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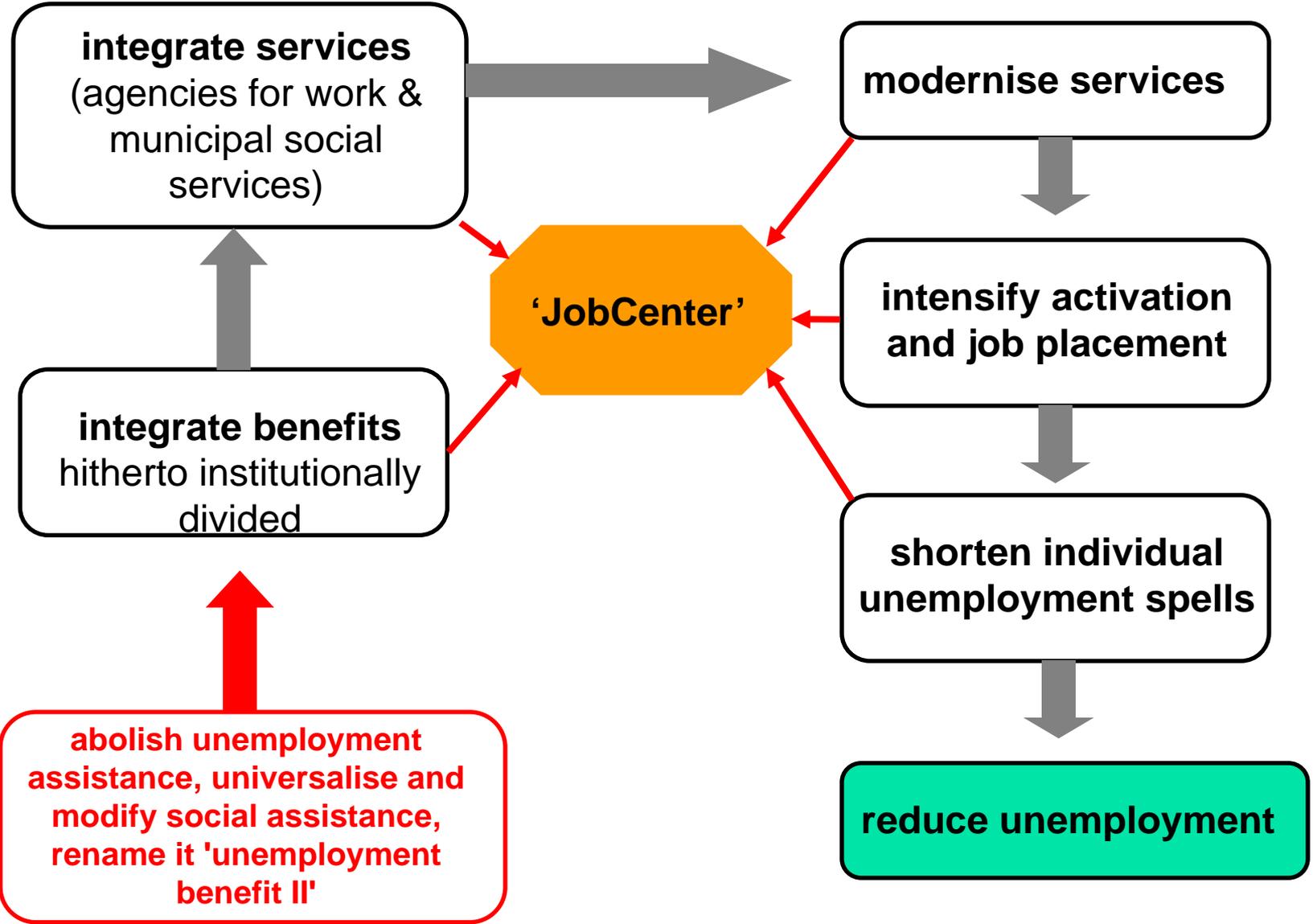
# Activation, Bismarckianism and Federalism: Radical Change and Unintended Outcomes in Germany

