

Matthias Knuth

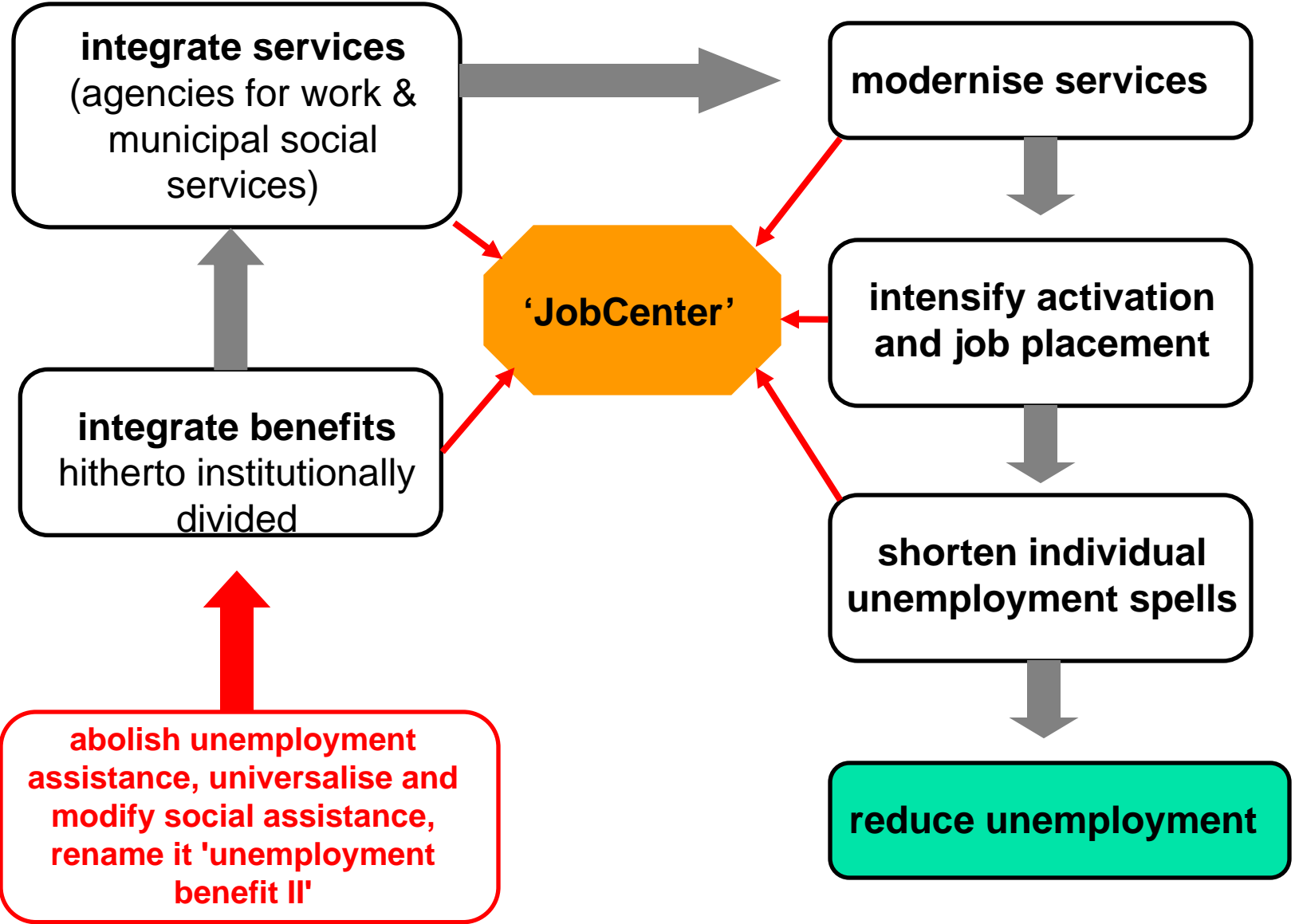
Activation, Bismarckianism and Federalism: Radical Change and Unintended Outcomes in Germany

