clients”, changing the perspective of “clients for counselling and qualification”, reduction of employment obstacles of “clients for counselling and qualification” by qualification measures and preservation of marketability, and case management of “intensive assistance clients” (Eichhorst 2008: 44-46). This profiling takes place in the course of the first interview between the beneficiary and the personal adviser (“Persönlicher Ansprechpartner”). The results of this profiling influence the beneficiaries’ obligations concerning job search and participation at measures as well as services approved by the personal adviser that are recorded in the integration agreement and checked every six months (§15 SGB II). Persons classified as “intensive assistance clients” can benefit from case management which “can be defined as a more holistic form of advice process” (Goerne 2012: 153). In contrast to regular
personal advisers that are administrative clerks, case managers ("Fallmanager") are qualified to support these claimants on their way back to the labour market according to their individual (multiple) barriers to employment. Although case managers are not social workers, they closely cooperate with institutions providing social services (such as debt, drug or psycho-social counselling). To conclude, advice services are key features of ALG II.

4.2.2. Conditionality

Ultimate ambition of ALG II is the (re-)integration of its beneficiaries into the labour market. At the beginning, an integration agreement between beneficiary and his personal adviser is concluded which is going to be renewed every six months. Considering the results of profiling at the end of the first interview the integration agreement defines rights and duties of the beneficiary, e.g. which services the beneficiary is able to make use of, in which extend the beneficiary has to endeavor for labour market integration and which benefits or services of other schemes of social protection the beneficiary has to apply for. The personal adviser is also able to decide about further services in cases of problems that touch employability such as drug counselling in case of drug addiction (§15 SGB II). In general, the beneficiary has to take up any employment offer. Only in some cases beneficiaries are not obliged to take up reasonable employment, in particular women with a dependent child aged less than 3 years (§10 SGB II). Sanctions in the form of benefit cuts will be imposed for the following reasons:

- the beneficiary does not carry out his duties defined in the integration agreement
- the beneficiary does not accept reasonable employment
- the beneficiary’s behaviour prevent the conclusion of an employment contract
- the beneficiary does not take up a measure for labour market integration or causes its breakup
- the beneficiary continues an uneconomical behaviour (§31 SGB II)

Figure 25: Reasons for sanctions as share of all sanctions 2007-2012

Source: Bundesagentur für Arbeit 2012e

In the case of breach benefits in terms of standard rate will be cut by 30 %. A second breach will cause a cut of 60 %. After the third breach benefits in terms of ALG II will be cut totally. Sanctions for beneficiaries under the age of 25 years are stronger, e.g. the standard rate will be cut totally after the first breach and payments for housing and heating will be additionally stopped after the second breach (§31a SGB II). As already stated, the responsible agency for ALG II beneficiaries is the Jobcenter which organises the delivery of all ALG II transfers and
services. Besides granting of benefits, its main task is placement of unemployed beneficiaries (§§ 6d, 44b SGB II). In respect of achieving the goal of labour market integration by cooperation, beneficiaries are always obliged to get in touch with the Jobcenter personally and to indicate and apply for an absence from residence. In the case of breaching these obligations benefits will be cut by 10 % (§32 SGB II). Reduced cash benefits due to sanctions can be proportionately replaced by food vouchers. The duration of benefit reduction is determined by 3 months (§31b SGB II).

The main reason for sanctions is the failure of the beneficiaries to get in contact with the Jobcenter. In relation to all other reasons the share has risen from 53.7 % in 2007 to 65.8 % in 2012 (see Figure 25). Refusals of fulfilling the obligations of the integration agreement and of taking up employment as reasons for sanction have relatively declined. All in all, the number of beneficiaries with at least one sanction has increased from 123,897 persons in 2007 to 146,378 persons in 2011 while at the same time the total number of beneficiaries has declined (see Figure 26). This reflects that sanctions were strengthened. Most of the sanctions were imposed in the form of reducing standard rates (93.7 % in 2011), followed by reducing benefits for heating and housing. Reductions of additional demands and cessation of supplements to unemployment insurance play a less important role. Summing up, strict conditionality and the increased numbers of sanction emphasise the “demanding” element of ALG II.

Figure 26: Type of benefit reduction as share of beneficiaries affected by sanctions 2007-2011

<table>
<thead>
<tr>
<th>Time series (annual averages)</th>
<th>Employable beneficiaries by type of benefit reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of beneficiaries with min. 1 sanction of</td>
</tr>
<tr>
<td></td>
<td>thereof in %</td>
</tr>
<tr>
<td></td>
<td>Reduction of standard rates</td>
</tr>
<tr>
<td></td>
<td>Reduction of additional demands</td>
</tr>
<tr>
<td></td>
<td>Reduction of heating and housing costs</td>
</tr>
<tr>
<td></td>
<td>Cessation of UI supplements</td>
</tr>
<tr>
<td>2007</td>
<td>123,897</td>
</tr>
<tr>
<td></td>
<td>93.9</td>
</tr>
<tr>
<td></td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>14.4</td>
</tr>
<tr>
<td></td>
<td>3.4</td>
</tr>
<tr>
<td>2008</td>
<td>127,446</td>
</tr>
<tr>
<td></td>
<td>93.5</td>
</tr>
<tr>
<td></td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>17.9</td>
</tr>
<tr>
<td></td>
<td>2.2</td>
</tr>
<tr>
<td>2009</td>
<td>123,654</td>
</tr>
<tr>
<td></td>
<td>93.9</td>
</tr>
<tr>
<td></td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>17.0</td>
</tr>
<tr>
<td></td>
<td>2.0</td>
</tr>
<tr>
<td>2010</td>
<td>136,449</td>
</tr>
<tr>
<td></td>
<td>93.7</td>
</tr>
<tr>
<td></td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>16.4</td>
</tr>
<tr>
<td></td>
<td>2.6</td>
</tr>
<tr>
<td>2011</td>
<td>146,378</td>
</tr>
<tr>
<td></td>
<td>93.7</td>
</tr>
<tr>
<td></td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>15.3</td>
</tr>
<tr>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Bundesagentur für Arbeit 2012e

