



## Coordination practice

### COORDINATION PRACTICES IN GERMAN EMPLOYMENT SERVICES: THE CASE OF JOBCENTRES

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*The reform of the German labour-market administration in the 2000s presents a case of innovative coordination practices in at least two key aspects. First, it established cooperation between different levels of government in a joint agency (the so-called Jobcentres jointly administered by the Federal Agency for Labour and the respective local government), and second, it seeks to introduce modes of output control and accountability within these cooperative structures. While available evidence suggests that the integration of (formally fragmented) benefit and service systems improves service quality, coordination problems prevail due to the complexity of the institutional architecture of the Jobcentres. The case study is based on a comprehensive analysis of documents, including legal and policy documents as well as evaluation studies and reports, and expert interviews.*



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## **Preface**

This coordination practice is a result of research within COCOPS Work Package 5: The Governance of Social Cohesion: Innovative Coordination Practices in Public Management.

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The COCOPS project (Coordinating for Cohesion in the Public Sector of the Future) seeks to comparatively and quantitatively assess the impact of New Public Management style reforms in European countries, drawing on a team of European public administration scholars from 11 universities in 10 countries.

The specific objectives of Work Package 5 are:

- To search and identify emerging coordination practices and related steering instruments in public management in European public sectors.
- To compile a case study catalogue of such coordination practices with direct utility to public managers and the research community.
- To analyse the functioning of such coordination practices and to assess their value in countering public sector fragmentation and delivering public value.

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## 1. THE COORDINATION LANDSCAPE

### Main country characteristics: GERMANY

<p>General political-administrative structure</p>	<p>Since Germany is a federal state with a parliamentary system, policy-making power is shared between the central level and 16 Länder (states): the constitution allocates decision-making power in core policy areas at the federal level. However, Länder governments are strong veto players in federal legislation due to the key role of the Federal Council), in which all of the 16 Länder governments are represented.</p> <p>The implementation of federal legislation in most policy areas is delegated to the Länder level, where, in turn, implementation is further delegated to local authorities. This functional division of policy-making and – implementation (instead of a division along policy areas) and the involvement of the 16 governments create interdependencies between levels of government and the need to cooperate (cooperative federalism).</p> <p>Due to the federal structure, cooperation is therefore on the one hand located on the vertical level, between the central level and the states, and on the other hand on the horizontal level, among the different states or local authorities.</p> <p>With limited roles in policy implementation, German federal ministries are small by the standards of OECD countries. They play a key role in policy-making and the law-making process but are not directly involved in implementation or control of implementation. Non-ministerial bodies of the federal administration mainly provide advisory functions to the ministries rather than directly implementing policies. The Federal Labour Agency represents a key exception here.</p> <p>Within the federal government, policy-making is fairly decentralised and based on departmental policy initiatives. Drafting of policies or laws is done in small working units within the ministries, and the subsequent policy coordination occurs first between different units within the ministries and then between different ministerial departments. Cross-cutting initiatives, addressing policy in a strategic way, are missing and the core executives mostly gets involved at stages when disagreement between different ministries cannot be resolved at the horizontal level.</p>
<p>Coordination discourse</p>	<p>The coordination discourse in Germany is shaped by the strengths and weaknesses of “cooperative federalism”.</p> <p>A key strength is the smooth cooperation across levels of government within individual policy domains. Despite fragmented structures, the implementation of federal laws is fairly uniform across German states. Vertical policy coordination across levels of government is fairly consensual, indicated by the fact that the vast majority of bills introduced</p>