**International Expert Conference:
Reforming Activation: A New Turn in
Policy?**

March 24 – 25, 2011

University of Hamburg

The central philosophy of the "Hartz" reforms



"Hartz IV": radical reform – 'third order' change

... organisation and governance of services	(c) structural : merging, splitting, privatisation of service organisations	UK 2002-2006 Norway 2006-2010 (NAV reform) DK 2009 (jobcenter reform)		NL 2002-2009 Germany 2005 France 2008
	b) gradual : internal restructuring, co-operation, add-ons		France 2001-2007 Austria 2007-2010	
	a) none		DK 1993-2003	UK 2008 (IB⇒ESA)
reforms of...		(1) none	(2) gradual : benefit levels and duration, eligibility requirements	(3) structural : creation, abolishment or merger of benefit categories
		... the benefit system		

third order change: "simultaneous changes in all three components of policy: the instrument settings, the instruments themselves, and the hierarchy of goals" (Hall)

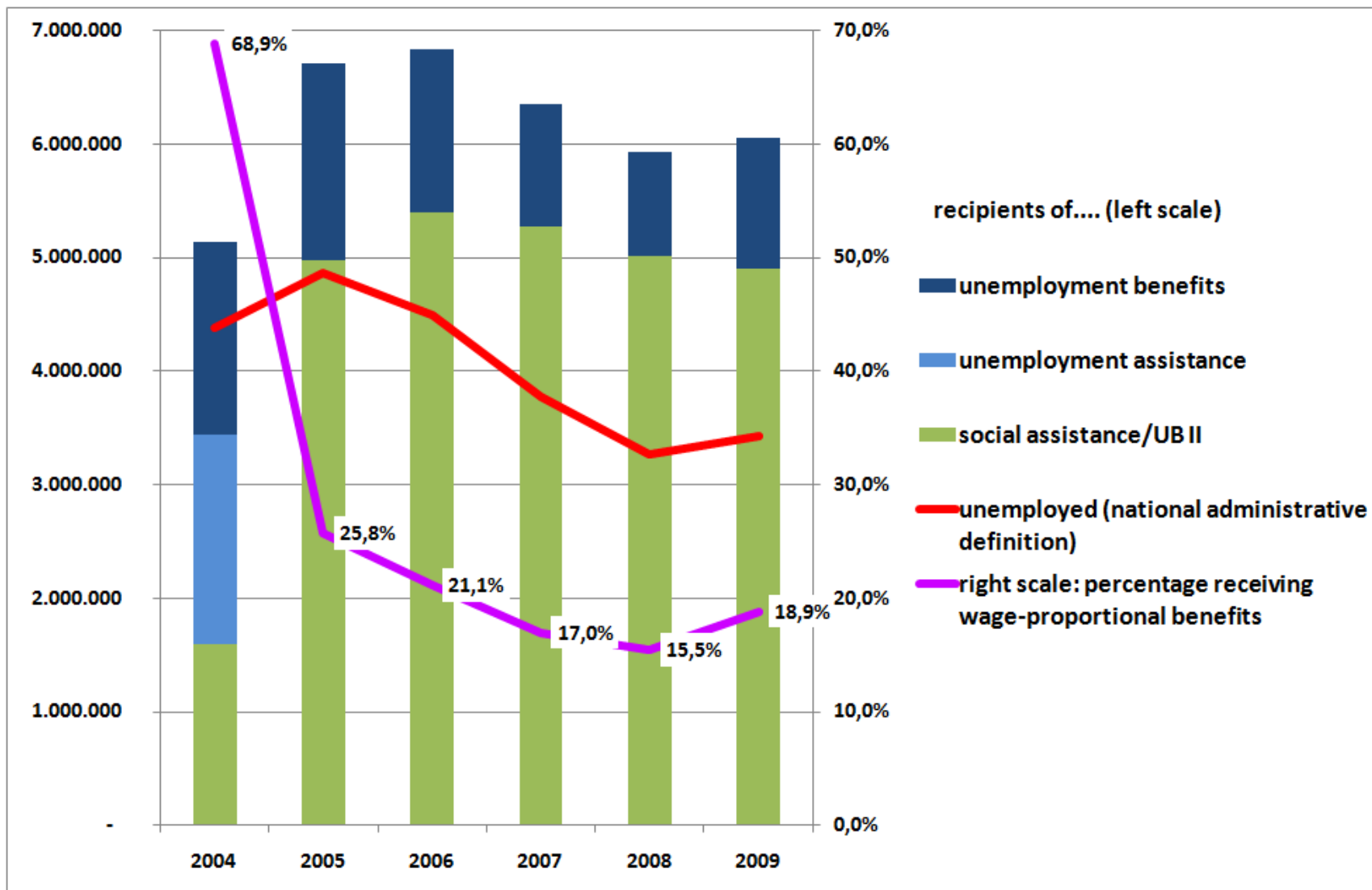
Retrenching Bismarckian social insurance (1): benefits for workless people until 2004