4.2.3. Service provision

ALG II comprises also social and employment services. Social services to which beneficiaries have privileged access, insofar they are necessary to become employed, are (1) care of underage or disabled children and relatives who are in need of care, (2) credit counselling, (3) psychosocial counselling, and (4) drug counselling (§16a SGB II). Furthermore, persons entitled to ALG II under the age of 25 years have privileged access to services with regard to education and participation (“Leistungen für Bildung und Teilhabe”). For example, costs for school trips will be paid by the Jobcenter. For both semesters of a
single school year a total of 100 € will be provided to purchase materials which are necessary for school. Benefits for coaching as well as for school lunch can be granted as well. Children and young people under the age of 18 years additionally have a monthly budget of 10 € to attend sport programmes, cultural activities as well as leisure time facilities. Young people furthermore receive grants for costs of school transport (§28 SGB II). These services are in-kind benefits that will be handed over in the form of vouchers or direct payments to the organisers of these services (§29 SGB II).

Employment services

ALG II beneficiaries have privileged access to employment services in accordance to the Third Book of the German Social Security Act (SGB III) that primarily defines regulations for unemployment insurance. Those services are at the discretion of the particular Jobcenter and are paid out of the budget for placement (Vermittlungsbudget) (§44 SGB III). Individual personal advisers provide services of job counselling and placement (§29 (1) SGB III) which are primarily important for LTU and SP. Moreover, it includes measures that are necessary for labour market activation and integration (§45 (1) SGB III):

- getting familiar with vocational training market as well as with labour market requirements
- detection, reduction and removal of placement obstacles
- placement in an employment subject to social insurance contributions
- getting familiar with self-employment
- consolidation of a recently started employment

At the discretion of the Jobcenter and in accordance to one’s own qualification and personal circumstances activation and placement vouchers will be handed over to participate at certain measures. These vouchers entitle to (1) choose the organiser of a certain measure according to the preliminary defined goals and contents of a measure, (2) to choose a private placement officer who works on a success-fee basis, and (3) to choose an employer who offers a measure in a company according to the preliminary defined goals and contents of a measure (§45 (4) SGB III). Placement services for persons close to the labour market follow a work-first approach as they are aimed at supporting claimants to take up work. Persons distant from the labour market can benefit from case management, a measure that provides special job counselling and placement services by considering multiple barriers to employment. It can be defined as a social integration and employability measure (Goerne 2012: 154-156).

Training is another key feature of ALMP in ALG II. All in all, there are short-term training measures and long-term advanced vocational training especially targeting persons close to the labour market (ibd.: 158-159). Young and disabled people have the opportunity to receive support for vocational training, such as measures (1) to reduce education and language deficits and (2) to support practical and theoretical skills in the field of a profession as well as (3) to attend socio-pedagogical counselling (§§74,75 SGB III). Furthermore, services that are particularly important for WP refer to advanced vocational training. At the discretion of the Jobcenter, costs for advanced vocational training, such as costs for training courses, travel, subsistence and childcare (§83 SGB III), will be borne (1) to prevent a threat of unemployment, (2) because the Jobcenter suggested the participation at this certain measure, and (3) because funds are granted for a measure and its organiser (§81 (1) SGB III). The necessity of advanced vocational training can be acknowledged due to missing completed vocational training, whether because of being employed for more than four years in another profession or because of not fulfilling present training regulations in terms of duration (§81
(2) SGB III). Subsequent acquisition of lower secondary school or another equivalent graduation are possible as well (§81 (3) SGB III). At the discretion of the Jobcenter training vouchers will be handed over that entitle beneficiaries to attend these measures. These training vouchers are limited to a certain region, a certain period and certain educational goals (§81 (4) SGB III).