	<p>to the Federal Council find unanimous support. The federal structure can adapt to new problems without the necessity of formal structural change.</p> <p>A key weakness of this system is the strong sectorisation of policy-making, which is said to limit policy innovation and increase the “bureaucratisation” of policy making: specialist administrations from different <i>vertical levels</i> closely cooperate, with the consequence that political decision-makers can hardly change what has already been pre-decided by bureaucrats.</p> <p>Moreover, regarding the <i>horizontal level</i>, constitutional rules regulating the jurisdiction of federal states limit options to deviate from the policies of other states. And decision-making rules in the Federal Council make an institutional reform of the federal order almost impossible. Recent constitutional change concerning the federal order has therefore been very limited. The political scientist Fritz W. Scharpf has hence labelled the German federal system a “joint decision trap”, characterised by low autonomy of governments at both the federal and Länder levels and the incapacity to change institutional rules limiting the autonomy.</p> <p>Combined with the strong departmentalism at the federal level, policy coordination in Germany is best described by fragmentation and incrementalism. While the system is said to be good at avoiding “big failures”, it is said to be ill-suited to introduce institutional change in a coordinated fashion. Finally, the constitutional context and the administrative structure limit opportunities for “joined-up government” beyond networking and consensus-style projects. The case study presented here hence is an unlikely case in that context.</p>
Policy area	<p>Executive responsibilities in the case of employment policies are fragmented between the different federal levels. Labour market policies are primarily the responsibility of the central level, namely the Ministry of Labour and Social Affairs. Policy initiatives and legislative proposals originate in the responsible ministry, the chancellery or the parliamentary committee for Labour and Social Affairs. States and local authorities manage local economic development. This leads to important points of intersection between national and state-level policy-making.</p> <p>The central actor in implementing unemployment policies in Germany is the Federal Agency for Employment (“<i>Bundesagentur für Arbeit</i>”, BA hereafter). The BA provides monetary benefits as well as job-placement and re-integration services. Due to Germany’s insurance-based social-security system, the benefits of an unemployed person depend on his previous contributions to the unemployment insurance fund. Those who had paid into the insurance fund were divided into two benefits schemes: <i>unemployment benefits</i> for 6 to 32 month and <i>unemployment assistance</i> for long-term unemployed people</p> <p>In line with the German tradition of societal “self-governance” and “co-determination” employer associations and unions are represented in governing and managing boards of the BA. With its distinct legal</p>

personality, the BA is comparatively independent from political control and the direct oversight of the Ministry for Labour and Social Affairs, and having its own budget, the BA has extended autonomy for financial and personnel management. In contrast to most other areas of public services, the BA as a federal agency is tasked with the street-level implementation of policies and laws. Being governed by tight control of inputs and procedures via rules, accountability of field offices of the BA against outputs and outcomes was limited.

The BA is structured along three administrative layers: (1) the central office located in Nuremberg, (2) 11 regional offices responsible for the supervision and coordination of the local offices and (3) the 184 local offices with 647 sub-offices delivering services. Local offices are responsible for the provision of benefits and unemployment assistance as well as placement and re-integration services.

Previous to the reform efforts at the beginning of the 2000s, the main steering instruments for the agency's internal management were decrees from the central office to the regional offices and from regional offices to the local offices. Nevertheless, local offices in fact possessed considerable autonomy, leading to considerable variation in service delivery. Control structures and steering instruments were limited. All three levels of responsibilities were clearly divided between different departments (placement services, job counselling, benefits and internal administration). This led to a disengagement of the different units as well as to the development of distinctive work atmospheres and cultures. Reform efforts of the 1990s aimed mostly at integrating the different departments, thereby establishing a common contact point for the unemployed. The more comprehensive reform efforts of 2005 built upon and expanded these changes.

Social assistance scheme under the responsibility of local authorities

In addition to the two unemployment benefit schemes, governed by the BA, a third assistance scheme existed. The social assistance scheme covered all people who were in need for assistance but could not rely on one of the two other benefit schemes. A person who had never paid into the unemployment insurance could claim social assistance to cover living expenses, re-integration measures and social services. Local authorities, independently from the BA, governed this social assistance scheme.

During the 1990s three major problems of the German unemployment-service system became obvious.

1) The governance and internal management structures of the BA were not able to ensure the necessary service delivery with respect to re-integration and placement of the unemployed. Ineffectiveness and a lack of goal-oriented management plagued the agency.

