

Studienbeiträge zum European Restruc- turing Monitor (ERM)



Joint public-private local partnerships to cope with re-
cession

The case of Germany

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Köln, Februar 2011

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Abstract

LED in Germany is more or less incorporated into or, at least, aligned with regular ALMP and PLMP. In general, funding is provided out of centralised budgets. Though regional and local actors must therefore comply with guidelines and legal provisions or, in some cases, must apply to a central authority for their resources, they are autonomous in selecting their specific local ALMP approach and the partners involved. Due to the focus on structural obstacles to labour market integration, LED has played only a minor role in dealing with the potentially adverse employment effects of the current, or rather recent, crisis.

1 Local employment development (LED) and joint public-private partnerships**1.1 Local employment development before the onset of the financial crisis**

LED typically involves public authorities, chambers of commerce and industry, social partner organisations, private and publicly-owned companies, and non-profit organisations. The spatial scope of LED initiatives, however, frequently coincides with the boundaries of municipalities or the spatial demarcation of the local branches of the Federal Employment Agency (BA). In contrast to the strict definition of LED partnerships given in the briefing note, which excludes approaches in which public authorities only offer financial support to employers and employees without significant collaboration with other stakeholders, LED partnerships in Germany cannot generally be isolated from regular active and passive labour market policies (ALMP and PLMP).

This holds in particular for those policies based on the Social Security Code II (*Sozialgesetzbuch II*, SGB II). In 2005, the municipalities and the local branches of the BA were directed to establish joint social assistance agencies (*Arbeitsgemeinschaften*), which have since then administered the ALMP and PLMP for those who are unemployed for more than 12 months and regarded as fit for work. At the local level, they are thus jointly responsible for issuing the relevant benefits, 'unemployment benefit II' (*Arbeitslosengeld II*), as well as for designing and selecting concrete ALMP for recipients of this benefit.

By contrast, in 69 districts (*Optionskommunen*), the municipalities alone are authorised to administer ALMP and PLMP for recipients of unemployment benefit II. Expenditure on unemployment benefit II and active labour market policies based on SGB II is, however, funded out of the federal government's budget. On behalf of the Federal Ministry for Labour and Social Affairs (BMAS), the BA and the local joint social assistance agencies agree objectives for the administration of unemployment benefit II and related ALMP. Except in the *Optionskommunen*, therefore, LED partnerships initiated by the municipalities prior to 2005 have been coordinated with, or even integrated into, the activities of the joint social assistance agencies. Some municipal initiatives that promote business activity in general, for example by fostering start-ups, developing industrial sites or attracting new businesses may also be coordinated with the activities of the joint social assistance agencies.

With respect to ALMP and PLMP based on Social Security Code III (SGB III), i.e. for the short-term unemployed, it should further be noted that every public employment agency - and this means not only the BA, but also its local and regional subsidiaries - has a board of governors on which employers' associations, unions and public bodies are equally represented. These tripartite bodies supervise the executive board and the operations of the local branches of the BA and give advice concerning all labour market issues. To some extent, ALMP at the local level for those who are unemployed for less than 12 months may also exhibit some characteristics of LED.

In some cases, LED initiatives are embedded in activities launched at the national level. This holds, for example, for the 'local alliances for families' (*Lokale Bündnisse für Familie*) or the 'employment pacts for older workers in the regions' (*Perspektive 50plus - Beschäftigungspakte für Ältere in den Regionen*), the latter being operated locally by the joint social assistance agencies.

As both the activities of the joint social assistance agencies and of local offshoots of national initiatives are mainly funded out of central budgets, the actors operating at the higher level set guidelines, set objectives, and coordinate the local approaches. Actors at the lower levels, however, choose the specific measures that are to be implemented, select local partners and directly coordinate the labour market policies. Therefore, LED initiatives involved in regular ALMP and PLMP may follow a mix of top-down and bottom-up approaches. To put it more generally, players who are usually in charge of thinking up, planning and the decision-making needed to initiate projects may be called 'strategic actors', while others (operative actors) may be selected for their key competences, resources and ability to implement projects successfully. Small projects and limited initiatives, e.g. at city level, might emerge from the proposals and ideas of local actors responding to a specific local need.