Additionally, labour market integration grants (Eingliederungszuschüsse) for taking up an employment subject to social insurance contributions (in-work benefits) can be funded to a certain amount if placement is difficult due to personal problems, such as an impairment (§§88, 90 SGB III). Thus, this measure particularly addresses persons distant from the labour market (Goerne 2012: 164). For the first 12 months, 50 % of remuneration will be funded. Afterwards, funds will be cut yearly by 10 %, but they will not fall below a level of 30 % of remuneration (§§88, 90 SGB III). Employers are also able to apply for employment grants (Beschäftigungszuschuss) up to 75 % of remuneration to establish an employment subject to social insurance contributions (§16e (1,2) SGB II). Integration and employment grants can be characterised as measures directed at social integration and employability (Goerne 2012: 164). Furthermore, LTU and unemployed SP can receive job entry premiums (Einstiegs geld) if it is necessary for their labour market integration. It will be granted for a maximum duration of 24 months and can be paid even if the employment helps to overcome dependency on ALG II benefits. For calculating the amount of these positive employment incentives the duration of unemployment as well as the household composition are taken into account (§16b SGB II). Employment incentives, whether in the form of premiums or benefits (e.g. to top-up minor employments), have become more important. As they facilitate entries to low-wage employment, they are targeting low-skilled persons close to the labour market and follow a work-first approach (Goerne 2012: 165-169). Self-employed people can be supported with grants up to 5000 € for procuring material goods. Promotion to impart knowledge and skills (excluding vocational training) is possible if it is necessary for maintaining self-employment. Generally, labour market integration services are feasible if the self-employment is economically viable in the way that the beneficiary will overcome dependency on MIP benefits (§16c SGB II). In order to maintain or recover their employability ALG II beneficiaries (LTU, SP) can be assigned by the Jobcenter to take up working opportunities with additional expenses compensation (Arbeitsgelegenheiten) which are often called “One-Euro-Jobs” because of their average wage of 1 € to 2.5 € per working hour. They especially address persons distant from the labour market and are aimed at improving social integration and employability of claimants (Goerne 2012: 163-164). Such working opportunities have generally to be of public interest as well as neutral in terms of effect on competition and must not exceed a total of 24 months within a period of 5 years (§16d SGB II).

As shown in Figure 27, the number of ALG II beneficiaries has decreased continuously in the period of 2007-2011. Thus, the number of employable ALG II beneficiaries has declined from about 5.3 million people in 2007 to about 4.6 million people in 2011. These persons were to a certain amount entitled to the above mentioned employment services. The most frequent ALMP are working opportunities with additional expenses compensation (“One-Euro-Jobs”). In recent years the number of this job creation scheme has strongly decline from 322,000 in 2007 to 188,000 in 2011. This indicates a weakening of the social integration and employability approach in ALG II as well as an increase of creaming and parking effects. Short-term training measures and long-term advanced vocational training are relevant in quantitative terms as well. In 2011, about 80,000 ALG II beneficiaries attended advanced vocational training. Short-term training measures were re-regulated and transformed into
measures for activation and sustained vocational integration by the Labour Market Instruments Re-orientation Act in 2009. Access to these measures was improved for ALG II beneficiaries. Therefore, the number of participants attending short-term training measures has increased sharply from 25,000 in 2009 to 147,000 in 2010 and remained at a relatively high level in 2011 (127,000). Integration grants are also on a relatively high level with about 61,000 persons in ALG II benefitting from this measure in 2011. Job entry premiums and employment grants are quantitative less important ALMP in ALG II. Furthermore, publicly funded employments “Arbeitsbeschaffungsmaßnahme” (ABM) were abolished.

To sum up, services of ALG II shall focus on reducing the level and the duration of need due to keeping or taking up an employment (§1 SGB II). Following the regulations of SGB II, all services that are at the discretion of the Jobcenter will be granted if they are conductive for labour market integration. Nonetheless, ALMP in ALG II can be characterised as relatively diverse. While measures targeting persons close to the labour market mainly follow a work-first and partly a training-first approach, measures particularly targeting persons distant from the labour market follow a social integration and employability approach (Goerne 2012: 178).

Figure 27: Annual averages of selected ALMP for employable ALG II beneficiaries 2007-2011

<table>
<thead>
<tr>
<th>(all numbers in 1000)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALG II beneficiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- employable</td>
<td>7,241</td>
<td>6,907</td>
<td>6,725</td>
<td>6,713</td>
<td>6,353</td>
</tr>
<tr>
<td>- incapacitated</td>
<td>5,277</td>
<td>5,010</td>
<td>4,908</td>
<td>4,894</td>
<td>4,615</td>
</tr>
<tr>
<td>Participants in selected programmes of ALMP “One-Euro-Jobs”</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“One-Euro-Jobs”</td>
<td>322</td>
<td>315</td>
<td>322</td>
<td>308</td>
<td>188</td>
</tr>
<tr>
<td>ABM</td>
<td>32</td>
<td>35</td>
<td>13</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Integration grants</td>
<td>62</td>
<td>65</td>
<td>68</td>
<td>71</td>
<td>61</td>
</tr>
<tr>
<td>Job entry premiums</td>
<td>28</td>
<td>26</td>
<td>21</td>
<td>35</td>
<td>15</td>
</tr>
<tr>
<td>Training measures</td>
<td>46</td>
<td>51</td>
<td>25</td>
<td>147*</td>
<td>127</td>
</tr>
<tr>
<td>Advanced vocational training</td>
<td>67</td>
<td>89</td>
<td>100</td>
<td>100</td>
<td>80</td>
</tr>
<tr>
<td>Employment grants</td>
<td>-</td>
<td>-</td>
<td>35</td>
<td>35</td>
<td>16</td>
</tr>
</tbody>
</table>

Note: *re-regulation and transformation of training measures to measures for activation