2) The separation between unemployment assistance, managed by the BA,

	<p>and social assistance, governed by local authorities, led to extensive shifting practices between the two levels: the BA tried to move persons from the unemployment-assistance to the social-assistance scheme in order to reduce its financial burden, while local authorities tried to push recipients to the unemployment-assistance scheme for the same reason.</p> <p>3) Given the separation into three groups of unemployed, parallel support structures developed, which increased inefficiencies within the system. The coordination system between the two levels was thus characterised by perverse incentive structures. The shifting of responsibilities and financial burden became more important than the delivery of effective services and the re-integration of jobseekers into the labour market.</p> <p>Besides these factors, the overall economic situation increased reform pressures. At the beginning of the 2000s the unemployment rate in Germany was above the OECD average: for the period 2003 to 2006 the average unemployment rate of OECD countries was 6.6%, while German unemployment levelled between 9.8% and 11.2%. Furthermore, long-term unemployment was comparably high with around half of all job seekers being out of employment for longer than 12 month. At the same time, the country was faced with low levels of economic growth and little prospect for substantial improvement. All these factors contribute to setting the stage for the large-scale reform process of the social welfare system in Germany at the beginning of the 2000s: the so-called Hartz-Reforms.</p>
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<b>2. COORDINATION PRACTICE: Coordination practices in German employment services: The case of Jobcentres</b>	
<b>2.1. Substance</b>	
Country	Germany
Area	Employment
Main characteristics of the practice	<p>In order to tackle the problems of the unemployment-service system, a broad labour-market reform was launched between 2003 and 2005: the so-called “Hartz-Reforms” included four different laws (Hartz I-IV).</p> <p>As part of the reform, <i>unemployment assistance</i> and <i>social assistance</i> were merged into one benefit scheme: <i>basic-income support</i>. Every person who is in need for assistance and cannot rely on the unemployment-insurance benefits is entitled to the basic-income support. The new benefits scheme comprises a comparably heterogeneous range of people: persons who never paid into the unemployment-insurance fund, people whose rights to the unemployment-insurance benefits have expired or a person who does</p>

not earn enough to cover basic living expenses. Overall, the reform reduced the duration of unemployment benefit payments. Once the rights to unemployment benefits have ended, the unemployed person directly moves from unemployment support to basic-income support, irrespective of the previous income. This is the case after 15 months; the duration of benefit payment is extended for unemployed people who are older than 50.

Nevertheless, job seekers continue to be divided into two groups: those who can claim benefits and services from the unemployment-insurance fund and those who cannot. An unemployed person who has previously worked in a regular employment relationship and has paid into the unemployment-insurance fund receives his services and benefits at a local employment-agency office. A job seeker, who cannot claim any benefits from the unemployment insurance, receives his “service-package” at the Jobcentre.

#### Institutional reform – formation of one-stop-shop “Jobcentres”

The establishment of the basic-income-support benefit scheme was accompanied by an administrative reform mirroring the changes in the benefit schemes. So-called “Jobcentres” were established as a new institutional structure in order to manage the basic-income-support benefit scheme. Jobcentres are responsible for providing monetary services on the one hand and re-integration measures on the other. Monetary benefits include financial support to cover daily living costs, social assistance, monetary benefits for education as well as money to cover rent and heating costs. Re-integration measures include job-search assistance as well as social services supporting the re-integration into the labour market. These services are to the largest extent funded by the federal government through taxes. Local authorities have to finance the rental payments and heating costs.

A central objective of the administrative reform was the formation of a one-stop shop in order to reduce the burden on the job seekers as well as improve service delivery. The growing number of persons out of the job market made it necessary to develop a comprehensive and more effective employment-promotion strategy.

The goals of the new coordination practices in the form of Jobcentres was

- 1) to alter traditional incentive structures, which had been characterised by shifting “customers” back and forth between the BA and the local authorities due to parallel structures;
- 2) to increase the number of successfully re-integrated persons in the labour market fostering an activating approach to labour market policies; and
- 3) to re-structure the BA in order to establish a modern service provider.