	unemployment benefit	unemployment assistance	social assistance
funded from <i>contributions</i>			
funded from <i>taxes</i>			
<i>earnings</i> related	relative status maintenance		
<i>flat-rate</i>			minimum income
<i>wage</i> replacement	paid in arrears (end of month)		
subsistence			paid in advance
<i>not</i> means-tested			
<i>limitative</i> means-testing			
<i>causative</i> means-testing			
limited duration			
<i>unlimited</i> duration			
<i>individual</i> entitlement	with parenthood supplement		
<i>household</i> entitlement			flat-rates for each category of household members
obligation to (actively seek) work	former breadwinner=claimant only		any able-bodied household member of working age (in theory!)
contributions to other social security branches	yes		no
applicable jurisdiction	social		administrative

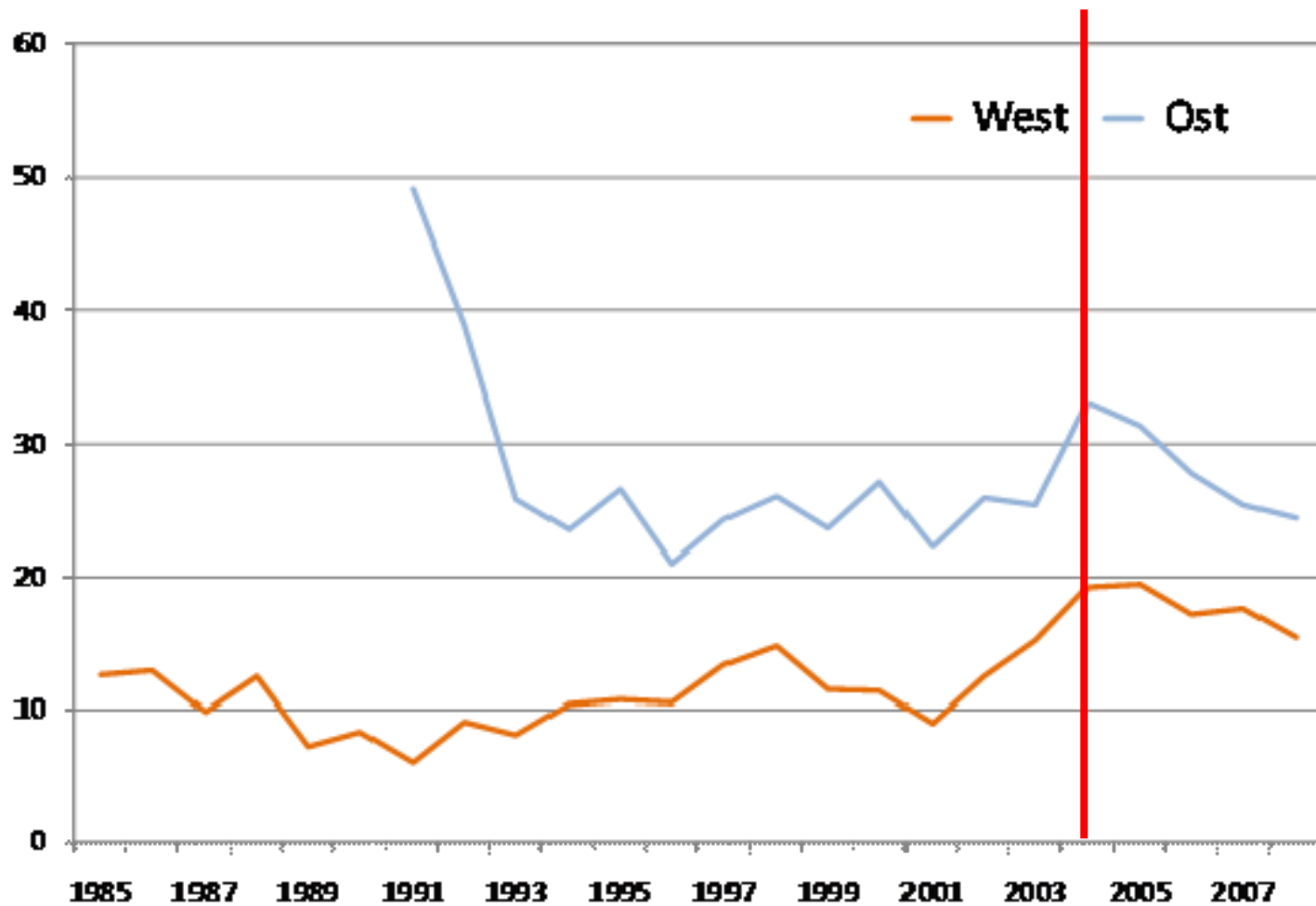
Retrenching Bismarckian social insurance (2): benefits for workless people as from 2005