Taking the activation approach of ALG II into account, one important fact is that long-term unemployment in the context of ALG II (SGB II) has decreased significantly by one third in the period of 2007 to 2011 (−484,000 persons). At the same time the number of short-term unemployed people (less than 3 months unemployment) has increased by 16 % (+61,000 persons). Thus, the average duration of ALG II receipt has declined by 13 weeks to 78 weeks (Bundesagentur für Arbeit 2012d: 14). Overall, monthly exit rates, which define the share of unemployed beneficiaries finishing need by taking up employment within the first month of benefit receipt, rose sharply for both ALG II and unemployment insurance (SGB III). Although this indicates an increased dynamic of unemployment, the monthly exit rate of ALG II benefit receipt is only 3.7 % (see Figure 28). In contrast, the monthly exit rate of unemployed persons receiving unemployment insurance benefits is 14.5 % which is nearly
four times higher. While monthly exit rates of unemployment insurance have increased from 11.1% in 2011 to 14.5%, exit rates of ALG II have only risen slightly from 2.9% in 2007 to 3.7% in 2011. This indicates that exit from ALG II due to taking up employment is much more difficult. The share of long-term beneficiaries who are persons receiving ALG II benefits for at least 21 months in the last two years is 68% (Bundesagentur für Arbeit 2012d: 24-26). In conclusion, activation measures may help persons who have come into ALG II receipt as of late, but it seems to fail for persons with long-term receipt.

Figure 28: Monthly exits and exit rates of SGB II (ALG II) and SGB III (unemployment insurance)

Source: Bundesagentur für Arbeit 2012d

4.3. The organisation of active inclusion delivery systems

4.3.1. Structure and operation of lead agencies

Jobcenters as authorised local authority agencies are organised by the municipalities on their own. In these cases the respective federal state has the legal supervision of ALG II. Jobcenters as joint institutions are organised by the municipalities and the Federal Employment Agency (BA). The BA is under the legal and functional supervision of the Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales, BMAS) as part of the Federal Government. The BMAS has set five general targets the BA has to fulfil (§48b SGBII). These are to reduce passive services, to increase integration rates, to raise integration rates for people under the age of 25 years as well as to reduce processing time and costs per integration. Thus, the targets touch the area of responsibilities of the BA, namely standard rates and entitlement to ALG II benefits, additional demands, contributions to social insurances as well as labour market integration services.

(…) We supervise everything the [Federal Employment Agency] is responsible for, for example, standard rates, additional demands, integration, normal requirements, additional requirements, integration, means test (…) We have the supervision which means that we control this, partially through targets, which are then written down in a target agreement with the [Federal Employment Agency]. (PO1, 15)
The BMAS and the BA meet regularly (every two to three months) to talk about the progress of meeting the targets. The BA itself is responsible for 10 regional directorates which lead 176 employment agencies that have 610 local branches in total. With regard to governance the BA compares itself to a holding company. The BA headquarters set targets for the 10 regional directorates checked in “performance dialogues” four times a year. The regional directorates in turn set performance targets with regard to their areas of responsibility in the Jobcenters. This concerns in particular the correct application of the law. In this area they are able to give any instruction to the Jobcenter. For issues that are decided in the multi-level, multi-stakeholder board Trägerversammlung (Jobcenter board), e.g. issues regarding organisation and personnel of the joint institution as well as local labour market and integration programmes, the BA cannot set targets, but gives recommendations.

Regarding the [relationship between] the [Federal Employment Agency] and the regional directorates we have a clear idea today. We see ourselves more (...) as a holding company, where the headquarters of the [Federal Employment Agency] provides support, (...) where we can agree on targets with the subordinate offices, but where we do not have regular control anymore. (...) The board [of the Federal Employment Agency] sets its targets and check them in so called “performance dialogues”, four times a year. There the heads of the regional directorates have to justify how they have achieved the targets and what they have not achieved. (...) On the plains below, we have not made this definition, but our mission is “we much more want to go there, we want to shift as much responsibility as possible to the operating levels.” But this is certainly a process. Hence, we experience a various intense control of the regional directorates to the agencies. And then we have this special relationship of the [Federal Employment Agency] to the Jobcenter. You know we have got basically two different levels of management. First, there are certain areas with direct responsibility of the [Federal Employment Agency]. It therefore can act with direct instructions, also to the Jobcenter, they have to. And then there is the second, which is the [Jobcenter board] deciding what to do. And that’s a pretty long way, I can tell you. (PO2, 11)

All activities that belong to the responsibility of the BA are permanently evaluated in a transparent procedure.

We have a very well developed controlling system. (...) With the help of my computer, I can see how long the waiting time is, between the customer entering the first counter and the conversation [with the personal adviser, N.P.] (...) Everything is highlighted by indicators that can be checked by all departments. (PO2, 15)

The FWAs noticed that recommendations by the BA are experienced as “quasi law” at the local level. To deal with BA’s recommendations as recommendations it needs courage by the Jobcenter manager. This informal situation prevents discretion and flexibility of the front-line staff.