Background and initiation of the practice	<p>The establishment of the Jobcentres was part of a broader package of labour-market reforms, based on the blueprint development by a high-level commission – “Modern Services at the Labour Market” – initiated by Chancellor Schröder and headed by an executive board member of Volkswagen, Peter Hartz. The formation of the commission was a response to the so-called “Vermittlungsskandal” in 2002, when the German Federal Court of Audit detected that only around one third of the official reported job placements could in fact be classified as such, one third were in a grey zone and one third was inexplicable and partially counterfeit.</p> <p>While the “Vermittlungsskandal” can be seen as the final trigger, two important further developments finalised setting the stage for the reform. First, the politics of the so-called “labour market closure” had become an unbearable financial burden for federal and local finances: Since the 1980s unemployment policies had aimed mainly at maintaining the living standards of the unemployed, early retirement was a widely used strategy to deal with layoffs in industry. However, the growing number of long-term unemployed with little prospects for re-integration could no longer be financed. Second, resulting from the growing financial pressures the BA and local authorities were engaged in comprehensive shifting practices between the benefit schemes for long-term unemployed and social assistance. These practices only served short-term financial easing, but did not address the real issue of growing long-term unemployment. This combination resulted in shifting policy priorities towards a more activating approach, with the main goal of re-integrating the unemployed into the labour market rather than passive unemployment benefits ensuring previous living standards.</p>
Time frame	<p>After the detection of the “Vermittlungsskandal” by the German Federal Court of Audit in 2002, the German government under Chancellor Schröder set up an expert commission headed by Peter Hartz (“Hartz-Commission”). This commission recommended a reform of the unemployment-service system, which led to the implementation of four different laws “Hartz I-IV” from 2003 until 2005.</p>
<b>2.2. Structure and actors</b>	
Basic features	<p>Throughout the reform process, there was a broad agreement that the establishment of a one-stop-shop system was necessary in order to address the issue of perverse incentive structures and to avoid parallel-structure inefficiencies. However, the organisational and administrative design of the new Jobcentre was open for considerable debate and disagreement. The compromise arrived at in 2005 can be characterised rather as a patchwork rug than a consistent and uniform administrative structure.</p> <p>Two different institutional arrangements for the Jobcentres were established:</p>

(a) *Joint agencies* co-governed by the BA and local authorities.

*Joint agencies* represent an innovative coordination practice as they bring together different governmental levels in order to establish more comprehensive and effective employment-promotion services, with different expert knowledge within one institution.

The BA has comprehensive knowledge on the overall structure and composition of the German labour market and possesses considerable know-how in the context of re-integration counselling. Local authorities on their part are well aware of the particularities and special features of the local market and are closer to the people.

The establishment of the co-governed institutional structure implied the development of a complex network of actors and responsibilities. The Ministry of Labour and Social Affairs has the legal oversight over the BA. The respective state-level institution has the oversight of the local authorities within the joint agency.

While it is possible for a basic-income-support claimant to receive all his services at the Jobcentre, the responsibilities remain split between the BA on the one hand and the local authorities on the other. This means that the BA is responsible for re-integrative measures including training, monetary benefits for self-employment or subsidised employment opportunities as well as for the monetary service of unemployment benefits. The local authorities are in charge of social integrative measures referring to childcare services, drug or debt counselling, as well as heating and housing costs. In this sense, responsibilities remained with the respective institution that had most experience and expertise in the given area. This means that the BA, on the basis of legal provisions, determines how the unemployment benefits for basic-income-support claimants is calculated. Local authorities decide upon the calculation basis of rental and heating costs and determine their level.

The employees in a Jobcentre continue to be employed by either the BA or the local authority. This has important implications on aspects such as different working hours or two different work councils within the joint agencies. The separation of responsibility is not reflected at the operative level. With respect to implementation, the services are divided into re-integration measures on the one hand and monetary support on the other. Job assignments correspond to the specific expertise of the employee to ensure that the use of available experience and know-how is maximised. With 535 offices throughout Germany, joint agencies are the dominant institutional arrangement governing the Jobcentres.