Due to the institutional setting, LED activities and measures in which municipalities, employment agencies or joint social assistance agencies are involved focus predominantly on groups with generally unfavourable employment prospects, such as the long-term unemployed, disabled, low-qualified and older persons. In addition, some policies aim to help and encourage school-leavers graduates and drop-outs to obtain places on vocational training schemes or regular jobs whereas others are designed to generally foster continuous training. In short, programmes usually have been designed to overcome structural obstacles that prevent the unemployed from (re-)entering vocational training or the labour market. In comparison with short-time work schemes, they are less specifically designed to combat the adverse employment impact of a temporary downturn.

2 Effect of the economic crisis on local employment development

2.1 How has the economic crisis affected LED in your country?

Several articles and contributions to comparative analytical reports have already outlined the most significant measures to combat the adverse employment effects of the current economic crisis: the exploitation of working time accounts, the reduction of temporary agency work, the use of short-time work allowances, concluding company-level

'alliances for jobs' and sectoral or regional collective agreements with provisions aimed specifically at safeguarding jobs, such as temporary wage freezes, establishment of inter-firm staff pools, etc (Dribbusch, 2009 a, b / Krämer, 2009 and 2010 a, b / Stettes, 2009 a, b / Vogel, 2009 a, b and 2010). Due to their main focus (see section 1) LED partnerships in Germany have, strictly speaking, played a relatively minor role in addressing the adverse labour market effects of the current, or rather recent, crisis.

If municipalities provide additional resources for LED out of their own budgets, the funding of these activities may decline with the municipalities' taxes revenues, which are expected to decrease due to the economic crisis. LED activities funded out of the BA's or the federal government's budgets are less likely to be adversely affected.

2.2 Examples of local approaches to prevent or address the negative labour market effects of the current economic crisis

One exceptional example of a regional LED initiative that has recently been established to combat the negative effects of the current crisis is HessenTransfer, described below. As it was initiated by the regional branches of the unions and employers' associations, its effective area is a NUTS-I region. However, the initiative also includes activities at the local or regional level below the NUTS-I level, so that HessenTransfer qualifies as an example of LED. HessenTransfer and the two further examples detailed below, Perspective 50plus and MBQ, clearly exemplify the close link between LED activities and regular ALMP and PLMP in Germany based on SGB II and SGB III. The latter examples show that LED activities have not been substantially affected by the economic crisis with respect to the types of approach applied or local partners involved.

HessenTransfer

In April 2010, an initiative called 'HessenTransfer' was launched by the Hessian branch of the Confederation of German Trade Unions (DGB Hessen) and the Confederation of Hessian Employers' Associations (VhU). The initiative was set up in cooperation with the Ministry for Labour, Family and Health (HMAFG) of the state of Hesse and the regional subsidiary of the BA to support local companies. HessenTransfer, firstly, provides advice and practical help for SMEs on how to deal with staff surpluses in times of economic hardship and, secondly, supports employees affected by redundancies in their search for a new position.

HessenTransfer is designed to support companies wishing to set up their own, or cooperate with an already existing, transitional employment agency (*Transferagentur*) or transitional company (*Transfergesellschaft*). A transitional employment agency tries to place workers who are still employed with their (old) company, but threatened by unemployment, in a new position outside the company. If workers' employment contracts with their old employer have to be terminated, employees are offered the chance to sign a new fixed-term contract with a transitional company, which then tries to place them in new jobs.

The measures are covered by the SGB III. Both variants are jointly financed by the BA and the company which is restructuring and reducing staff. When employees are directly employed by a transitional company, BA offers to pay the transitional short-time work-

ing allowance, which amounts to 60% or 67% of the employee's former net wage (for a maximum of 12 months). The old employer pays the social security contributions of its former employee, the accumulated administrative and consulting costs of the transitional employment agency or transitional company and any costs incurred for further training courses.

As part of the new initiative, regional meetings have been held to publicise and encourage companies to take advantage of the existing legislative measures in Hesse. These meetings have been attended by the chief executives of the municipalities and other relevant authorities, such as the local branches of the BA. While the former serve as promoters, experts of the local or regional branches of the BA and consultants who are affiliated to either the DGB Hessen or VhU explain the transitional employment instruments, the legal framework and provide practical examples.