	unemployment benefit	'unemployment benefit II'		residual social assistance
<i>contribution based</i>				
<i>tax based</i>				
<i>earnings related</i>	relative status maintenance			
<i>flat-rate</i>				
<i>not means-tested</i>				
<i>poverty-based</i>				
<i>limited duration</i>				
<i>unlimited duration</i>				
<i>individual entitlement</i>	with parenthood supplement			
<i>household entitlement</i>				
obligation to work	former breadwinner only	any able-bodied household member of working age		by definition not able to work
contributions to other social security branches?	yes	originally yes	since 2011: no contribution to pension fund	no
applicable jurisdiction	social			administrative

Retrenching Bismarckian social insurance (3): workless people's benefits 2004 - 2009



Percentages of waged and salaried employees 'very worried' about the security of their job

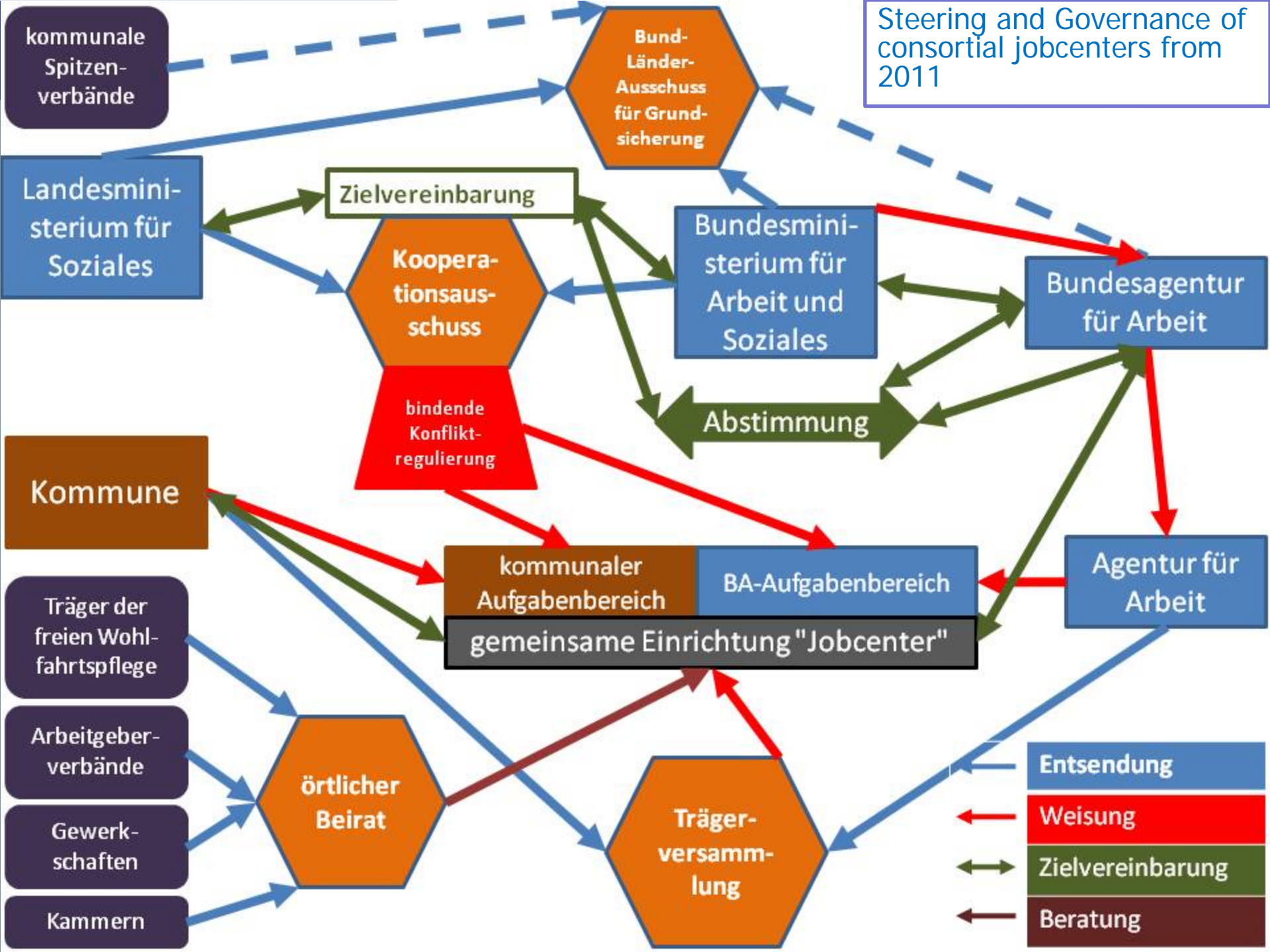


Source: Erlinghagen 2010

Federalism as an intervening variable in the reform process

- Framing of the reform as a 'merger' of a federal system (unemployment assistance) with a municipal system (social assistance) has invoked path dependencies of 'local welfare systems':
 - implementation *without* municipalities politically unacceptable
 - parliamentary compromise (2003/204) created two competing models of municipal involvement: 'consortia' and 'licensed municipalities'
 - implementation *with* municipalities difficult to reconcile with the constitution (constitutional court ruling of 2007)
 - consensus on adapting the constitution to political necessity only possible at the price of an *increased* role for municipalities (Knuth, Larsen 2010) and the *Länder*
 - resulting steering and governance structure overly complex

Steering and Governance of consortial jobcenters from 2011



Outcomes 1: Individual effects of activation

- Significant effects of reported activation experiences on
 - taking up employment:
 - for recipients of UB II overall (Boockmann et al. 2009)
 - for recipients with health problems (Brussig, Knuth 2010a)