(...) There are not many people that have the standing and the courage to make legally use of [dealing with recommendations as recommendations]. This simply leads to the fact that in the end most of the people who work in this area
perceive recommendations as law. They do not say that a recommendation is a recommendation, but if it says recommendation, you cannot do it differently. People rely on this. An authority of law is anticipated which does not exist. (...) And there are others where you wonder how they actually manage it [to use recommendations as recommendations]. One can say that this is also legally possible, but this whole informal atmosphere makes it seem as if it would almost be a breach of the law. And that is the problem in my opinion. During the introduction of these whole labour market reforms, one has miscalculated a little bit in terms of the tackling and rolling up the sleeves. One does not really like to do that. First it is asked how far one actually needs to roll up the sleeves. (FW 9, 18)

In conclusion, target values and an on-going evaluation process are crucial instruments for BMAS and BA to structure and control the implementation of ALG II. Even recommendations by the BA are sometimes seen as “quasi-law” by local actors.

### 4.3.2. Inter-agency coordination

As stated in section 2.4.2. Jobcenters function as one-stop shop. They bring together two key competencies of ALG II provision: granting of benefits and job placement. The Jobcenter is responsible for payments of benefits, job counselling and placement as well as for initiating the beneficiaries’ participation at employment and social services. Each Jobcenter as joint institution has a board consisting of one half each of representatives of the municipality and the local employment agency (on behalf of the BA), the so called Trägerversammlung. This multi-level, multi-stakeholder board decides about issues regarding organisation and personnel of the joint institution. Furthermore, with regard to the respective budget funds it agrees on local labour market and integration programmes of ALG II considering the target values of each institution (§44c SGB II). In contrast, authorised local authority agencies do not have such a board.

While the link between MIP and ALMP is given the link to social services is rather weak because the Jobcenter does not deliver social services itself. The existence of interfaces between Jobcenter and social service providers depends on the municipality and its actors.

*It is of course important that the active services, normal services and these flanking services according to [§16A SGBII] are provided whenever possible at the same time and coordinated. This is a very important aspect, very important assessment, because we partially had findings that the municipalities did provide these services in the Jobcenter, but somehow through the city or the county itself. Then it was separated and then it was difficult to coordinate. The municipalities did not overspend themselves. This is in my point of view a bit restrained and then a tessera is missing to the whole concept of integration. It is important that such things will be integrated by both parts if they are separated. (PO1, 60)*

Such interfaces between Jobcenter and facilities in providing social services, e.g. to have services like debt counselling in the same building or to have a close contact between both institutions, help to coordinate and to improve individual integration strategies.
And we as [FWA] have at least one device in [city], where social work offers such as debt counselling, and other projects for young people are placed directly in the same house as the Jobcenter, or at least not far off so that these transitions from one institution to the next are held low. That the people know each other in the house means that the Jobcenter staff knows the social workers or the staff of the debt counselling and can exchange information about a case with each other and stay much closer, what simply improves the ratio. Not only to stay in touch with the case, but to find the right measures for it and then also to improve integration into the labour market which it is all about in the end. (FW9, 45)

In contrast, most of the FWA interviewees complained that the personal advisers in the Jobcenters are not qualified to perceive beneficiaries’ needs for social services, e.g. debt or drug counselling. Personal advisers usually are administrative clerks, not social workers. Consequently, this weakens the link between MIP and employment services on the one hand and the provision of adequate social services on the other hand.

The [personal adviser] in the Jobcenter - if there was a customer sitting in front of him with the famous multiple problems – often does not recognise [the multiple problems] because he is not qualified as social worker or social education worker or whatever, but as an administrative employee or as placement officer. There it begins that he has to recognise what problems does one actually has, a drug addiction for example. (…) Then [the personal adviser] partly has some expectations towards the customer that [the customer] cannot meet because of these features the customer has. And if I am not able to train the [personal advisers] (…) I need a close cooperation to those people who are able to recognise [the multiple problems], who also ask the right questions to find out if someone has debt problems. (FW7, 175)

To sum up, interfaces between Jobcenter and social service providers vary at the local level and mainly depend on the engagement of actors on the ground. Besides, the link to social services is weakened due to personal advisers that are not qualified to identify individual needs for social services.

4.3.3. Marketisation

In the course of the Hartz reforms, the BA was modernised along private-sector principles according to the New Public Management (Fleckenstein 2008: 180). It was transformed from a public bureaucracy to a public company (Seeleib-Kaiser and Fleckenstein 2007: 433). With respect to this shift from Management by Directives to Management by Objectives, quantitative goals are benchmarked for each local agency in respect of the local labour market. The modernisation of the BA aims at a more efficient and flexible use of employment services that are therefore outsourced to external, private for-profit providers. The need for individualised services of unemployed persons with multiple placement obstacles has given furthermore advantage to contracting-out employment and social services (Eichhorst et al. 2008: 44). Especially the second Labour Market Instruments Re-orientation Act in 2012 (see section 3.2) continued and consolidated this development by rearranging and tightening employment services in respect of effectiveness and efficiency. As mentioned above (section 2.4.2.), social services are mainly provided by the public-private FWAs.
In general, there are two tracks of including private providers in the delivery of employment services, i.e. through a voucher system and through competitive contracting-out. First, the voucher system provides so called activation and placement vouchers ("Aktivierungs- und Vermittlungsgutschein") as well as training vouchers ("Bildungsgutschein") that entitle ALG II claimants to choose accredited providers to make use of the respective services. While payment for such placement services is performance-based⁹, payment for such activation and training measures are service-based as long as the beneficiary completes the measure. Second, placement, activation and training measures are also contracted-out to private providers that have been successful in a competitive tendering process controlled by the BA. Contracts vary in terms of payment method (from performance-based to service-based). All in all, the vast majority of ALMP delivered by private providers are paid on a fees-for-service basis (Aurich et al. 2013: 15-17). Furthermore, it has to be stated that training services are always market-based, but it is at the discretion of local Jobcenters to outsource placement services or to provide them in-house. Since 2012, all private providers have to be accredited by the Deutsche Akkreditierungsstelle which is a non-profit organisation. Before that, this task was done by an accreditation unit within the BA. This accreditation process favours larger providers (Jantz and Klenk 2012: 9-14; Aurich et al. 2013: 17-19). In conclusion, the majority of employment services is market-based.