**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

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

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

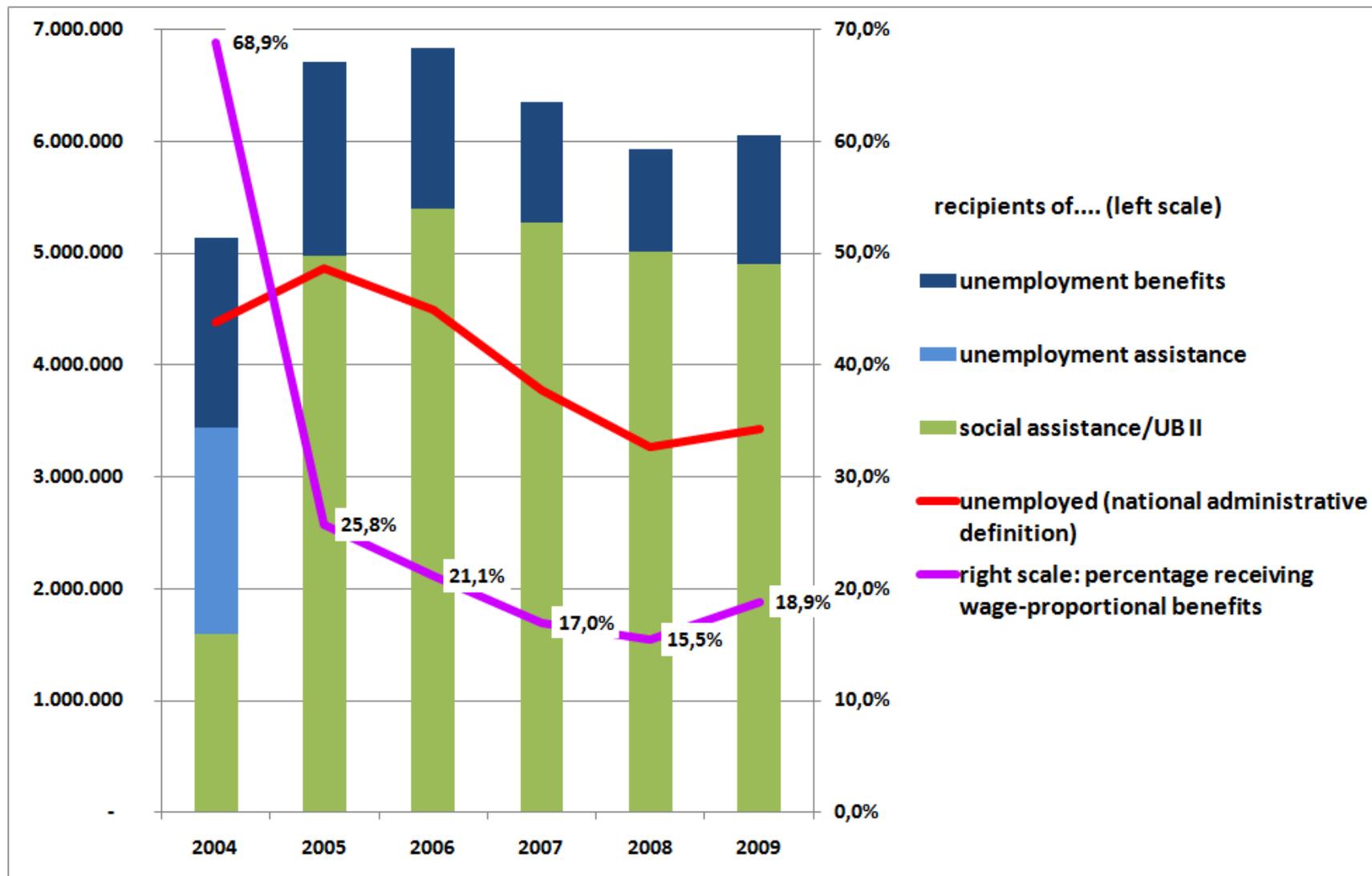
# Retrenching Bismarckian social insurance (1): benefits for workless people until 2004