Information about the impact or outcomes of HessenTransfer is not available.

Perspective 50plus – employment pacts for older workers in the regions

The programme Perspective 50plus was launched by the BMAS in 2005 and currently subsidises 62 regional employment pacts (Stettes, 2006). These pacts are intended to improve the employability and employment prospects of long-term unemployed persons aged 50 and above. They represent cooperations between the local joint social assistance agencies, 350 out of a total of 437 of which are participating in the programme. Each 'pact' can develop and select those approaches which correspond best to the local or regional conditions and can thus be expected to deliver the most effective activation of long-term unemployed older persons and their (re-)integration into work. This also applies to the selection of partners and the establishment of networks at the local level.

For example, the employment pact KompAQT was established by the joint social assistance agency in Munich and its counterparts in the surrounding districts. Its local partners are the city of Munich, the city's local public training and employment agency, the Bavarian business associations (vbw), the regional branch of the Confederation of German Trade Unions (DGB Bayern), the regional chambers of commerce and industry, the University of Munich, and the regional branch of the Confederation of Small and Medium-Sized Enterprises (BVMW-Süd).

Perspective 50plus is financed out of the federal government's budget, supplemented by funds provided for ALMP based on SGB II and other resources, such as ESF. Funds are allocated solely on the basis of the targets achieved by the regional employment pacts, which can select between two funding models based on either their activation and integration efforts or their integration success.

The first stage of Perspective 50plus, between 2005 and 2007, was a pilot scheme. For the second stage, which began in 2008 and will come to an end on 31 December 2010, the project was transformed into a regular ALMP measure specifically designed for the older long-term unemployed. The third and last stage of the programme will be launched on 1 January 2011 and will expire by the end of 2015. Existing employment

pacts and those joint social assistance agencies that have so far not participated in Perspektive 50plus are invited to apply for the next stage.

Since October 2005 90,000 older long-term unemployed persons have been (re-)integrated into employment. Between January 2010 and April 2010 the partners of the employment pacts were able to place around 20,000 people in new jobs.

A list of existing employment pacts can be found here: <http://www.perspektive50plus.de/beschaefigungspakte/deutschlandkarte/>

Munich employment and qualification initiative

In 2005, the city of Munich formed the joint social assistance agency with the corresponding local employment agency according to SGB II. In addition, an advisory committee was established whose members are representatives of employers, unions, welfare organisations and organisations that conduct the ALMP on behalf of the joint social assistance agency. This committee has been involved in designing ALMP based on SGB II at the local level.

In addition, the city of Munich runs its own employment and qualification initiative (*Münchner Beschäftigungs-und Qualifizierungsprogramm*, MBQ). The first LED initiatives, the predecessors of MBQ, were launched as early as 1984. MBQ is aimed at improving the employment prospects of those who suffer from long-term unemployment, facilitating the transition from school to vocational training and work, promoting gender equality and adaptation to structural change. MBQ is considered to supplement the ALMPs of both the local employment agency and the local joint social assistance agency. As such, it is aligned with regular ALMP and PLMP as well as with programmes such as KompAQT.

In 2010, 110 projects are being fully or partly funded out of the municipality's budget and run by various local partners, such as for-profit and non-profit organisations. The total volume of funding amounts to 28 million euros. The organisations running the projects can apply for further resources, such as ESF resources and resources reserved for regular ALMP based on SGB II and SGB III.

The bulk of the municipal funding - 26.3 million euros - is allocated to projects that involve profiling and vocational training activities as well as the creation of subsidised jobs for the long-term unemployed, migrants, single mothers and disadvantaged adolescents ('second labour market' programme). In 2009, almost 2,500 participants held a subsidised job in 30 non-profit organisations. Since 1 February 2007, training and integration measures have been offered by the city of Munich in cooperation with a network of local training organisations and the local joint social assistance agency (*Verbundprojekt Perspektive Arbeit*). In 2009, 5,500 participants attended the vocational training or language courses offered by this programme. Pilot projects embedded in its programme 'Adapting to Structural Change' involve the creation of jobs in the construction and catering sectors, provide further vocational training, consultancy services for companies and mentoring, in particular for female employees. MBQ also includes a specific programme to ease into work school-leavers who have failed to find a vocational training vacancy or a regular job. Approximately 6,000 young people per annum participate in mentoring, profiling and training activities provided in ten projects.