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⁹ Providers will receive a first payment after placing the beneficiary and a second payment after six months if the beneficiary is still employed (§ 45 (4, 6) SGB III).
5. Assessment

This section assesses to which extent a national strategy for active inclusion exists in Germany. Moreover, we discuss how far the German policy framework is the same for all working-age groups and how far ALG II provides a truly multi-dimensional approach to combating poverty.

5.1. A national strategy?

A special feature of ALG II are the distributed competencies of local and federal levels. While labour market integration and the provision of standard rates are at the responsibility of the BA, the municipalities are responsible for the provision of social services and the costs for housing and heating. Concerning the responsibilities of the municipalities there is no legal or functional supervision by the Federal Government. Thus, there is a huge local variation of how to link social services to MIP and labour market integration. Having a nationally consistent approach to active inclusion would therefore only apply to two dimensions: provision of an adequate minimum income and an emphasis of labour market integration (which relatively varied). However, in the course of the second Labour Market Instruments Re-orientation Act in 2012, the share of municipalities organising ALG II on their own (Jobcenters as authorised local authority agencies) increased to about 25 %. This decentralisation weakened the formal opportunities of national policies (particularly regarding labour market policies) to structure the operations of local actors. Nonetheless, evaluations of Jobcenters indicated that there are no significant differences between joint institutions and authorised local authority agencies with regard to efficiency and quality of services (ISG 2007). In addition, actors in authorised local authority agencies (voluntarily) use recommendations prepared by the BA, and they are constrained by the allocation of funds (e.g. for employment services) through the national budget. With regard to Jobcenters as joint institutions the BA as national level actor dominantly structures local actions in its area of responsibility. Here the BA is able to provide a nationally consistent approach to labour market integration. Moreover, performance targets and “quasi-law” recommendations of the BA narrow the leeway of the municipalities concerning employment services.

To put it in a nutshell, in its area of responsibility the BA is able to provide a nationally consistent approach to labour market integration. Moreover, significant differences in the delivery of ALG II between joint institutions and authorised local authority agencies cannot be observed. On the other hand, the mixed administration and an increase of decentralisation of ALG II reflect local variation of links to social services as well as areas of formal independence from guidelines defined at the national level which make the implementation of a nationally consistent strategy to combat poverty more difficult.

5.2. A strategy for all working-age groups?

The three groups long-term unemployed (LTU), single parents (SP) and working poor (WP) are equally covered by ALG II in terms of benefits and services, but the special situation of each group leads to certain differences. LTU can benefit from case management and job creation which consider multiple barriers to employment. Nonetheless, there is no guaranteed access to these services as they are at the discretion of the Jobcenter which is oriented at efficiency and effectiveness. Although poverty of SP is still an urgent problem, they benefited from the introduction of ALG II, especially in terms of benefit levels. They are entitled to additional demands because of having children in the household. Costs for
childcare will also be borne if it is conductive for taking up employment and they are not obliged to take up reasonable employment as long as they have to care for a child aged less than 3 years. Additionally, their children – like all children in needs units - receive standard rates in terms of Sozialgeld as well as services with regard to education and participation. Finally, WP can be seen as the group transformed from workless poor to working poor by improving activation and flexibility. This group of persons profits from in-work benefits as top-ups. In contrast to the unemployed ALG II beneficiaries without additional incomes, they are additionally able to assert amounts of exemption. To sum up, besides the general transfers and services of ALG II that are more or less equally available for all beneficiaries, the specific situation of each of the three groups has to be taken into account.

The interviews with national-level representatives complemented these results. Although the BA basically does not follow a target group approach, it had to put a focus on single parents on demand of the Federal Minister of Labour and Social Affairs, Ursula von der Leyen (CDU). She had been the former Federal Minister of Family Affairs, Senior Citizens, Women and Youth (2005-2009) and was especially aware of the specific situation and problems of single parents.

The politicians are still thinking in target groups and when you say SGB II area we are much more dependent on politics. And there is always this fight and there are always compromises. And sometimes single parents are/ I do not need to tell you what Mrs von der Leyen as [Federal Minister of Family Affairs, Senior Citizens, Women and Youth] has done before, [improving the situation of single parents] is just her subject and thus, they have forced us to turn towards it. Therefore, that are two conflicting forces, first, what we think is best, second, what politicians want. (PO2, 91)

The BMAS therefore initiated the ESF funded three-year programme “Good Work for Single Parents” („Gute Arbeit für Alleinerziehende“) addressing single parents in ALG II as well as the ESF funded two-year programme “Effective Support Networks for Single Parents” („Netzwerke wirksamer Hilfen für Alleinerziehende“) addressing unemployed and employed single parents with needs in general. Both programmes have been aimed at improving or stabilising labour market integration of single parents. Up to 70 Jobcenters benefited from these programmes.