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

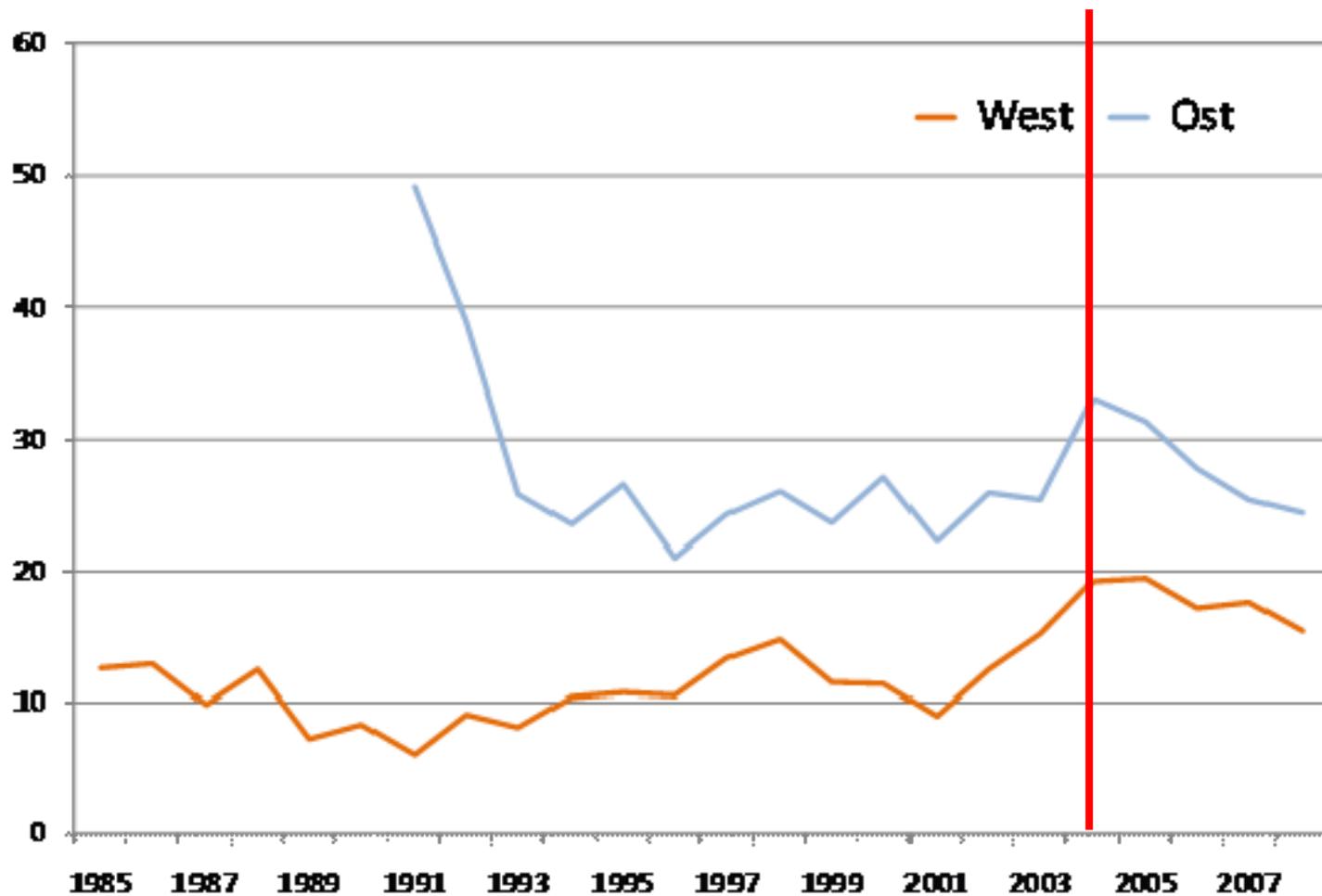
# Retrenching Bismarckian social insurance (2): benefits for workless people as from 2005

	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>				
<b>obligation to work</b>	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