(b) The so-called *opt-out local authorities* represent the second institutional structure managing the implementation of the basic-income-support benefit scheme. Local authorities have the possibility to opt out from the joint agency model. In this case, local authorities govern and manage the basic-income support in self-responsibility and without the involvement of

	<p>the BA. Up until 1 January 2012, 69 local authorities were granted the right to opt out.</p> <p>The law originally set out a test-phase from 2005-2010 in which the effectiveness and efficiency of the two different institutional arrangements were evaluated. Additionally, legal uncertainties required further legislative amendments. Hence, the latest changes were decided upon in 2010 and only implemented in 2011. The formal evaluations of the test-phase did not reveal a clear-cut solution, and political disagreement about the best organisational structure persisted. Again in 2010, in order to reach agreements, a considerable compromise was necessary, which established the joint agencies as the regular institutional design for delivering all services connected to the basic-income-support benefits. New regulatory arrangement increased the autonomy of the joint agencies. At the same time opt-out local authorities received a permanent status and their number increased to 108. Given the comparably small number of opt-out local authorities, the following analysis focuses mainly on the case of joint agencies.</p>
Main tools	<p>The administrative and organisational reform established a formal cooperation between two different levels of government in order to increase the effectiveness and efficiency of service delivery. New modes of output control and accountability were implemented. The legislative acts require the two different levels of government to establish a joint agency delivering all services of the basic income support scheme. A so-called “founding contract” sets the framework conditions for the cooperation between the two actors. Apart from a given set of requirements, the two actors are relatively free to determine the parameters of cooperation, which leads to a wide variety of contacts between local authorities and the BA, different modes of service delivery and different internal organisations and structures of Jobcentres.</p> <p><u>Supervisory board</u></p> <p>The establishment of a single institution governed and managed by the BA and local authorities required new coordination structures and steering instruments. The main managerial body of this mixed institution is the supervisory board, which consists of an equal number of representatives from the BA and from the local authorities. The supervisory board selects the managing director of the Jobcentres and is responsible for the administrative structure and organisation of the Agency. The different interests of the BA and the local authorities congregate in the Board, which at times also leads to clashes.</p> <p><u>Cooperation Committee</u></p> <p>In order to improve the coordination between the governmental tiers involved, the legislative changes in 2010 introduced a cooperation committee at the state level. It brings together representatives of the Ministry of Labour and Social Affairs and the responsible state institution.</p>

The committee consists of three representatives from the Ministry (two of these seats are given to the BA) and three representatives of the Länder. The coordination committee establishes the main targets of the labour and integration policy; these are closely coordinated with the targets that the ministry and the BA agree upon, and the target agreements between the regional BA offices and the joint agencies.

Additionally, a committee of basic-income support is established at the federal level. This committee is responsible to monitor and advise in key issues.

#### Performance control

Two somewhat contrasting control principles accompanied the establishment of joint agencies. On the one hand, Jobcentres should have as much autonomy as possible in implementing the necessary policies at the ground level. On the other hand, the federal budget is the main source of finance for the basic-income support and respective re-integration measures. Therefore there is a need to allow for certain control mechanisms in order to ensure the effective and efficient use of resources. As a consequence, the establishment of the joint agency evolved hand-in-hand with the development of new control structures. Generally, the reform efforts introduced more output-oriented control mechanisms. Two key aspects of the new control system should be highlighted: first, the introduction of target agreements and second, the establishment of a new controlling system including benchmarking activities.

Targets are agreed upon on a yearly basis at different levels and between various actors. The Ministry of Labour and Social Affairs develops these targets in cooperation with the BA. These agreements determine quantifiable goals within three permanent categories: (a) reducing the number of persons depending on basic-income support, (b) preventing long-term dependence on basic-income-support benefits (c) improving re-integration measures. Additionally, targets are developed every year in relation to specific challenges. Based on these target agreements and considering the regional particularities, local BA offices negotiate goals with the directors of specific Jobcentres. These target agreements are only connected to the respective responsibilities of the BA. Given the complex structure of responsibilities, it is not possible for the BA to decide upon target agreements concerning those services for which responsibility resides with the local authorities.