Every year, the city of Munich holds a conference on employment affairs in which representatives of the local partner organisations participate. In 2009, the conference focused, among other theme, on the potential impact of the economic crisis on the local initiatives.

3 Commentary

In contrast to the strict definition of LED given in the briefing note, LED in Germany is more or less incorporated into or, at least, aligned with regular ALMP and PLMP and the funding of LED activities frequently relies on the same resources. In general, funding is provided out of centralised budgets. Though regional and local actors must therefore comply with guidelines and legal provisions or, in cases such as Perspective 50plus, apply to a central authority for the resources, they are autonomous in selecting their specific local ALMP approach and the partners involved. Thus the foundations are laid for a noticeable improvement in the employment prospects of those otherwise considered unsuited to active labour market participation. Due to the focus on structural obstacles LED partnerships have played only a minor role in dealing with the potentially adverse employment effects of the current, or rather recent, crisis.

4 References

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Annex: Questionnaire

1. The context for local employment development (LED) and joint public–private partnerships

This section aims to collect information about the context for LED and public–private partnerships in place prior to the onset of the economic crisis. The aim is to provide a general impression of LED and public-private partnerships rather than a full picture of LED initiatives.

1.1 A description of local employment development in your country before the onset of the financial crisis

a) Please very briefly define “local” for your country? Please use the scope and definitions section of the briefing note to inform your answer.

b) The composition of local partnerships i.e. which public, private and third sector actors or stakeholders are normally involved in its delivery (e.g. national/regional/local governments, social partners, companies, NGOs, NPOs, etc.)?

c) What does LED comprise in your country? Please include the types of labour market measures or actions undertaken by local employment development partnerships? Please use the examples provided in Text Box 1 below to inform your response.

Text Box 1: Examples of the types of activities delivered through local employment development partnerships

Skills development, including technical and / or thematic knowledge and / or transversal / key competences

Training / retraining for the unemployed (including internships and apprenticeships), e.g. social partners working jointly with employers and employees to support workers facing redundancy, or who have been recently made redundant in collaboration with public authorities

Training for disadvantaged groups, e.g. young or old persons, female detached persons, ethnic minorities/migrants, disabled

Learning / training voucher initiatives funded or facilitated jointly by partnerships locally
Support to education and training providers to help them respond to employers needs, e.g. through joint curricula development, or business / education projects to deliver training during down/quiet times

Jointly reviewing vocational education and training and adult education strategies and provisions re. local needs

Employer-led training networks

Promotional campaigns that promote education and training in growth sectors (less af-

affected by the crisis, coming out of the crisis quickly, or sectors facing labour or skills shortages)

Jointly implemented short-time work arrangements, which allow employees to take up training

Labour market integration, delivered by local public-private partnerships

Mentoring and coaching initiatives by employers for the unemployed

Recruitment fairs and campaigns jointly designed/offered by public and private actors

Enhanced jointly offered career guidance and counselling services

Involvement of local companies or NGOs in the delivery of outplacement services

Support to businesses, delivered by local public-private partnerships

New business creation and/or support for start-up businesses, including for example business incubator activities

Joint mentoring/coaching schemes for aspiring and new entrepreneurs

Activities to foster and support collaboration between local companies with a view to creating new or additional job opportunities

Creation of a local / regional brand

Managing the effects of the economic crisis

Joint business development activities

Activities to support / facilitate structural change within the local context.

2. The effect of the economic crisis on local employment development

2.1 How has the economic crisis affected LED in your country?

2.2 Please provide examples of local approaches implemented jointly by various public, private and third sector stakeholders to prevent or address the negative labour market effects of the current economic crisis.

- Location of the partnership, including the spatial level at which it operates
- Information on the partnership:
- Orientation of partnership activities
- Duration the partnership has been operational (and the relative importance of sustainable partnership in securing outputs and outcomes)

- Partnership aims and objectives
- Activities provided/content of the measure
- Success factors, preconditions for the effectiveness of the measure, lessons learned
- Challenges, barriers and bottlenecks (and how they have been overcome)
- Any outputs or outcomes identified and impact

3. Commentary