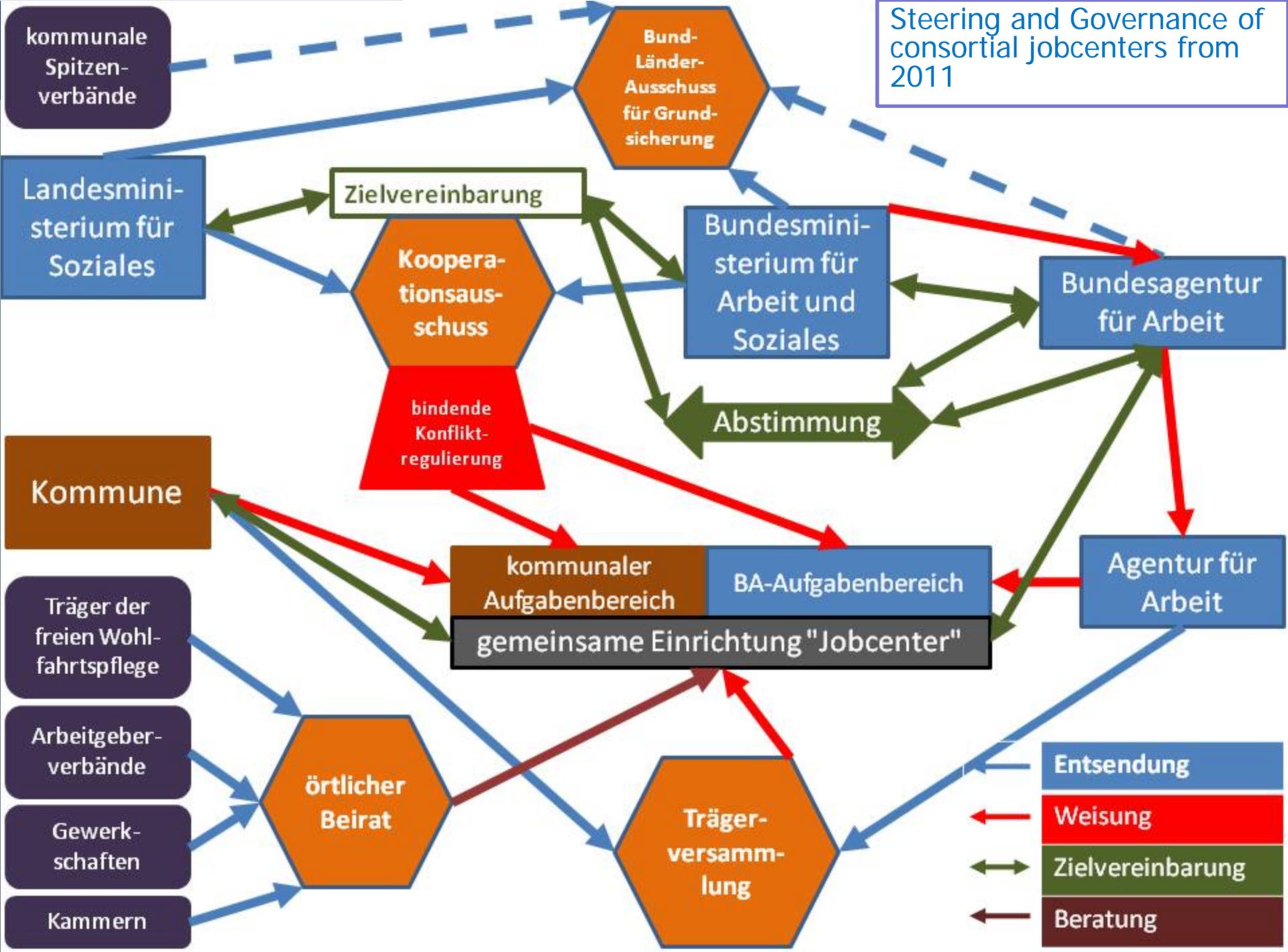


Source: Erlinghagen 2010

## 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!**

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