Single parents as target group are a bit in vogue in politics. This is thanks to Mrs von der Leyen who focused much on this group, but also the other parties have discovered single parents a little bit as labour market reserve. Well, keyword ‘demographic change’, shortage of skilled professionals. According to the motto ‘the single parents shall make it and extend their working time’. All parties have made a number of proposals and it has been reflected in the work of the Jobcenter in the way that it is again a particular target value: How many single parents do I get into work as Jobcenter? That is correct. And at that point it is actually backed with money. There is a federal programme for single parents where at least 70 Jobcenters are funded. They receive money because they have made a good proposal how to get single parents back into work. (SP2, 25)

On the other hand, effects like creaming and parking can be increasingly observed which especially disadvantage LTU. While LTU would need special (and cost-intensive) support
following a multi-dimensional approach, the emphasis is put on labour market policy that focuses on persons close to the labour market.

One can say that you have to do something for the long-term unemployed people. This is also said in the poverty and wealth report [of the Federal Government], but it is not financially backed because labour market policy is mainly supported. Labour market policy means “When you are close to the labour market or three steps away from it, you now once again need a nudge upwards.” (…). (FW1, 96)

Following target values like efficiency and effectiveness those private providers award the contracts that offer cheap employment services guaranteeing quick success. The problems of persons with multiple barriers to employment cannot be met by these services.

(...) and it is also the question of how the procurement law is actually organised and what one actually needs to do. Is the best offer the cheapest one or not? There are huge discussions. And this has led to this informal situation. Even if it is legal in accordance to the procurement law, providers will have relatively short and quick successes of placement because they feel to be better off with this. And this also leads to these creaming effects. This means in the area of multiple placement obstacles and such things there are all these claims, but they will not be necessarily redeemed. (FW9, 10)

To conclude, all three groups are more or less equally covered by ALG II, but special programs have put an emphasis on single parents in recent years. Moreover, increasing effects of “creaming and parking” disadvantage LTU by neglecting multiple needs.

5.3. A multi-dimensional approach to working age poverty?

As shown in section 2.2. and 4.2.3., ALMP can be characterised as relatively diverse. Especially persons distant from the labour market can benefit from social integration and employability measures like case management and the job creation scheme “working opportunities with additional expenses compensation”. In particular, case management provides a multi-dimensional approach as it considers multiple barriers to employment and as case managers closely cooperate with external providers of social services. In addition, job creation aims at reducing barriers to employment. This is a massive improvement to the situation before introducing ALG II. Nonetheless, the number of case managers in the Jobcenters is limited and the number of “working opportunities with additional expenses compensation” has strongly decreased in recent years. Thus, a multi-dimensional approach is not necessarily applicable to every claimant distant from the labour market. Moreover, the decline of job creation indicates a weakening of the social integration and employability approach of ALG II. The findings of our interview study furthermore show an overall enhancement of a work-first orientation and an increase of “creaming and parking” effects, even though the extent of work-first as well as “creaming and parking” in Germany cannot be compared to pure work-first ALMP systems like the UK marked by an absence of social integration measures and lack of administrative control of private service providers.

Against this background, our interviewees identified several problems with regard to an implementation of a multi-dimensional approach to combat working age poverty in Germany. First of all, it was stated that there was no guaranteed pathway for ALG II beneficiaries to
employment and social services (except placement and job counselling by personal advisers). There is a legal right to MIP, but there is no legal right to employment or social services for ALG II beneficiaries. These services are at the discretion of the Jobcenter. Thus, the focus on the “demanding” element in ALG II expressed, for example, through strict conditionality (see section 4.2.2.) also means that beneficiaries cannot claim enabling services. This misbalance between “demanding and enabling” indicates that the overall implementation of a multi-dimensional approach can be assessed as rather weak.

I have a right to the subsistence minimum. I have a (...) basic right to this and I have also the possibility to get employment services, but I do not have the right to employment services. (...) There are no legal rights in this area, I think. If so, there were still some in the SGB III where I have insurance benefits. That’s something else, but in the tax-funded minimum income protection you do not have [a right to these services]. I cannot demand: “Enable me.” Therefore, I think the relation between “demanding and enabling” is not balanced. This “enabling” is not adequately designed and is not adequately implemented. (FW1, 191)

As mentioned in section 5.2., the services provided in ALG II do not adequately meet the needs of persons with multiple barriers to employment. For example, labour market instruments do not necessarily consider simultaneous needs for social services like psycho-social counselling.

If one assumes that there is a will for integration, the will for labour market integration, then you see there are various obstacles. And the problem is that these needs are very heterogeneous and often not only occur individually, but in a multiple constellation. Depending on the dimension the problems are not exclusively problems which have to be processed in the area of SGB II. Where there are significant problems to structure the working day because of mental reasons or to get out of bed in the morning the SGB II only has unsuitable instruments like, for example, sanctions in accordance to §31f SGB II. Thus, here you would have to have other forms of support that are not in the SGB II.