Based on an agreement in 2011 between the Länder and the federal government, the respective state ministries develop target agreements with the opt-out local authorities. In this sense the structures are now more standardised, allowing for a direct comparison between opt-out local authorities governing the Jobcentre, and joint agencies. The BA draws up a yearly report assessing whether the targets have been met. At the same time it is possible for the local authority to develop target agreements with

	<p>the respective director of the Jobcentre with respect to its responsibilities. These targets mainly concern the costs for rent and heating, as it is difficult to establish quantifiable targets concerning social reintegration measures. However, the development of these target agreements is up to the local authority. Again, considerable differences between Jobcentres exist.</p> <p>In order to assess in how far the target agreements in the BA area of responsibility have been met, a new controlling system was implemented in 2006. Jobcentres have to gather specific data sets on the basis of which the BA checks the accomplishment of the agreed targets.</p> <p>Controlling reports are published on a monthly basis, allowing Jobcentres to monitor their performance. Specific aspects are evaluated separately: for instance the number of re-integrated persons, which instruments have been especially useful, or the development of monetary benefits within the given month. Every Jobcentre is evaluated in comparison to other Jobcentres which are located in areas with similar particularities. The reports are also published online with the aim to increase transparency, as well as to foster competition and thereby increase performance. In case the Jobcentre does not achieve the targets, both responsible bodies set up guidelines how to respond. Nevertheless, there is no formal system of rewards and sanctions in place.</p> <p>In addition to the overall targets for the Jobcentre, a target system has been established for the managers of the Jobcentres; the sanctioning mechanism for underachievement is in this case the reduction of bonus payments.</p>
Main actors	<p>The reform was initiated by the Federal Government, which set up an expert commission, later known as the “Hartz-Commission”. The recommendations of the experts led to the reform process of the unemployment-service system.</p> <p>The institutional reform concerned the BA on the one hand, and local authorities on the other, as the formation of the one-stop-shop “Jobcentre” addressed both their responsibilities. The Ministry of Labour and Social Affairs has the legal oversight of BA-governed structures in the joint agency, whereas the oversight of the local authorities is the duty of the respective state-level institution. In the case of the opt-out local authority Jobcentres, the legal and functional oversight of the local authority is with the respective state ministry.</p>
<b>2.3. Impacts and effects</b>	
	<p>Since the establishment of Jobcentres as joint agencies was part of a much wider reform process of the German welfare-state system, it is difficult to identify the specific impact of the Jobcentres as a new coordination practice. Other policy changes such as the liberalisation of employment</p>

regulations had a substantial impact on the labour market. Moreover, the fact that the latest legislative changes were only implemented in 2011 makes it also difficult to find information on and assess whether these adaptations have already had an impact.

One central goal was to decrease the number of job seekers and improve employment-promoting measures, especially for long-term unemployed and other risk groups (single parents, migrants, etc.). With respect to the quantifiable effects, it is difficult to establish a direct link between the administrative reform and the development of unemployment numbers, as additional factors such as the overall economic development also have a large impact.

Progress following the reforms with respect to basic-income-support beneficiaries, who have additional difficulties to find a job (low-qualified, single parents, elderly, young) has been limited, as low qualification remains the primary reason for long-term unemployment, and for example around ¼ of all persons receiving benefits and services from the basic-income support scheme are single parents. Establishing a one-stop shop should have especially benefited those persons facing considerable barriers for re-integration. It is questionable if this has been accomplished.

Below, we summarise the main positive and negative effects in order to provide an overview of the new coordination dynamics.

- Establishment of a one-stop-shop institution led to:
  - avoidance of parallel structures;
  - better use of resources;
  - increased efficiency.
- Altered incentive structure through:
  - the elimination of the former practice of shifting job seekers to the other benefit scheme to decrease the financial burden of the respective institution;
  - changes toward output orientation, targets and competition between the different Jobcentres through comparisons and rankings with the effect that Jobcentres adapt their instrument mix to improve their rank.