 - for recipients with migrant backgrounds
 - for older recipients (Brussig, Knuth 2010b)
 - on employability even if not taking up employment (Brussig et al. 2010)
 - especially for women

Outcomes 2: Aggregate effects of 'activating' reform

- preparedness to take up employment: **no effect** – or slightly negative on recipients of UB II, probably due to 'creaming off' (Brenke 2010, based on GSOEP)
- job search: **no effect** on recipients of UB II; effect on recipients of UB only since 2009 (ibid.)
- aspired wage of UB II recipients in search of full-time job: **no effect** (ibid. & Bender/Koch/Messmann/Walwei 2007)
- unemployment \Rightarrow employment outflows: **strong effect** on recipients of UB, **small effect** on recipients of UB II (Knuth 2010)
- ratio "employment growth : unemployment decline": **positive** – due to reform, to new growth pattern, or to demographic change and beginning labour force shrinking?
- perceived job insecurity: rising – despite decreasing overall labour turnover and increasing average job tenure (Erlinghagen 2010)
- increased **readiness for concessions** among the **employed** (Kettner, Rebien 2009)
 - \Rightarrow expanded scope for firm-internal flexibility in part explains resilience of employment levels during financial crisis

Outcome 3: Organisation and Governance

- Organisational split between the activation of two categories:
 - insured unemployed
 - recipients of UB II
- Organisational split within the activation of the recipients of UB II:
 - consortia ('joint establishments' between the Federal Employment Agency and a municipality)
 - licensed municipalities (currently 69; 110 from 2012)
- Steering and governance:
 - complex, redundant and **potentially self-inhibiting** for consortia
 - insufficient accountability of municipalities to federal government
- Reform has only very temporarily relieved the financial squeeze of municipalities – it is now as acute as ever.
- Financial hassle between the federal government and the municipalities remains permanent.