(FW2, 53)

Moreover, Jobcenters are oriented towards fulfilling the target values for labour market integration set by the BA. This leads to an increased work-first orientation which, on the one hand, neglects multiple needs of persons distant from the labour market and, on the other hand, fails to place people sustainably.

(...) There is the group of the so called people distant form the labour market who have already been for so eternally long distant from the labour market, and who carry a whole bunch of problems, who often have physical disabilities, mental health problems, low qualifications. The focus cannot be “labour market integration as quick as possible”, but that is for what a Jobcenter is measured by, the so called integration rate which is set by the BA as target: “Well, accomplish an integration rate of let’s say five percent or let’s say 10 percent.” This is total nonsense because you of course have to depend it on the people [ALG II beneficiaries, N.P.] you have in the Jobcenter. This means: What are their chances to labour market integration in general? And also in which region am I? (...) Therefore, [we say] “slow progresses to the
labour market” and there you cannot start with integration rates. And these integration rates often are not sustainable. A lot [of ALG II beneficiaries] come back very quickly. Then I kind of have a great rate for a year, but in return the people are right back. (FW7, 163)

The increasing work-first orientation of ALG II creates a high turnover which indicates that the design of ALG II policies is not successful in combating poverty and benefit dependency permanently. There are high exit rates into employment, but also high entry rates to unemployment.

It is about a quick and possibly cheap integration to almost every condition. That is for what we also criticise so much the Hartz IV system. It is not only the standard rate, but that the people, the unemployed are forced to take up employment for almost any wage. Keyword: reasonableness. As you know, the only limit that exists in this system is the violation of moral. So we do have a lot of people taking up employment with five, six, seven euros gross per hour out of this Hartz-IV-system and these employments are partly even funded. Keyword: temporary employment. Sometimes there are wage subsidies to subsidise these low-wage-jobs. According to empirical research, these jobs are not stable. A lot of people that manage to get work out of this Hartz-IV system are back in the system after a few months. This is such a “revolving door” effect and the latest statistics from the IAB [research institute of the BA; N.P.] show that within six months over fifty percent of those people become beneficiaries again. Within the first three months approximately 25 percent lose their jobs again. These are mostly jobs in the temporary employment industry, or any, we call it “precarious employment”, which are then quickly terminated again. And this is how the so called “revolving door effect” is created. This is again very much just stepping on the spot. One has a lot of action. People leave the unemployment, but are back very quickly again and one does not really improve. I once called it “the running standing still”. A lot of turnover, in and out of unemployment, but nothing stable. (...) (SP2, 19)

Moreover, the link to social services is rather weak. Besides personal advisers who are not able to identify beneficiaries’ needs for social services by qualification, the existence of institutional interfaces between Jobcenter and social service providers varies at the local level. Financial constraints additionally make the provision of adequate social services difficult.

First of all, one of the main weaknesses is that [the social services] are not well linked to employment services or even that support generally is not well integrated. So, I think that's easier for authorised local authority agencies, where everything is from one source. So, maybe that's an advantage if it is done by an authorised local authority agency. Otherwise, there are still friction losses because they are different institutions (...) And, of course, that they are different offices, other places, other houses. That is one problem. The other one is that the municipalities have to shut down because of lack of money. (FW7, 171)

To sum up, there are, on the one hand, elements of a multi-dimensional approach in ALG II, such as case management for persons distant from the labour market as well as the general
possibility to benefit from employment and social services. On the other hand, discretion of these services, an increase of a work-first orientation and locally varying interfaces between Jobcenter and social service providers show that a multi-dimensional approach is not fully implemented.
Conclusion

The reforms in the 2000s marked an enormous shift of the German welfare state accentuating activation, but also efficiency. On the one hand, the scope of the MIP system has been enlarged due to the introduction of ALG II as the new dominant MIP scheme covering all needy households with at least one employable person. On the other hand, MIP in terms of ALG II was bound to the activation paradigm of “demanding and enabling”. An enhancement of obligations to work, lower benefits, extended active labour market policies and the installation of a sanction regime were important elements of this process. Although ALMP can be characterised as relatively diverse and do include social integration and employability measures for persons distant from the labour market, an enhancement of a work-first orientation and increasing effects of “creamining and parking” can be observed which in particular disadvantage long-term unemployed persons who need special support in terms of a multi-dimensional strategy. They form a solid base of long-term beneficiaries. Another consequence is a high turnover of unemployed and employed people in ALG II because most employments out of ALG II are not stable. ALG II generally provides minimum income benefits covering the nationally defined subsistence minimum as well as employment services for its beneficiaries, although these are at the discretion of the Jobcenter. However, the link to social services as third strand of Active Inclusion is rather weak, especially due to institutional constraints like locally varying interfaces between Jobcenters and providers of social services as well as due to personal advisers who are not qualified to identify beneficiaries’ needs for social services. Furthermore, a recurring subject of discussion has been the mixture of competencies between the federal and the local level. Their conflicting interests finally led to a further decentralisation of ALG II. Moreover, the specific concept of Active Inclusion is not pursued by German policy makers, also because the EU’s influence on national policy development is low. All in all, the need for constant amendments of ALG II requires full attention of domestic policy makers.
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