Additional impacts:

- increased transparency and accountability through public reporting on the target agreement;
- new controlling structure makes it possible to identify problems within a given institution;
- the reduction of administrative effort and improved usability for job-seekers through the establishment of a one-stop-shop with the

	<p>standardised name “Jobcentre” (since 2011);</p> <ul style="list-style-type: none"> <li>- joining the two distinctive administrative cultures of the BA (rule-bound governance patterns, sparse decision-making autonomy, focusing on labour-market reintegration) and the local authority (right to self-governance, autonomy, role as caretaker) proved difficult, e.g. with respect to the organisation of service delivery;</li> <li>- formal differences between BA and the local authority employees (e.g. different working-hour regulations, different wages, no equal data access) complicated the cooperation between the BA and the local authority;</li> <li>- although the reform aimed at equal footing, reports show that local actors experience the cooperation largely as dominated by the BA, which is also indicated by the high number of local authorities who applied to opt out from the joint institution;</li> <li>- variance between different Jobcentres with regard to the organisation of service delivery through individual “founding contracts” makes it difficult for external institutions to cooperate with different Jobcentres;</li> <li>- heavy burden on the employees due to continuous reforms and change.</li> </ul>
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<b>2.4. Lessons learned and policy recommendations</b>	
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	<ul style="list-style-type: none"> <li>- The integration of two services in the Jobcentres was effective in reducing perverse incentives and ending a practice of “shifting” unemployed people between two institutional systems. This “success”, however, is the result of the broader change of the welfare-state system, which is, in itself, contested in the German political debate. At the same time, a full integration of all labour market/unemployment-related services has not been achieved, given that Jobcentres co-exist with local labour agencies.</li> <li>- The administrative reform leading to the creation of the Jobcentres was far more complex than initially expected. Continuous political contestation concerning the “right” institutional structure resulted in continuous changes of the institutional framework. In combination with repeated changes at the level of policy instruments, governance of the Jobcentres remains challenging.</li> <li>- The different “institutional homes” within the Jobcentres is less of a problem in the daily routine in 2012 than five or so years ago, but remains somewhat problematic. The imbalance between the two partners running the Jobcentres is another on-going issue.</li> <li>- At the same time, tangible improvement of coordination practices can be observed. All Jobcentres are now integrated in a wider coordination</li> </ul>
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and supervision structure, which is complex in itself given the dispersion of authority in the German federal system. Nevertheless, elements of performance governance have been established, and the Jobcentres are now subject to target regimes and benchmarking exercises. The effectiveness of this performance regime in governing a complex institutional setting cannot yet be reliably assessed at this state of the reform.

- The official evaluations comparing the work of the joint agencies and the opt-out local authorities suggest that the strength of the respective institutional structure is closely linked to its previous tasks. Three main indicators were established in accordance to which the performance of the joint agencies and the opt-out local authorities were assessed: (1) integration into the labour market, (2) enhancing the employability of job seekers and (3) social stabilisation
- Joint agencies scored higher for
  - the integration into the labour market, especially regarding reintegration into regular employment, which can be explained by the presence of target agreements as well as stricter administrative rules.
- Opt-out local authorities:
  - performed better at enhancing the employability of job seekers as well as increasing social stability;
  - led to higher satisfaction according to customer surveys;
  - have an effective network with other actors at the local level, which was identified as a positive aspect;
  - have more autonomy and a higher level of decentralisation, which has been experienced as advantageous by the agencies themselves;
  - the federal level assessed the lack of controllability and the consequential diversity in service provision in the case of opt-out local authorities as a major short-coming of the respective institutional structure.

These evaluations do not come to a definite conclusion. However, the latest legislative changes implemented a common controlling system for the opt-out local authorities as well. It is not surprising that joint agencies are more successful with respect to re-integration measures, while opt-out local authorities had their strength in connection to social services. The strong link between the previous responsibilities indicates that even after the reforms, traditional administrative cultures prevail. The German Institute for Labour Market Research stresses that the success of services depend more on the quality and intensity of the support, and the degree of integration within management of the case, irrespective of the institutional arrangement. This can be an important message for arguing that the policy

	<p>tool and instruments as well as specific management within an institution are the most vital ingredients for successful counselling and re-integration</p>
<p><b>2.5. Further information</b></p>	
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