Outcome 4: 'Drift back' towards former Municipal Social Assistance

- increase in the number of 'licensed municipalities' (from 69 to 110) – despite evaluation results suggesting poorer performance of this organisational model
 - municipalities alone responsible for implementation of the recently introduced 'educational package' for children in families receiving UB II – irrespective of the organisational model
 - as unemployment decreases, barriers to employment not directly related to labour market factors become more visible:
 - poor health
 - single parenting, insufficient public childcare facilities
 - ethnic segregation
- ⇒ UB II regime: 'activated' social assistance with vast expansion in scale, shift towards federal funding and complex involvement of the Federal Employment Agency

Conclusions

- National systems of social protection are not uniform 'regimes' but historically layered with different logics co-existing.
- There is more to 'Bismarckian' systems than social insurance.
- Many countries have an undercurrent of minimum income benefits historically older than the modern welfare state.
- 'Residual' in Esping-Anderson's terms, the potential dynamics of these systems (social assistance, minimum income benefits) is under-researched.
- As far as these systems are linked to municipal self-government, their incorporation into activation policies may have unexpected consequences for the governance of activation.

**THANK YOU VERY MUCH FOR
YOUR ATTENTION!**

- Bender, Stefan; Koch, Susanne; Messmann, Susanne; Walwei, Ulrich (2007): Was muten sich Arbeitslose zu? Lohnkonzessionen von ALG-II-Empfängern. In: Sozialer Fortschritt, Jg. 57, H. 3.
- Boockmann, Bernhard; Brussig, Martin; Knuth, Matthias; Thomsen, Stephan L.; Walter, Thomas (2009): Mikroökonomische Wirkungs- und Effizienzanalyse: Ergebnisse aus dem Untersuchungsfeld 3. In: ifo-Schnelldienst, Jg. 62, H. 1, S. 39–47.
- Brenke, Karl (2011): Hartz IV: "Fordern und Fördern". Die Hartz IV-Reform aus arbeitsmarktpolitischer Perspektive. Vortrag auf dem Workshop HARTZ IV/RSA: Entwicklung und Gestaltung der deutschen und französischen Fördersysteme zur Rückkehr in Arbeit, Paris, 7.2.2011.
- Brenke, Karl; Eichhorst, Werner (2010): Arbeitsmarktpolitik: Falsche Anreize vermeiden, Fehlentwicklungen korrigieren. In: Vierteljahrshefte zur Wirtschaftsforschung, Jg. 79, H. 1, S. 56–84.
- Brussig, Martin; Knuth, Matthias (2010a): Rise up and work! Workless people with impaired health under Germany's new activation regime. In: Social Policy and Society, Jg. 9, H. 3, S. 311–323.
- Brussig, Martin; Knuth, Matthias (2010b): Aktivierung! Oder De-Aktivierung? Intensität und Wirkung der Aktivierung bei älteren ALG II-Bezieher/innen. In: Arbeit, Jg. 19, H. 4, S. 253–266.
- Brussig, Martin; Walter, Thomas; Knuth, Matthias; Boockmann, Bernhard (2010): Die Veränderung individueller Beschäftigungsfähigkeit durch arbeitsmarktpolitische Intervention. Eine empirische Analyse für ALG II-Beziehende. In: Sozialer Fortschritt, H. 10-11, S. 279–289.
- Erlinghagen, Marcel (2010): Mehr Angst vor Arbeitsplatzverlust seit Hartz? Langfristige Entwicklung der Beschäftigungsunsicherheit in Deutschland. (IAQ-Report, 2010-02).
- Hall, Peter A. (1993): Policy paradigms, social learning and the state. The case of economic policy making in Britain. In: Comparative Politics, Jg. 25, H. 3, S. 275–296.
- Kettner, Anja; Rebien, Martina (2009): Job safety first? Zur Veränderung der Konzessionsbereitschaft von arbeitslosen Bewerbern und Beschäftigten aus betrieblicher Perspektive. (Ordnungspolitische Diskurse, 7).
- Knuth, Matthias (2009): Path shifting and path dependence: Labour market policy reforms under German federalism. In: International Journal of Public Administration, Jg. 32, H. 12, S. 1048–1069.
- Knuth, Matthias (2010): Fünf Jahre Hartz IV: Zwischenbilanz und Reformbedarf. In: Orientierungen zur Wirtschafts- und Gesellschaftspolitik, H. 123, S. 14–23.
- Knuth, Matthias; Larsen, Flemming (2010): Increasing roles for municipalities in delivering public employment services: The cases of Germany and Denmark. In: European Journal of Social Security, Jg. 12, H. 3, S. 174–199.